2015 Annual Report



日本の力を、世界のために。

Supporting Your Global Challenges

JBIC

JAPAN BANK FOR INTERNATIONAL COOPERATION

JBIC 2015

Japan Bank for International Cooperation Annual Report

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Numerical figures in this report

1. Numerical figures, other than percentages, in this report are truncated to the nearest whole number. (Figures prior to FY2008 were rounded off.) Percentage figures are rounded off. Thus numerical and percentage figures may not add up to the totals given. Amounts denominated in foreign currencies are treated as follows. Commitments are converted into yen at the Basic Rate of Exchange (revised semi-annually by the Minister of Finance, based on the prevailing market rates during the preceding six months) at the time financing contracts are concluded. Disbursements, repayments, and outstanding balances are calculated based on book value.
2. Numerical figures less than the specified units are denoted by "0"; "—" denotes that data is not available.
3. Until FY1998, the data of the Export-Import Bank of Japan (JEXIM) was used. Data in FY1999 is the sum of the data from JEXIM in the first half and that from the International Financial Account of the then-JBIC in the second half. From FY2000 to FY2007, data came from the International Financial Account of the then-JBIC. Data for FY2008 is the sum of the data from the International Financial Account of then-JBIC in the first half and the data from the Account for JBIC operations under the Japan Finance Corporation in the second half. From FY2009 to FY2011, data came from the Account for JBIC operations under the Japan Finance Corporation. Data for FY2012 and after is that of the Japan Bank for International Cooperation.

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Profile of JBIC

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1. Profile

The Purpose of JBIC

JBIC is a policy-based financial institution wholly owned by the Japanese government, which has the objective of contributing to the sound development of Japan and the international economy and society, by conducting financial operation in the following four fields:

- **Promoting the overseas development and securement of resources which are important for Japan**
- **Maintaining and improving the international competitiveness of Japanese industries**
- **Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming**
- **Preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption**

Corporate Slogan

日本の力を、世界のために。

Supporting Your Global Challenges

Corporate Philosophy

The objective of JBIC, as set forth in its statutory law, is to "contribute to the sound development of Japan and the international economy and society" by executing a variety of financial functions. To pursue this objective, we have set out the following corporate philosophy, which espouses three core values: "Hands-on Policy," "Customer-1st Approach" and "Forward-looking Action."

Positioned at the crossroads of global business opportunities,
JBIC is opening new venues to the future for the Japanese and global economy.

Hands-on Policy: Pioneering new value by participating at the forefront of overseas project development, and by engaging proactively in projects from the early stages

Customer-1st Approach: Offering customers one-of-a-kind solutions by adopting their perspectives and integrating their views into policy development

Forward-looking Action: Contributing to the sustainable development of Japan and the world as a whole by deploying highly professional skills, with a view to realizing a secure and affluent future society

Operational Principles

JBIC, as a policy-based financial institution and in accordance with the following principles, conducts speedy and well-focused operations based on policy needs in response to economic and financial situations in Japan and abroad.

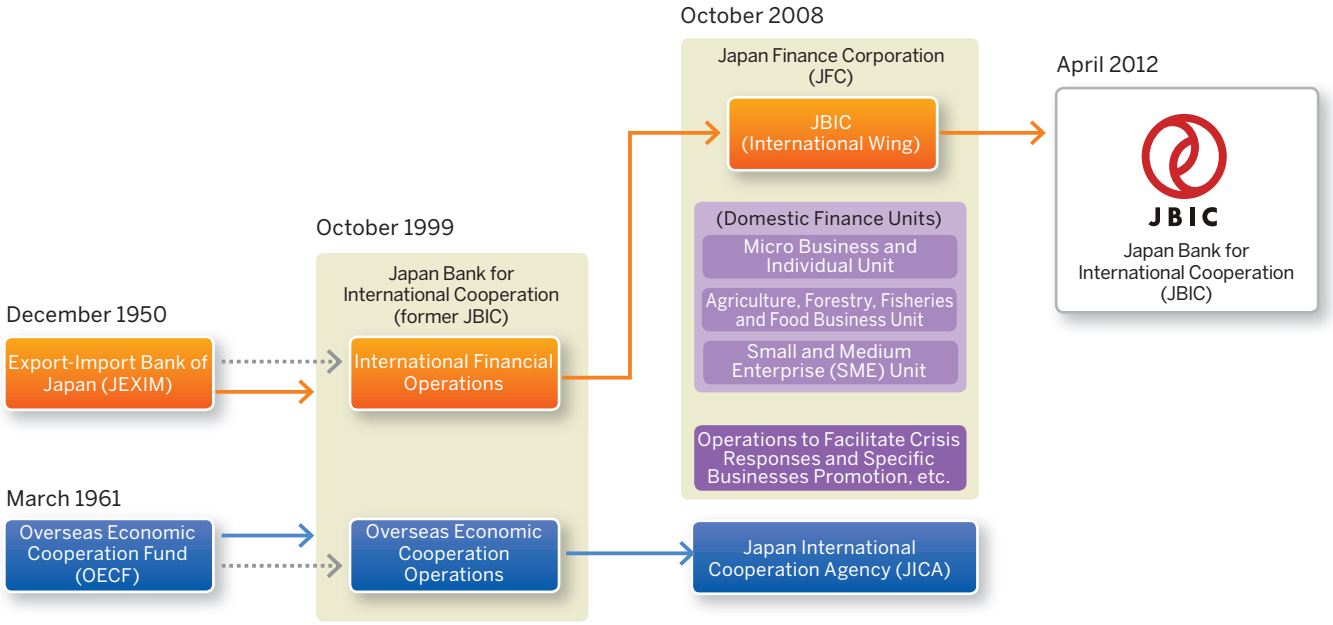
1. **Supplementing the financial transactions implemented by private-sector financial institutions**
   To effectively perform the functions required for policy-based financing, JBIC shall take account of situations where private-sector financial institutions are placed in their international finance activities and supplement their operations.
2. **Ensuring financial soundness and certainty of repayment**
   Pursuant to the JBIC Act, JBIC shall make efforts to maintain the financial soundness of its operations, and when making financial decisions, to conduct adequate screening regarding the outlook for the recovery of funds.
3. **Maintaining and improving international creditworthiness and confidence**
   In order to conduct adequate operations and effective overseas funding operations, JBIC shall maintain and improve the international creditworthiness and confidence gained by JBIC over the years.
4. **Conducting business operations by drawing on its expertise and initiatives**
   JBIC shall conduct operations by drawing on its own expertise and initiatives on international finance.

JBIC Code of Conduct

- Act consistently in the public interest. Contribute to Japan and the international community by pursuing our Mission.
- Prioritize client satisfaction. Deliberate, decide and act from the client's perspective.
- Accept responsibility as a professional. Perform every task based on your own initiative.
- Undertake challenges daringly. Create new value without fear of failure.
- Work quickly and cost-effectively. Enhance your work quality with an eye to efficiency.
- Focus on teamwork. Share unified objectives with your colleagues to achieve significant successes.
- Maintain high ethical standards and a law-abiding spirit. Observe our moral code as a JBIC member at all times.

History

Japan Bank for International Cooperation (JBIC) was established on April 1, 2012 in accordance with the Japan Bank for International Cooperation Act (JBIC Act), which promulgated and came into effect on May 2, 2011.



Profile

Name	Japan Bank for International Cooperation (JBIC)
Office	4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan
Capital*	¥1,391.0 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations*	¥14,693.0 billion
Outstanding Guarantees*	¥2,572.3 billion

* As of March 31, 2015

2. Interview with the Governor, CEO

I would like to take this opportunity to express my sincere gratitude for the ongoing support of all JBIC stakeholders.

In the global economy, Europe is experiencing a prolonged recession, while key emerging markets are seeing a deceleration in growth. China, in particular, is dealing with problems in its financial and real estate sectors. Despite these factors, there are signs of gradual, overall global economic recovery. However, the impact of a reduction in the United States' quantitative easing program, and geopolitical developments—including those relating to Russia and Ukraine—have sparked concern over downside risks in the international economy.

Against this backdrop, Japan is facing significant changes in the economic environment. Global demand is rapidly rising in the resources sector, causing related international competition to intensify. While taking into consideration changes in the global supply and demand structure, driven by the shale-gas revolution, the pursuit of both stability in resource access as well as diversified supply sources, is an extremely important task that has a direct impact on the lives of Japanese citizens.

In Japan's industrial sector, as competition with other countries intensifies, it is vital that Japanese companies offer overseas customers not only individual products and constituent technologies, but also infrastructure systems that encompass management know-how together with operation and maintenance services. Furthermore, in an era when achieving compatibility between economic development and environmental protection goals is recognized as an issue shared by countries the world over, expectations are rising with regard to how environmental and social issues are addressed, not only in individual projects, but also in the implementation of projects that will lead to protection and improvement of the environment. Such expectations apply, for example, to projects that utilize Japan's advanced environmental technologies and to renewable energy projects.

Based on these changes in the operating environment in Japan and abroad, as a policy-based financial institution, JBIC is committed to further improving its support for overseas business deployment by Japanese enterprises.

Hiroshi Watanabe
Governor, CEO
Japan Bank for International Cooperation (JBIC)



Interview with the Governor, CEO

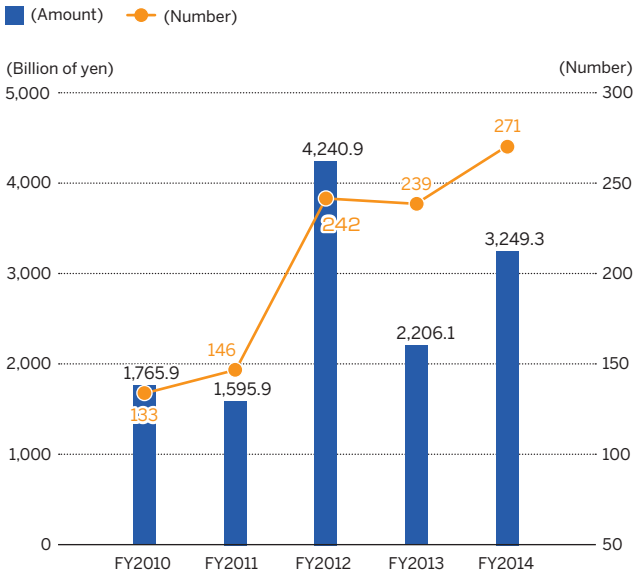
It has been three years since the establishment of the new JBIC. Would you summarize JBIC's first medium-term business plan?

Recapping events of the past three years, we carried out operations aimed at contributing to the efforts of Japanese industry to capture the vitality of markets in Asia and other parts of the world. We have been able to maintain the scale of our operations at a high level. This can be seen, for the period, from the cumulative total of JBIC loans, guarantees, and equity participation, which exceeds ¥9 trillion. In particular, Overseas Investment Loan has grown significantly.

Given the stronger yen, Japanese companies have increased their merger and acquisition (M&A) activities, driven by such objectives as the expansion of marketing channels and acquisition of resource-related interests. From this perspective, I believe that we have done a good job in responding swiftly to changes in economic and social conditions. In addition, we have increased our activities on a quantitative basis and not focused solely on loans, which have accounted for a high proportion of transactions to date. Hence, we have successfully developed an effective mix of several tools, including equity participation and guarantees.

Under our next medium-term business plan, we intend to continue expanding the use of these tools. I am proud that, by increasing the sophistication of our operations, we were able to accomplish sound results. Meanwhile, although global market conditions are not very robust, it is apparent that private-sector financial institutions are unable to fully meet the needs of enterprises in certain areas. Within this context, I believe that we were able to respond flexibly to requests we received for services and financing. It would be fair to say that we also achieved satisfactory results from the transformation into an independent organization.

Loans, Equity Participations and Guarantees (Commitments)



Could you provide an overview of the specific operational fields on which JBIC focused over the past three years?

In the energy and natural resources sector, large changes are occurring in the business model for imports conventionally adopted by Japanese enterprises. To date, such business has mainly focused on purchasing resources overseas and shipping them to Japan. The situation is now such that it is difficult to assure a stable long-term supply by simply buying resources in the marketplace. Hence, through the acquisition of upstream interests or the equity of companies that hold such interests, Japanese enterprises are able to import into Japan a volume of resources corresponding to the interests or equity stake acquired. Furthermore, there are increasing examples of Japanese enterprises importing a volume of resources exceeding the share assured by their investments in upstream interests or equity participation. This is often based on support provided by the Japanese enterprise to the company holding resource interests for the expansion of marketing channels.

In particular, we have seen progress in the acquisition of interests in such areas as copper mining and natural gas fields in South America and Australia in the past three years. With regard to shale gas, a broad range of development is taking place in North America. Within this context, we are seeing the emergence of projects in which Japanese enterprises take a share in a gas field, as well as those in which the companies construct liquefied natural gas (LNG) production facilities that use shale gas as their main raw material. However, there are an increasing number of instances in which the resource supplying country adopts measures to avoid excessive bias toward a particular region.

In the infrastructure sector, too, we are seeing an increase in projects that include the export of a complete system, rather than simply involve the sale of equipment. Such services typically include the post-delivery operation and management of facilities. This is significant for two reasons. First, the pattern of demand among countries receiving infrastructure is changing. To date, Southeast Asian countries and China have been the main transaction partner countries. Owing to high populations, these countries have generally expressed the desire to handle the operation of facilities domestically following delivery of projects. That said, future partner countries may not necessarily have large populations. Consequently, rather than conducting transactions based on the sale of equipment only, we believe that it will be necessary to provide contracted services, including the post-delivery operation of facilities.

The second significant change in services concerns how Japan's high level of competitiveness is promoted. Although the prices of Japanese products are high and often are not competitive, compared with those of emerging and other economies, when compared on an initial-cost-only basis,

the lifetime cost is not necessarily high. That is due to Japanese products having low breakdown rates and excellent durability. Hence, it is necessary to emphasize overall superior performance, including the provision of operation services, in the marketing of infrastructure. One of the consequences of conducting business of this nature is that operations provided post-delivery in the partner country are paid for in local currency. This leads to the problem of exchange-rate risk. JBIC provides support for Japanese companies in the area of dealing with foreign exchange transactions and risks. We are able to make proposals that include financing not only in yen or dollars, but also local currencies.

In the industrial sector, underpinned by vigorous M&A activity by Japanese enterprises, over the three-year period we provided support totaling approximately ¥9 trillion. Focusing on industries in which Japanese enterprises are likely to become more internationally competitive, we broadened the range of fields covered by our support operations to include conventional assembly-type manufacturing businesses and an array of other fields. These included, for example, support for equity participation in a United States-based agricultural products wholesaler, M&A support for a beverage company, and support for equity participation in a hospital business.

We also achieved substantial results in the area of support for mid-tier enterprises and small and medium-sized enterprises (SMEs). In recent years, an increasing number of mid-tier enterprises and SMEs have been working to capture business in global markets, and are engaged in overseas expansion. JBIC has built partnerships with private-sector financial institutions, such as regional Japanese banks and *shinkin* banks, and has provided strong support, including through the provision of information. As a result, in FY2014 JBIC approved loans to more than 100 mid-tier enterprises and SMEs. Of all Japanese enterprises, 99.7% meet the definition of an SME, as defined under the Small and Medium-sized Enterprise Basic Act. In other words, SMEs play a very large role as employers, and so, to revitalize the Japanese economy, it is imperative that mid-tier enterprises and SMEs undertake their activities with energy and vigor. JBIC will continue to strengthen its support for such enterprises.

With regard to the environment sector, in recent years it has come to be recognized, by both developed and developing countries, that achieving compatibility between economic development and environmental protection is a commonly shared issue. Japan is expected not only to realize its reduction target for domestic CO_2 emissions, but also to contribute to reducing CO_2 emissions overseas. In this context, JBIC has seen two notable developments. First, it finances the use, by Japanese enterprises, of highly energy-efficient equipment and technologies overseas. Second, to conserve the environment—which is one of JBIC's missions—we support renewable energy projects and undertake operations that represent what we define as being Global actions for Reconciling Economic growth and ENvironmental preservation (GREEN). Such undertakings promote projects overseas designed to preserve the environment through a number of measures, including those aimed at containing global warming. In this way, we hope to contribute to "a balanced approach to the global environment and economy." (Please refer to page 63.)

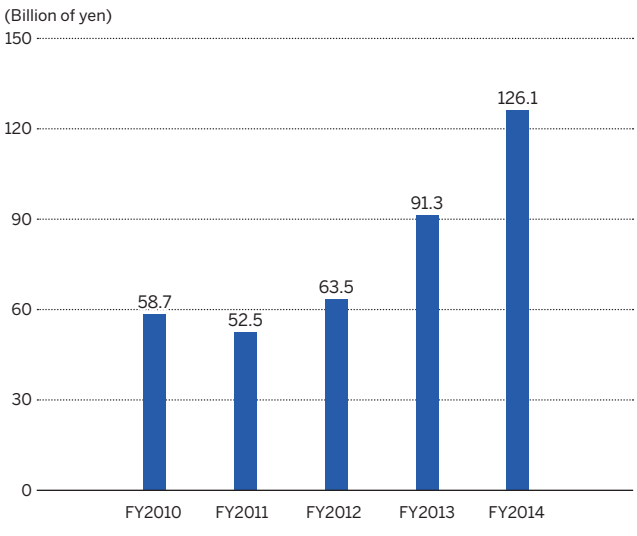
Please summarize JBIC's FY2014 operating performance.

In FY2014, the final year of the previous medium-term business plan, the total of loans, guarantees, and equity participation approvals remained high level, amounting to ¥3,249.3 billion. The outstanding amount reached ¥14,693 billion, and net income ¥126.1 billion, the latter setting a new record for the second consecutive year.

JBIC did not carry out any import financing—albeit this is an area that has been one of JBIC's distinctive missions. I would like to reiterate that one of JBIC's core missions is to facilitate the supply of energy and resources to Japan. However, rather than the financing of imports, which has been a key part of our operations until recently, this development reflects JBIC's shift to a model focused on investment finance, including M&As, for the purpose of acquiring resource-related interests.

Thus, in the resources sector, progress was made in LNG projects in the United States and Indonesia. In countries other than the ones that have been the focus of attention to date—such as Australia and those in southern Africa—and that are expected to see business expand in the near future, there has been an increase in projects. In the infrastructure sector, meanwhile, loans were extended for offshore wind power generation projects in the United Kingdom, and for equity participation in an integrated water management company in the Middle East. Support for overseas business expansion included M&As in the beverage and pharmaceutical fields.

Net income





Over the past three years, what key issues have you identified?

The biggest issue, we believe, is how one gathers accurate information in an overseas environment that is in flux. Related to this, we must also consider the best methods of sharing information with partner financial institutions in Japan and abroad—with whom we extend loans—as well as with international institutions and local financial institutions in countries where projects are undertaken.

The fiscal difficulties experienced by some developing countries have caused concern that there may be some impact on projects for which local governments were expected to provide a portion of the funding needed. To date, JBIC has used loans as its primary financing method but, in response to demand for start-up funding—of which there is a shortage—we also intend to consider equity participation as a key financing method.

Although I believe that, so far, our organizational management has been comparatively sophisticated, when considering JBIC's future development I believe it will be necessary to strive for even more advanced management. We recognize that strengthening the abilities of the Bank's employees is one of the key improvements to be implemented, and in the context of ever-intensifying international competition.

Please outline the main points of JBIC's current medium-term business plan for FY2015–2017.

The goal of the second medium-term business plan is best stated as follows: "JBIC will contribute to exploring and creating new business opportunities that will lead to the sustainable growth of Japan, through supporting the strengthening of Japanese companies' overseas business deployment and resource acquisition, by exercising the financial intermediary functions unique to JBIC."

JBIC is determined to provide advanced support and contributions in five business areas—energy and natural resources, infrastructure, manufacturing and industries, mid-tier enterprises and SMEs, and the environment. Thus, from an industrial perspective, while manufacturers expanding overseas traditionally have been dominant—even in other fields such as healthcare and food, which generally have attracted focus—we intend to provide support that will lead to an expansion of growth opportunities by tapping the competitive advantages held by Japanese enterprises.

In the area of institutional capabilities, we are focusing on developing strengths in four areas, namely, "financial structuring for business implementation," "realization of projects bankability," "providing information and policy recommendations," and "mobilization of private sector finance."

Among the operations JBIC has handled to date, we believe these capabilities require reinforcing. In particular, in the area of policy recommendations, I believe that this includes providing recommendations to the government domestically, having a dialogue with business organizations, and offering recommendations to partner country governments and other parties. From time to time, this may include offering frank recommendations that the recipient would rather not hear. At present, JBIC has begun a policy dialogue with several countries. We intend to pursue such dialogue with a broad range of countries, and look forward to engaging in more thorough debate than has been achieved to date.

Please offer your thoughts on JBIC's long-term vision.

When considering how to strengthen the ability of Japan, as a country, to earn its way, it is important to identify potentially profitable areas, one of which is bankable projects. I believe that this is the mindset we must consciously adopt when looking for opportunities. As I mentioned earlier, in relation to infrastructure, the profit margins available from simply selling equipment are not very high. For example, this might apply to selling a turbine in the case of power generation, or a reverse osmosis membrane for seawater desalination in the case of water treatment. In contrast, managing a water company that purchases a range of components is likely to produce a much higher profit margin.

However, this type of development does not take place in a vacuum. Hence, it is often necessary to create a precedent or case that can serve as a template. In particular, for young people in Japan—who are often seen as becoming increasingly introverted—it is important, for the development of Japan and the world, that they proactively look for opportunities abroad. One way of encouraging this is by providing opportunities for them to gain awareness of places where they can expand their potential. With this in mind, if we can find projects that have a high level of certainty, get such projects off the ground and running smoothly, and create best practices, then more projects will follow. I believe that such a scenario can generate a virtuous cycle for Japan.

3. Directors, Managing Executive Officers and Corporate Auditors (As of August 1, 2015)



(Back row, from left)

Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer
Shigeki Kimura	Kenichiro Hayashi	Hideo Naito	Yasuhiko Yoshida

(Front row, from left)

Managing Director	Executive Managing Director, COO	Governor, CEO	Senior Managing Director	Managing Director
Masaaki Amma	Koichi Yajima	Hiroshi Watanabe	Tadashi Maeda	Akira Kondoh



Corporate Auditor	Corporate Auditor	Corporate Auditor
Tatsuo Igarashi	Hiroshi Imoto	Yuko Tamai

Directors and Managing Executive Officers

Governor, CEO	**Hiroshi Watanabe**
Executive Managing Director, COO	**Koichi Yajima**
Senior Managing Director	**Tadashi Maeda**
Managing Director Global Head of Corporate Group	**Masaaki Amma**
Managing Director (Outside Director)	**Akira Kondoh**
Managing Executive Officer Global Head of Energy and Natural Resources Finance Group	**Kenichiro Hayashi**
Managing Executive Officer Global Head of Infrastructure and Environment Finance Group	**Hideo Naito**
Managing Executive Officer Global Head of Industry Finance Group	**Shigeki Kimura**
Managing Executive Officer Global Head of Credit, Assessment, and Systems Group	**Yasuhiko Yoshida**

Corporate Auditors

Corporate Auditor (Full-time Corporate Auditor)	**Hiroshi Imoto**
Corporate Auditor (Outside Corporate Auditor)	**Tatsuo Igarashi**
Corporate Auditor (Outside Corporate Auditor)	**Yuko Tamai**

4. JBIC's Medium-Term Business Plan (FY2015–2017)

JBIC, since its inception in April 2012, has been proactively supporting Japanese companies' overseas operations, including acquisition of energy and natural resources, infrastructure projects, M&A, as well as overseas business deployment of Japanese mid-tier enterprises and SMEs, utilizing a diverse array of financial schemes, including involvement in projects from the formation stage and performing risk-assuming functions. As a result, under JBIC's three-year Medium-Term Business Plan (FY2012–2014), the loans, equity participations, and guarantees carried out during the period amounted to a cumulative total of ¥9,700 billion.

At present, Japan is grappling with such structural challenges as population decline, a low birth rate, and population aging. Despite these challenges, the country is in the process of breaking free from more than two decades of economic stagnation as it works to regain its dynamism. To put the Japanese economy on a sound growth track and further lift society's level of affluence, it is essential to improve the productivity of the economy as a whole and strengthen the country's earning power. As one of the keys to achieving this goal, what is called for is the building of a new growth engine for the Japanese economy, particularly through opening up new frontiers. For example, this includes Japanese enterprises taking up the challenge of creating new businesses and the promotion of international project development.

Based on this recognition, JBIC has formulated its Medium-Term Business Plan (FY2015–2017) (New Medium-Term Business Plan) as a means of contributing more actively to the sustainable growth of the Japanese economy. As Japan's policy-based financial institution, JBIC will—as it has in the past—implement efforts to support the overseas business deployment of Japanese companies, and, through these efforts, JBIC will focus on supporting the building of a new growth engine for the Japanese economy. Hence, JBIC's operations aim to further contribute to the sound development of Japan, the global economy, and the international community.

Our Goal

JBIC will contribute to exploring and creating new business opportunities that will lead to the sustainable growth of Japan, through supporting the strengthening of Japanese companies' overseas business deployment and resource acquisition, by exercising the financial intermediary functions unique to JBIC.

Our Goal and Key Action Plans

- Established our "Goal" to conduct business more proactively and further contribute toward Japan's sustainable future growth.
- Identified 5 "Business Areas" which JBIC needs to focus on.
- Identified 4 "Institutional Capabilities" to be demonstrated and strengthened, which are essential to better perform JBIC's function in the 5 "Business Areas".
- Identified "Key Action Plans" to "contribute to exploring and creating new business opportunities (country, region, area, sector and etc.) that will lead to the sustainable growth of the Japanese economy" by demonstrating and strengthening our 4 "Institutional Capabilities" in the 5 "Business Areas".

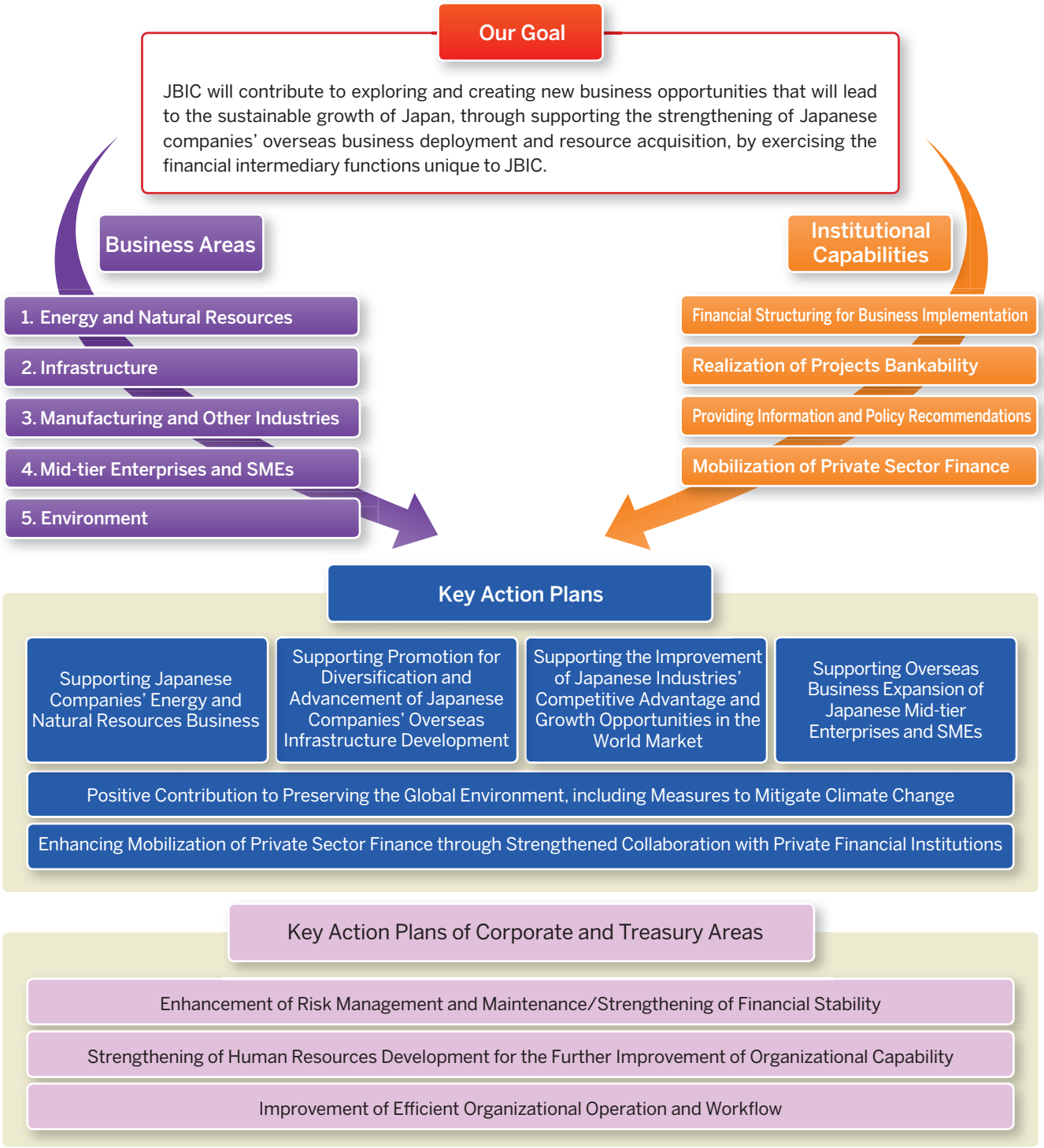
Key Action Plans

1. Energy and Natural Resources
2. Infrastructure
3. Manufacturing and other Industries

In these three business areas, JBIC will emphasize activities with higher difficulty levels such as those that require mid-to-long term project formation.

4. Mid-tier Enterprises and SMEs
5. Environment

In these two areas, JBIC will emphasize the whole range of activities of the Key Action Plan.



Details of Key Action Plans

1. Supporting Japanese Companies' Energy and Natural Resources Business

1-1 Promoting projects that secure and diversify the supply of resources

- JBIC supports project formation and implementation, through taking the country risk of resource-rich countries, utilizing its knowledge of risk management/allocation and developing a dialogue with overseas counterparties such as the governments of host countries, state-owned oil & gas companies and the international resources majors, by leveraging JBIC's status as a policy-based financial institution. In addition, JBIC supports integrated natural resource projects, which includes surrounding infrastructure and/or advanced technology.

1-2 Promoting projects that reduce LNG procurement costs

- JBIC supports the financing and realization of Japanese companies' businesses that reduce Japan's long-term LNG procurement costs in addition to the activities mentioned in the above 1-1.

2. Supporting Promotion for Diversification and Advancement of Japanese Companies' Overseas Infrastructure Development

2-1 Strengthening efforts for social infrastructure projects such as railroad and water

- JBIC supports Japanese companies' overseas infrastructure system projects, through developing a dialogue with the overseas counterparties and international key-players by leveraging JBIC's status as a policy-based financial institution, utilizing its knowledge of risk management/allocation and drawing on various financial facilities and schemes, and promoting JBIC's involvement from an early stage in the project's framework development and formation.

2-2 Strengthening efforts for smooth implementation of power generation projects

- JBIC supports the overseas deployment of advanced technology and the participation of Japanese companies in high efficiency and renewable energy power generation projects etc. beyond existing markets and schemes, by taking advantage of close relationships with and strong influence on host country's governments and overseas key-players, and utilizing its knowledge of risk control/allocation and drawing on various financial facilities and schemes.

3. Supporting the Improvement of Japanese Industries' Competitive Advantage and Growth Opportunities in the World Market

3-1 Strengthening support for the overseas business deployment of various industries which are the basis of the Japanese economy

- JBIC supports further opportunities for Japanese companies in various industries, which are the basis of the Japanese economy, to increase their earnings through overseas investment, by strengthening overseas risk-taking and communication from the development stage of corporate strategy.

3-2 Contributing to the development of competitive Japanese technologies and business models into growing industries through overseas business deployment

- JBIC supports Japanese companies with competitive technologies/brands/business models, etc. to develop into growth industries on a commercial basis and to capture market share in oversea markets, aiming to create Japan's new growth industries.

4. Supporting Overseas Business Expansion of Japanese Mid-tier Enterprises and SMEs

Supporting mid-tier enterprises and SMEs overseas business expansion utilizing JBIC's characteristics

- In collaboration with private financial institutions, JBIC supports Japanese mid-tier enterprises and SMEs increasing their earning opportunities through overseas business expansion, taking into account JBIC's unique characteristics (e.g. local currency financing)

5. Positive Contribution to Preserving the Global Environment, including Measures to Mitigate Climate Change

Strengthening efforts on projects that promote the preservation of the global environment, including measures to tackle with climate change

- JBIC supports the efforts of Japanese companies and overseas counterparties to preserve the global environment including measures to tackle with climate change, considering the international discussions and policies of the Japanese and host country governments in this field, by taking advantage of close relationships with host country governments and utilizing its knowledge of risk management/allocation and a wide range of financial facilities and schemes such as Global action for Reconciling Economic growth and ENvironmental preservation (GREEN).

6. Enhancing Mobilization of Private Sector Finance through Strengthened Collaboration with Private Financial Institutions

Further enhancement of private sector finance mobilization

- JBIC expands efforts to promote its initiatives of credit securitization, including assignment of its loan portfolio.
- JBIC promotes the mobilization of private sector finance in a variety of ways, including providing funds in the form of equity, subordinated loans and providing LBO financing.
- JBIC pursues appropriate cofinancing taking into account the uniqueness of individual projects and the surrounding financial environment.

* JBIC will make necessary revisions to the Key Action Plans of the New Medium-Term Business Plan, when the surrounding environment or expected role change significantly, and as a result, JBIC determines that it should engage in additional/different fields.

5. Outline of Operations in FY2014

Operational Highlights

The total amount of commitments JBIC made during FY2014 in loans, guarantees and equity participation was ¥3,249.3 billion, which is 47% greater than that for FY2013. The outstanding amount of loans and guarantees as of March 31, 2015, was ¥17,265.3 billion.

The following is a report on JBIC's major operations in each sector during FY2014.

Efforts in the Energy and Natural Resources Sector

In the energy resources sector, JBIC supported LNG projects that Japanese companies are taking part in and the offsore FPSO project in Brazil, and provided the necessary funds for the procurement of an LNG tanker. JBIC also supported a CO_2-EOR (Enhanced Oil Recovery) project that utilizes flue gas generated by a coal-fired power plant.

In the mineral resources sector, JBIC provided support for various projects, including one related to the development and operation of an iron ore mine and related infrastructure in Australia and another involving woodchip production and sales in Vietnam. Furthermore, JBIC provided the necessary financing for Japanese companies to acquire an interest in a Peruvian copper mine. A memorandum of understanding (MOU) related to business cooperation was also concluded with the Mozambican Ministry of Mineral Resources.

Support for Japanese Companies' Strategic Overseas Business Deployment

JBIC supported, in project financing, the expansion of an integrated oil refinery and petrochemical plant in Saudi Arabia[1] and funds for a shipbuilding project that the Chinese local subsidiary and Paraguayan local subsidiary of Japanese companies undertook.

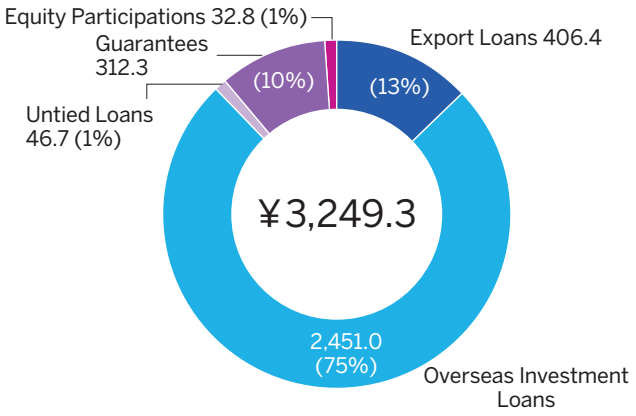
JBIC also invested in a Middle Eastern integrated water management company that a Japanese company has a stake in, thus supplying risk capital indispensable for anFY2014 overseas expansion of Japanese companies.

Supporting Exports by Japanese Companies

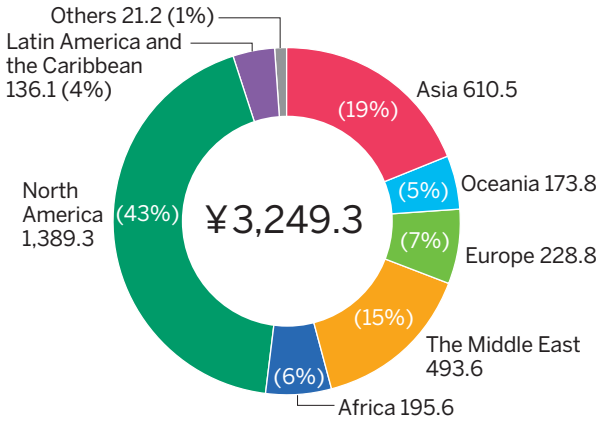
In addition to supporting the export of plants such as gas-to-gasoline plant equipment for Turkmenistan by a Japanese company, JBIC supplied project finance for an oil refinery project in Turkey upon a collective order. Support was also

1. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only by the project assets.

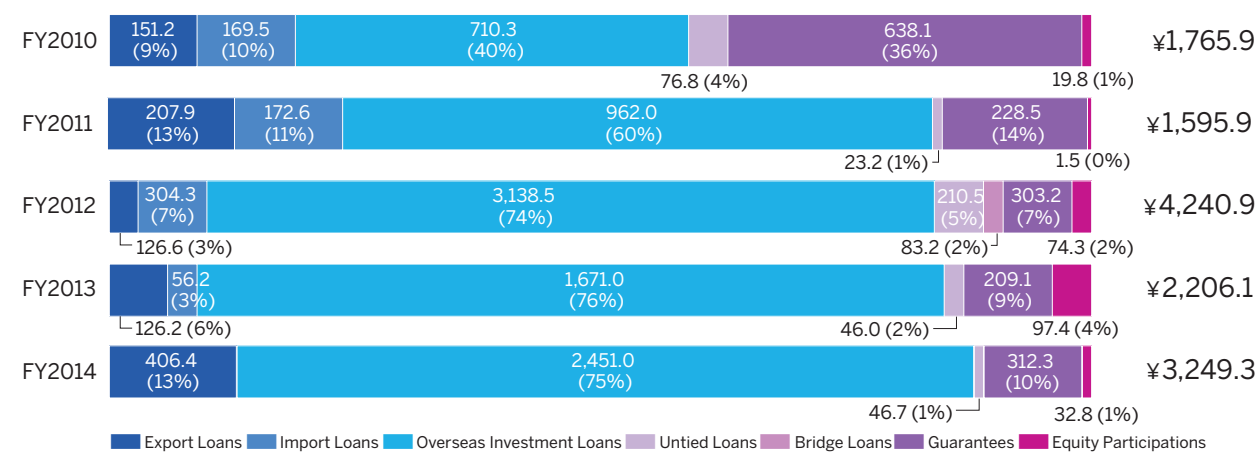
Commitments by Purpose of Financing (FY2014 Unit: billions of yen)



Commitments by Region (FY2014 Unit: billions of yen)



Changing Composition of Loans, Equity Participations and Guarantees (Commitments) (Unit: billions of yen)



provided for the export of geothermal power generation equipment and construction machinery by a Japanese company using an export credit line established for Turkey-based Yapi Kredi Bankasi A.S.

As for shipbuilding, JBIC supplied ¥26.7 billion in financing for 26 commitments related to ship exports in FY2014,[1] including support for the export of bulk carriers to a leading Hong Kong shipping group.

Supporting the Overseas Deployment of Infrastructure Business by Japanese Companies

In the power and water sector, JBIC provided support for an offshore wind power generation project in the UK, the first African ultra-supercritical coal-fired power generation project in Morocco, and hydro power plant projects in Indonesia and Laos. JBIC also undertook various other activities, such as supporting exports for water infrastructure in Morocco by Japanese companies.

In the transportation and telecommunications sector, JBIC supplied project finance for the Intercity Express Programme in the UK and supported the export of terrestrial digital broadcast equipment to Uzbekistan.

In addition, a shareholders' agreement regarding establishing a company to promote private-sector projects, including urban development ones, in Myanmar, was concluded.

Supporting Overseas Business Deployment of Japanese Mid-tier Enterprises and SMEs

As for support to mid-tier enterprises and small and medium-sized enterprises (SMEs) for their overseas expansion, JBIC made 109 commitments, in collaboration with Japanese regional financial institutions and *shinkin* banks. These projects included one related to the manufacture and sale of health foods and supplements in Thailand, and another related to heat treating metal products in Mexico, both by Japanese corporations. In addition, supporting various other efforts were made, such as establishing an investment credit line with Japanese regional financial institutions and the overseas subsidiary of a lease company.

Supporting Japanese Companies with Local Currency Loans

JBIC approved financing in local currencies worth about ¥214.6 billion for 20 commitments, and this included providing support through the first financing denominated in the Mexican peso for a project related to the manufacture and sale of automobile engine parts in Mexico by a Japanese company, and funds denominated in Thai baht for a project involving, the manufacture and sale of automobile parts in Thailand.

Supporting Issuance of Samurai Bonds

JBIC provided guarantees for yen-denominated foreign bonds (Samurai bonds)[2] issued by the government of Turkey, the Central Bank of Tunisia, and the Export-Import Bank of India.

Promoting Renewable Energy and Conserving the Global Environment

In Jordan, JBIC provided support through project finance for a photovoltaic power generation project in which Japanese companies are taking part. In addition, through its GREEN operations, JBIC established credit lines for Mexican, Turkish, South African, and Brazilian financial institutions for renewable energy. JBIC conducted MOUs on operational cooperation in the environmental field with governmental institutions of India and Mexico.

1. This includes support through local buyer's credit.
2. Samurai bonds are yen-denominated bonds issued in Japanese markets by an overseas entity such as a foreign country or corporation.

Operational Results

JBIC made total disbursements of ¥2,278.6 billion in FY2014.

Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2011		FY2012		FY2013		FY2014	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Export Loans	120.0	73.9	200.0	143.1	190.0	112.5	200.0	112.0
Import Loans and Overseas Investment Loans	1,113.5	913.0	1,879.0	2,307.4	1,971.0	2,162.5	1,900.0	2,071.2
Untied Loans	100.0	103.2	100.0	132.0	50.0	88.5	50.0	64.3
Equity Participations	200.0	7.3	100.0	17.2	100.0	85.4	100.0	30.9
Securitization	19.0	—	19.0	—	—	—	—	—
Total	1,552.5	1,097.6	2,298.0	2,599.8	2,311.0	2,449.0	2,250.0	2,278.6

Financial Results

Pursuant to the Companies Act and Article 26 of the Japan Bank for International Cooperation Act (JBIC Act), JBIC prepares financial statements and submits them to the Minister of Finance.

The report on the final settlement of accounts is submitted to the government of Japan, together with the financial statements and, after examination by the Board of Audit of Japan, to the Diet.

Statement of Operations

In FY2014, JBIC recorded ¥192.9 billion in interest income and ¥257.2 billion in ordinary income. This was for various reasons including support to promote the acquisition of interests in and development of natural resources, to expedite overseas M&As by Japanese companies, and to expand the overseas operations of Japanese companies, such as infrastructure projects. On the other hand, JBIC record ¥136.7 billion in ordinary expenses as a result of posting ¥116.0 billion in funding costs, such as interest expenses. Therefore, ordinary profit was ¥120.4 billion, and net earnings totaled ¥126.1 billion, which include an extraordinary loss.

Balance Sheet

Total assets increased to ¥18,463.8 billion because loans and bills discounted increased ¥1,777.5 billion to ¥14,432.9 billion on account of an increase in loans denominated in foreign currencies, etc. Total liabilities grew to ¥16,003.2 billion for various reasons. Borrowed money grew ¥1,017.6 billion to ¥9,425.3 billion as a result of borrowed money denominated in foreign currencies and new borrowed money, while bonds payable increased ¥338.1 billion to ¥3,049.4 billion as the amount of newly issued bonds surpassed redemptions. Total net assets increased to ¥2,460.5 billion because of ¥126.1 billion in net earnings and ¥31.0 billion in increased capital contribution.

The Third Term for JBIC (FY2014)

Statement of Operations

(April 1, 2014–March 31, 2015; millions of yen)

Accounts	Amounts
Ordinary Income	**257,252**
Interest Income	192,973
Fees and Commissions	35,901
Other Ordinary Income	4,100
Other Income	24,276
Ordinary Expenses	**136,755**
Interest Expenses	116,076
Fees and Commissions Payments	2,088
Other Ordinary Expenses	1,585
General and Administrative Expenses	17,004
Other Expenses	—
Ordinary Profit	**120,496**
Extraordinary Income	**5,707**
Extraordinary Loss	**16**
Net Income	**126,187**

Balance Sheet

(As of March 31, 2015; millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	850,496	Borrowed Money	9,425,316
Receivables under Resale Agreements Note 5	—	Bonds Payable Note 7	3,049,490
Securities Note 4	261,786	Other Liabilities	949,227
Loans and Bills Discounted Note 6	14,432,949	Provision for Bonuses	500
Other Assets	430,297	Provision for Directors' Bonuses	6
Property, Plant and Equipment Note 8	28,295	Provision for Retirement Benefits	6,395
Intangible Assets	3,154	Provision for Directors' Retirement Benefits	30
Customers' Liabilities for Acceptances and Guarantees	2,572,328	Acceptances and Guarantees	2,572,328
Allowance for Loan Losses	△115,492	**Total Liabilities**	**16,003,296**
		Capital Stock	1,391,000
		Retained Earnings	993,053
		Total Shareholders' Equity	2,384,053
		Valuation Difference on Available-for-sale Securities	12,786
		Deferred Gains or Losses on Hedges	63,681
		Valuation and Translation Adjustments	76,467
		Total Net Assets	**2,460,520**
Total Assets	**18,463,816**	**Total Liabilities and Net Assets**	**18,463,816**

* See pages 110 and 111 for details of Notes 4 to 8.

Funding Sources

JBIC finances its operations through various sources, including borrowings from the Fiscal Investment and Loan Program (FILP) Fiscal Loan, Government-Guaranteed Foreign Bond issuance and FILP Agency Bond issuance, capital contributions from the government, and borrowings from the Foreign Exchange Fund Special Account.

As JBIC provides long-term financing, its operations are financed by long-term funds to match maturities between funding and lending instruments.

Borrowings from FILP Fiscal Loan, Government-Guaranteed Foreign Bond issuance, capital contributions from the government, etc., are included in the national budget (either as an item in the General Account budget or the Special Account budget), and requests for them are submitted to the Diet for approval along the operating budget of JBIC. Recent funding results and plans for FY2015 are shown in the table below.

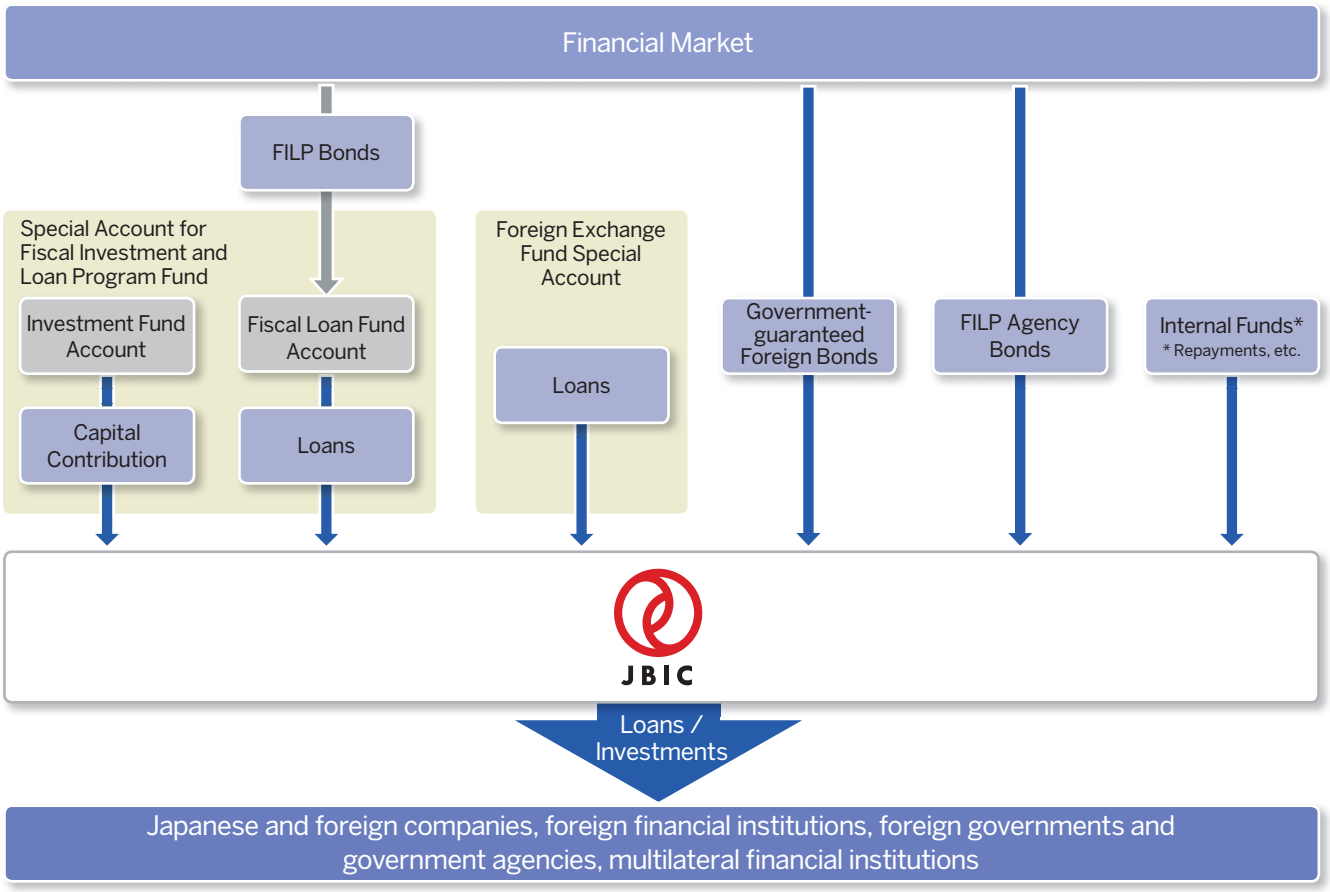
Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Planned
Capital Contribution from FILP Industrial Investment	200.0	69.0	—	31.0	—
Borrowing from FILP Fiscal Loan	201.0	400.0	555.1	239.7	250.0
Borrowing from Foreign Exchange Fund Special Account	230.4	1,744.9	1,581.3	1,273.2	1,000.0
Government-guaranteed Foreign Bonds*	423.2	205.3	658.6	374.8	500.0
FILP AgencyBonds*	50.0	—	—	10.0	20.0
Other Sources of Funds, Including Repayments	△6.9	180.6	△345.9	349.8	50.0
Total	1,097.6	2,599.8	2,449.0	2,278.6	1,820.0

* Figures for bonds are indicated in face value.

Funding Sources



Government-guaranteed Bonds

JBIC raises part of its funds by issuing government-guaranteed bonds in international capital markets. Outstanding government-guaranteed bonds at the end of FY2014 amounted to ¥2,574.5 billion at face value, which accounts for 20.6% of the total outstanding borrowings and bonds. JBIC provides foreign currency loans when necessary to effectively implement policy, and funds raised by issuing government-guaranteed bonds are used as a source of those loans.

As Japanese companies have been recently moving forward with their overseas business deployment, there are greater expectations for JBIC to provide financial support denominated in local currencies. To properly meet demand for such funds, JBIC issued government-guaranteed foreign bonds denominated in Canadian dollars in March 2013 and similar bonds denominated in British pounds in March 2014.

In the FY2015 budget, JBIC plans to issue in the total amount of up to ¥500.0 billion in government-guaranteed bonds.

JBIC's government-guaranteed bonds receive the same ratings as the Government of Japan from the rating agencies (A1 from Moody's and AA-from Standard & Poor's as of July 31, 2015). Since they are treated as assets for which the Bank for International Settlements (BIS) assigns zero risk weight in calculating the capital adequacy ratio for depository institutions, these bonds provide a quality investment opportunity for investors in international capital markets.

FILP Agency Bonds

In compliance with the government policy to reform the FILP, JBIC has issued bonds without government guarantees (FILP agency bonds) in the Japan's capital market since FY2001, thereby raising funds based on its own creditworthiness. In FY2014, JBIC issued ¥10.0 billion in FILP agency bonds and plans to issue up to ¥20.0 billion for the FY2015 budget.

FILP agency bonds that JBIC has already issued received the same ratings as the government of Japan (as of July 31, 2015) as shown below. They are treated as assets for which BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Rating & Investment Information, Inc (R&I): .....AA+
Japan Credit Rating Agency, Ltd. (JCR): .....AAA
Moody's: A1
Standard & Poor's: .....AA–

2

The Environment Surrounding JBIC and Its Challenges

1. Energy and Natural Resources Finance Group 20

2. Infrastructure and Environment Finance Group 24

3. Industry Finance Group 28

1. Energy and Natural Resources Finance Group

A Message from the Global Head of the Group



As Japan is poorly endowed with natural resources, the stable procurement of energy resources, such as oil, natural gas and other mineral resources from overseas is indispensable in order to maintain and improve the standard of living of Japanese citizens, as well as for the growth and development of Japan's economy.

The Energy and Natural Resources Finance Group is responsible for promoting efforts to develop and acquire overseas natural resources which are essential for Japan. Projects for overseas natural resource development require massive, long-term investments and entail various risks, including geopolitical risks. JBIC provides long-term funds through financing and equity participation to supplement private-sector funds and, as a policy-based financial institution, focuses on creating an environment which enables smooth implementation of projects by actively engaging in dialogues with local governments and state-run oil companies.

JBIC will continue to contribute to securing a stable supply of natural resources through such efforts.

Kenichiro Hayashi
Managing Executive Officer
Global Head of Energy and Natural Resources Finance Group

Business Environment and Priority Issues

The global supply–demand energy balance is affected by macroeconomic trends and various other factors. In recent years, the growing demand for energy in emerging countries has had a major impact on the price of natural resources. In particular, energy consumption in Asia, which includes China and India, is growing at a faster pace than that in any other region. However, Indonesia, one of the leading oil and gas producers in Asia, has had less capacity to export because of increasing domestic demand for energy due to its remarkable economic growth. As a result, there has been a surge in imports of oil and natural gas needed by the whole Asian region.

Under such circumstances, Japan imports 80% or more of its crude oil from the Middle East, and importing crude oil from the Middle East may expose Japan to potential geopolitical risks. From the perspective of Japan's energy security, it is important for Japan to actively contribute to stability in the Middle East and, at the same time, to secure oil imports from other regions.

As for Liquefied Natural Gas (LNG), Japan accounted for a majority of global LNG business until around year 2000, but in recent years, China and India have increased their LNG imports, causing a shift in Japan's position as an LNG purchaser. Considering that Japan now relies heavily on natural gas as an energy source, it is indispensable to obtain a stable supply of LNG, and in order to do so, it is important to support the participation of Japanese companies in overseas LNG projects and to link this to long-term LNG deals. Another important task is to hold down the medium-and long-term purchase price of LNG by diversifying the pricing system for imported LNG.

Japan faces a major challenge in the mineral resource sector as well. Despite a temporary slowdown, demand in China, India, and other emerging countries is still on the increase, and thus it continues to be vital to secure a stable supply of mineral resources which are used for many purposes in Japanese industries. As for iron ore, in addition to ensuring the required volume, securing high-quality iron ore has become a critical issue as the overall quality of ore from existing mines deteriorates.

These changes in the global supply–demand balance of energy and other resources have made it more difficult to secure a stable supply of the resources. This in turn makes it more important than ever before to proactively support Japanese companies in acquiring interests in, and securing long-term purchase of, natural resources.

JBIC's Activities

During FY2014, JBIC took on the following efforts to address the issue of securing a stable supply of energy and mineral resources from overseas.

Oil and Natural Gas

By providing the necessary funds through project finance, [1] JBIC supported the Cameron LNG Project as well as Freeport LNG Project, the first projects involving the purchase of LNG for Japan from mainland U.S. These projects were also the first to involve the export of LNG, based on long-term contracts, from mainland U.S. to Japan. The LNG purchase price which Japanese electric and gas companies have traditionally paid has been linked to crude oil prices, but the liquefied natural gas in both of these projects is based on a pricing formula linked to the U.S. gas market index. It is therefore expected that support for the projects will contribute to the diversification of sources as well as prices of LNG. Furthermore, in Indonesia, JBIC financed the Donggi-Senoro LNG Project, from which more than half of the LNG produced is scheduled to be purchased by Japanese power companies. Up until the early 2000s, Japan was the largest LNG importer from Indonesia, but the import volume has been falling in recent years. In the midst of such condition, this project will contribute to securing a stable supply of LNG for Japan. In the course of implementing the project, JBIC held numerous discussions with the Indonesian government using a framework for policy dialogue, and also worked to mitigate the associated political risks.

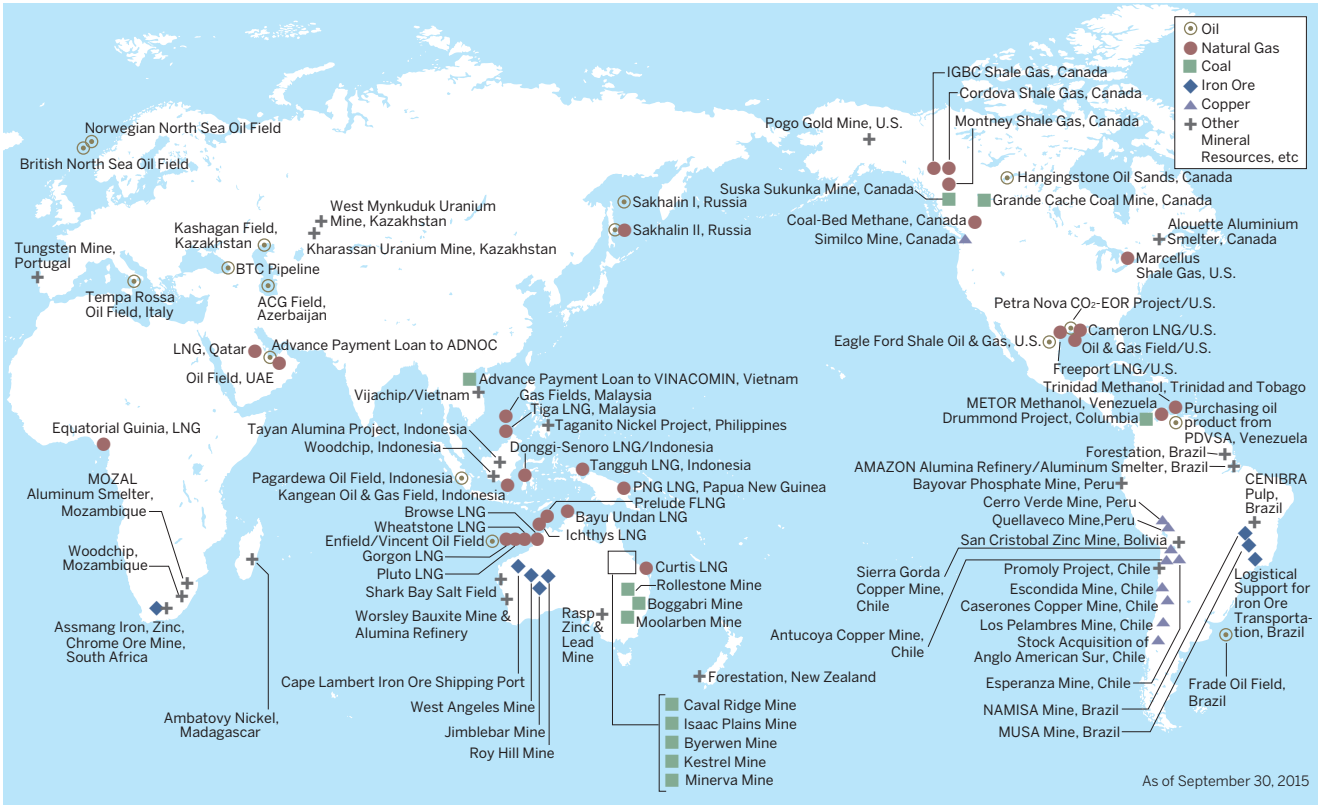
JBIC supports the purchase of interests in unconventional oil and gas as well. In addition to providing the necessary funds for Japanese companies to purchase stakes in, and to develop, the Eagle Ford Shale oil/gas[2] area in the U.S., JBIC provided the funds for acquiring an interest in the shale gas mining area in Montney, Canada, and for developing and producing shale gas from these fields. The natural gas produced from the Canadian project is expected to be converted into LNG and exported to Japan, and it is hoped that adding Canada, which is geopolitically stable, as a source of LNG will contribute to diversification of LNG supplies for Japan. JBIC also finances LNG tanker projects



Cameron LNG, U.S.

1. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only by the project assets.
2. Shale oil and gas refer to crude oil and natural gas stored in the shale stratum. Production of shale oil and gas is increasing on account of recent technological innovation.

Major Projects over the Last 10 Years (As of September 30, 2015)



as part of its comprehensive support for the natural gas supply chain, and has provided loans for the operation of LNG tankers required by Japanese companies to deliver LNG from Australia to Japan.

Furthermore, JBIC is committed to support projects that employ new technologies. In the U.S., JBIC provided the funds for the CO_2-EOR (Enhanced Oil Recovery) project, the goal of which is to enhance the extraction of oil from the existing oil fields, in which Japanese companies hold stakes, by capturing CO_2 emitted from coal-fired power plants and injecting it into the oil fields. This project makes use of Japanese CO_2 capture technology and is expected to contribute to increasing production of energy resources and mitigating the impact on the global environment.

Mineral Resources

JBIC also actively supports projects that contribute to securing a steady supply of mineral resources, demand for which is growing in emerging countries. For iron ore, JBIC provided the funds necessary to expand the production capacity of the Australian West Angelas Iron Ore Mine, which produces high-quality iron ore and in which Japanese companies own stakes, and to update and expand the facilities at the port of loading for iron ore extracted from the mine. For copper, JBIC supplied the necessary funds for Japanese companies to acquire an interest in the Quellaveco Mine in Peru. The copper concentrate produced from the mine in the future will be allocated to Japanese companies in proportion to their investment and supplied to refineries in Japan. As for wood chips, JBIC provided the funds needed by a joint venture between Japanese and Vietnamese companies to conduct the wood chip production and sales. All of the produced woodchips will be off-taken by the Japanese company and exported, mainly to Japan, as papermaking material.

Efforts to Strengthen Multilayered Relationships with Resource-Rich Countries

From the perspective of securing a stable supply of natural resources, it is also important to strengthen the relationships with resource-supplying countries, as well as with major resource companies. Leveraging its status as Japan's policy-based financial institution, JBIC continually conducts discussions and holds dialogues with the governments and governmental agencies of resource-rich countries, thereby facilitating the acquisition of interests in resources and



West Angeles Iron Ore Mine, Australia





JBIC signs MOU on strengthening the cooperative relationship in the oil and natural gas sector with PEMEX.

resource development projects by Japanese companies.

The following are examples of efforts to strengthen bilateral relationships with resource-rich countries which are essential for Japan. In Mexico, JBIC concluded a memorandum of understanding (MOU) with their state-owned petroleum company Petróleos Mexicanos (PEMEX) in order to reinforce cooperation in the field of oil and natural gas. Energy reforms in Mexico have opened the possibility for foreign companies to participate in oil and natural gas projects with PEMEX in a new way, such as upstream development projects.

Mozambique, which is rich in energy and mineral resources, such as natural gas and coal, is drawing keen interest from Japanese companies to participate in resource-related projects in the country. JBIC concluded an MOU with the Mozambican Ministry of Mineral Resources with the aim of exchanging information and opinions toward implementing the resource-related projects in which Japanese companies can take part as well as for cooperation in the project development. As an example of efforts to strengthen the cooperative relationship with international resource companies, JBIC concluded an MOU with Brazil-based Vale S.A. in order to cooperate through consultations toward realizing projects that contribute to securing a stable supply of mineral resources for Japan and exporting mining equipment by Japanese corporations.

In the Future

In both the Strategic Energy Plan and Japan Revitalization Strategy, endorsed and revised in FY2014 and FY2015, the Japanese government sets "diversification of natural resources and the sources of such resources" as a measure to secure a stable and inexpensive (economical) supply of resources. JBIC, in the FY2015–2017 Medium-Term Business Plan announced in June 2015, lists Supporting Japanese companies' energy and natural resources business as a priority task in the area of resources, and has committed itself to focusing on promoting projects that secure and diversify the supply of resources as well as promoting projects that reduce LNG procurement costs.

In addition to the LNG project in the U.S., there are also plans for shale gas-based LNG projects in Canada. The LNG will be exported to Japan and other Asian countries, and JBIC will proactively take into consideration the support for these projects. Furthermore, JBIC will contribute to diversification of energy resources by supporting the acquisition of interests in, and development of, unconventional oil and natural gas, such as shale oil and gas, coal-bed methane (CBM), oil sand, and tight oil, and also work to diversify the geographical sources of the supplies in light of international affairs. In Africa, too, which is highly expected as the last frontier for oil, natural gas, and metal resources, and where non-African countries have started to invest in resource development, JBIC will support resource development projects which will be tied to interest acquisition and businesses for Japanese companies. As acknowledged at the Fifth Tokyo International Conference on African Development (TICAD V), such natural resource development projects in Africa are significant in terms of support for Africa, such as creation of employment in the country where the project is implemented, provision of foreign currency, as well as promotion of related infrastructure development and industries.

New technologies are being created from natural resource development. For offshore gas fields, a number of projects employing floating LNG (FLNG)[1] technology, which converts the natural gas from offshore fields into LNG at sea, are being planned. The FLNG technology has the advantage of reducing the environmental burden as it does not require a pipeline to be laid on the ocean floor from the offshore gas field to an onshore facility, nor development of the coastal area. JBIC will actively support resource development projects which employ new technologies, based on appropriate risk assessment.

JBIC will also continue its efforts to create an environment which enables the formulation and smooth implementation of resource development projects by holding dialogues with various parties, including the governments and governmental agencies of resource-rich countries. In order to strengthen the relationship with resource-rich countries, the key not only lies in the cooperation in resource development projects, but also in the establishment of comprehensive and sustainable cooperative relationships that meet the needs of these countries in various fields, including infrastructure construction, industrial development, employment creation, technology transfer, and reduced environmental burden through the use of renewable energy and energy efficiency. JBIC will not only maintain but also work to strengthen its multilayered and positive relationships with governments of resource-rich countries through comprehensive efforts that encompass support for infrastructure, manufacturing, and other various projects in the countries.

1. Floating liquefied natural gas (FLNG) is a new gas development technology whereby natural gas from an offshore gas field is processed into liquid and stored on a large vessel, which is equipped with an LNG plant, then directly offloaded to an LNG carrier for shipment. As the floating LNG facility with the liquefaction plant can be moved, it is also seen as having tremendous potential for the development of small and medium-scale offshore gas fields, whose development to date has not been economically feasible.

2. Infrastructure and Environment Finance Group

* As of July 1, 2015, the Infrastructure and Environment Finance Group was reorganized as the New Energy and Power Finance Department I, the New Energy and Power Finance Department II, and the Social Infrastructure Finance Department. By broadly dividing infrastructure into power generation infrastructure and social infrastructure, assigning power generation infrastructure projects according to their characteristics, and handling projects not related to power generation in an integrated manner, the reorganization will increase JBIC's specialization and expertise in the infrastructure field and enable more flexible, responsive, and strategic operations.

A Message from the Global Head of the Group



Recently, it has been often discussed that the gap between infrastructure supply and demand would be enormous throughout the world. In order to deal with it, it is vital, on the one part, to provide a stable supply of high-quality long-term funds, and JBIC will not only actively provide its own long-term financing but also work to further mobilize long-term private financing. In terms of project development, on the other part, there are expectations for the formation of high-quality projects which attract long-term investment and project participation by private-sector investors, especially in the case of public-private partnership (PPP) projects. JBIC will strive to develop such projects by partnering with the governments of host countries, multilateral financial institutions, and other entities.

Under its new Medium-Term Business Plan (FY2015–2017), JBIC will move forward with support for the diversification and advancement of overseas infrastructure projects in which Japanese companies participate (particularly, in the field of the power sector, support that is beyond the existing countries, and schemes/structures; and stronger engagements with projects in the social infrastructure sector such as railroads and water) and aggressively work to preserve the global environment, which includes mitigating climate change.

Hideo Naito
Managing Executive Officer
Global Head of Infrastructure and Environment Finance Group

Business Environment and Priority Issues

Japan's Growth Strategy and the Need to Tap into Overseas Infrastructure Demand

Global demand for infrastructure development is projected to further grow in the future on account of economic growth and rapid urbanization in emerging-market countries. Overseas infrastructure demand in the power, nuclear power, ports, and ICT sectors is expected to increase at an annual rate of about 2.2%, 2.4%, 5%, and 4%, respectively.[1]

Such demand can be met by expanding local investment in the projects and providing integrated infrastructure systems that involve not only the delivery of infrastructure-related equipment from Japanese companies with advanced and eco-friendly technologies, which they have gained through infrastructure projects in Japan, but also the transfer of expertise in designing, constructing, operating, and managing infrastructure. Providing such infrastructure systems and investments will contribute to the development of quality economic infrastructure that is necessary for the stability and growth of the global economy. At the same time, it will help Japanese companies expand their business and secure greater market share overseas.

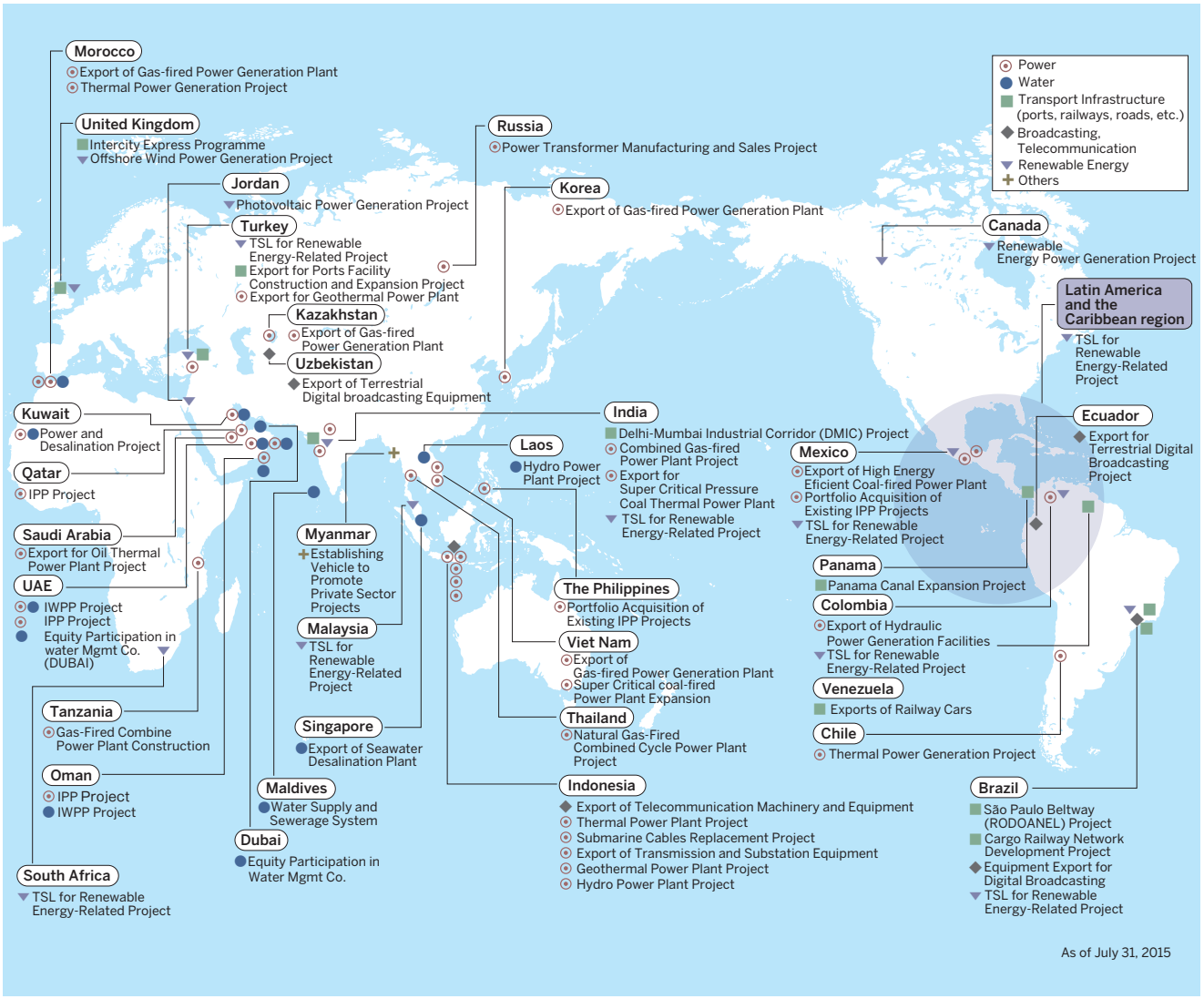
With this in mind, the Japanese government set up three strategic policies: (1) the Japan Revitalization Strategy, endorsed by the Cabinet in June 2013, and revised in June 2015; (2) the Infrastructure Systems Export Strategy, adopted at the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation, in May 2013, and revised in June 2015; and (3) the Basic Policy on Economic and Fiscal Management and Reform, endorsed by the Cabinet in June 2013, and revised in June 2015. The objective is to lead the efforts to sustainable and robust economic growth in Japan by aggressively capturing the huge global demand for infrastructure through the maximum use of Japan's leading technologies and know-how.



High-speed railway project in the UK that Japanese companies are taking part in

For Asia, which shows particularly strong demand,

JBIC's Financing for Infrastructure Projects



Japanese Prime Minister Shinzo Abe announced in May 2015 the Partnership for Quality Infrastructure, which will provide approximately $110 billion for quality infrastructure investments in Asia over the next five years in collaboration with the Asian Development Bank (ADB), which has strengthened its role in this field. Through this partnership, the Japanese government will strive to make sufficient infrastructure investment in terms of both quality and quantity by mobilizing private-sector funds and know-how, in collaboration with various countries and international organizations.

JBIC will continue to actively support the participation of Japanese companies in overseas infrastructure projects by taking advantage of its experience with such projects in a range of fields including electric power systems, railroads, and water supply systems, and the trusting relationships JBIC has built with host countries over the years. Through such efforts, JBIC will translate the Japanese government's policies into action and contribute to the stability and development of the global and Japanese economy.

Infrastructure Systems Export Strategy Based on Public-Private Partnership

The export of infrastructure systems generates various benefits—it leads not only to the order itself but also to the creation of a new foothold for Japanese companies and an enhanced supply chain through the development of local infrastructure, and eventually to winning the local market share. On the other hand, however, it entails a few major challenges. For one, it occurs in fields exposed to the fiercest international competition. It also generally requires large upfront investments, and involves substantial business risks, such as long recovery periods, as well as negotiations with host-country governments, all of which are difficult for private-sector companies to handle on their own.

Taking this into consideration, the Japanese government has promoted integrated public–private efforts, and, in the

1. According to the Infrastructure Systems Export Strategy (2014 revised edition), adopted at the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation, held on June 3, 2014.


Japanese companies are involved in this solar power project in Jordan.

previously mentioned Japan Revitalization Strategy and Infrastructure Systems Export Strategy, set a clear target of raising the total value of infrastructure systems orders received by Japanese companies to some ¥30 trillion by 2020. Under the current Abe administration, the prime minister and other cabinet ministers themselves conducted strong sales promotion in countries throughout the world, accompanied by an economic mission. This resulted in winning actual orders for infrastructure systems, and the total value of orders for FY2013 has been shown to reach approximately ¥16 trillion.[1]

The Infrastructure Systems Export Strategy divides emerging-market countries targeted for overseas infrastructure development into three groups: (1) China and ASEAN; (2) Southwest Asia, the Middle East, Russia and the CIS, and Central and South America; and (3) Africa. Designating China and ASEAN as top-priority regions, the strategy states that Japan will encourage the introduction of high-quality and robust infrastructure systems that lead to greater connectivity within the ASEAN region.

Furthermore, the Infrastructure Systems Export Strategy calls for promoting Japan's advanced low-carbon technologies overseas. It stresses the need to steadily implement the Proactive Diplomatic Strategy for Countering Global Warming. Also known as Actions for Cool Earth (ACE), this strategy is based on three pillars: innovation (developing innovative technologies), application (introducing Japan's technologies overseas), and partnerships (support for developing countries). These efforts will not only contribute to the economic growth of developing countries and greenhouse gas reduction, but also promote the overseas development of infrastructure systems for which Japan has a comparative advantage.

Three Challenges Japanese Companies Face in Overseas Infrastructure Projects

As discussed earlier, the Infrastructure Systems Export Strategy, which unites the activities of public and private sectors, is underway and is beginning to produce some positive outcomes. Still, many Japanese companies face several difficulties when implementing infrastructure projects overseas: (1) ability to offer competitive prices; (2) a shortage of versatile operators; and (3) the lack of schemes to ensure project feasibility in emerging and developing countries.

The first challenge, price competitiveness, can be addressed by shifting the production base for noncore parts to countries where costs are lower and combining them with core parts produced in Japan, as many Japanese companies have already done. Another approach is not to stick to the "All Japan" principle of mobilizing only Japanese entities but to adopt the "Japan Initiative" strategy, by which the best mix of Japanese and foreign products is achieved by using the core part of plants made mainly by Japanese companies with a technological competitive edge, while managing the other parts in cooperation with foreign companies.

The second challenge is most evident in the Japanese water and railway sectors, in which knowledge and expertise related to construction and operation are spread among several companies, including public corporations. There is a shortage of Japanese companies that possess the experience to comprehensively conduct business from upstream operations (creation of master plans) to downstream operations (operation and maintenance of facilities and collection of charges and fees). Therefore, Japanese companies are not always able to adequately meet the needs of host countries that call for integrated plans of infrastructure systems. In the sectors where Japanese companies lack expertise in comprehensive business operations, effective measures may involve establishing international alliances or acquiring overseas companies that will help them accumulate such expertise.

The third challenge is best represented by infrastructure projects in emerging and developing countries, in which there are cases where the system places excessive risks on project owners. These risks include inadequacies in the legal system related to the responsibilities of local governments and state-owned companies in electricity purchase agreements, and insufficient compensation by the local government regarding ridership risks[2] in transportation projects. Furthermore, for construction projects that involve several governments agencies or occur in several local governments, it is not uncommon for the central government to lack the ability to coordinate related parties and monitor the project. Under these conditions, it has to be said that when looked at from the perspective of a private-sector company considering participating in the project, the feasibility of the project scheme is extreme low, which makes it difficult to obtain private investment for the project.

In these situations, the expected approach is for the public and private sectors to have an extensive exchange of opinions and to form a partnership from the early stages of the project, so that the project will be feasible in the eyes of both parties. By engaging in activities of the host country government as early as the project formulation phase (the early stage when the business plan and risk distribution are proposed by the government) through, for example, creating a company to facilitate project formulation or regular dialogues with the host country government, the Japanese side will be able to offer appropriate support to the host country government in such aspects as the project's basic scheme, as well as its implementation and management. It will also allow the adoption of bidding criteria covering all aspects of the project, including life-cycle costs. These actions will, in turn, increase the probability of developing highly feasible projects that meet the realities and needs of all participants.

JBIC's Activities

JBIC's Support for Export of Infrastructure Systems

Expectations are rising for JBIC's role in the Japanese government's Infrastructure Systems Export Strategy and infrastructure partnership. In response to such expectations, JBIC is creating and reinforcing its support system to help Japanese companies overcome the above challenges they confront.

JBIC tries to ensure project feasibility through various schemes such as (1) establishing companies to promote project formulation from the early stages and (2) holding regular dialogues with host country governments.

In the first scheme, JBIC invested in the Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC), which is responsible for developing master plans for the Delhi—Mumbai industrial corridor and conducting feasibility studies for individual projects in the region. JBIC also held discussions with the Myanmar government about the establishing a project development promotion company to play a similar role.

Turning to the second scheme, a representative example is the Financial Policy Dialogue held between JBIC and the government of Indonesia. JBIC is expanding the same scheme to other countries, such as Mexico and Vietnam. In Indonesia, while holding numerous rounds of discussions with the Indonesian Ministry of Finance and state-owned power company, which were extensions of the financial policy dialogue, JBIC persistently asked questions and pressed for amendments to be made to related laws. The aim was to enable an independent power producer (IPP) project, which introduces private-sector vitality, to be created with a scheme acceptable to investors and private financial institutions. As a result, a new government system for supporting the purchases of electricity was created, and this led to financing for the Sarulla Geothermal Power Project. It is expected that this system will be used for many prospective IPP projects in Indonesia. Furthermore, in Vietnam, JBIC supported the creation of a new PPP Decree by holding a policy dialogue with the Vietnamese government and partnering with the ADB and other entities, in order to support the early introduction of a much-expected PPP system which promotes infrastructure development by introducing private-sector vitality. With the decree put into effect in April 2015, it is hoped that numerous infrastructure projects will be materialized in the future. As part of its efforts to ensure the feasibility of infrastructure projects with a long investment payment period and whose revenues are generated in the local currency, JBIC provides loans in local currencies in order to reduce exchange risks associated with foreign-currency loans borrowed by Japanese project owners, and thus supports stable operations of the projects over the long term.

JBIC will remain committed to upgrading and reinforcing its financing functions, which constitute JBIC's core business, to better accommodate the markets and needs. Also, as an entity that coordinates the needs of the public and the private sector, JBIC will continue to support Japanese companies in a variety of aspects so that the growing demand for infrastructure overseas will create and increase business opportunities for them.



Offshore wind power project in the UK involving Japanese companies.

JBIC's Commitment to Preserving the Global Environment

Achieving economic development compatible with environmental sustainability is now recognized as a common issue facing developed countries and emerging countries alike. In this respect, there are hopes throughout the world for the implementation of projects that will lead to environmental preservation and improvement.

In this field, a wide range of efforts are being undertaken across the world. They include: (1) energy efficiency projects; (2) renewable energy projects using solar, wind, or other renewable sources of power; (3) highly-efficient coal-fired power generation projects and natural gas-fired combined-cycle power projects that reduce CO_2 emissions; (4) urban transportation projects that help alleviate traffic congestion and air pollution, including rail transit projects; and (5) smart-grid projects aimed to efficiently supply electricity using IT technology, as well as smart-city projects aimed to realize environmentally sustainable cities.

JBIC supports these efforts through its global promotion of Japan's advanced environmental technologies under the Infrastructure Systems Export Strategy. JBIC's support also goes to (1) projects for developing solar power plants and energy-efficient power plants that take advantage of advanced environmental technologies in emerging-market countries; and (2) projects that entail significant environmental preservation effects, such as those that introduce energy-efficient equipment. JBIC supports these projects with loans, equity participation, and guarantees while mobilizing private financing under the Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations.

In addition to supporting the business activities by Japanese companies, JBIC will continue to provide financial support for efforts aimed at global environmental preservation by making most of the GREEN operations.

1. The Third Infrastructure Systems Export Strategy Follow-up (Eighteenth Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation held on June 2, 2015).
2. Ridership risk refers to the risk of being unable to secure the minimum number of passengers or users that is necessary to secure project profitability.

3. Industry Finance Group

A Message from the Global Head of the Group



The Industry Finance Group, as its name suggests, focuses centrally on maintaining and strengthening the international competitiveness of various industries in Japan. A distinguishing feature of the Group, which comprises the Corporate Finance Department, the Marine and Aerospace Finance/Financial Products Department, the West Japan Office, and the Finance Division for SMEs, is the wide variety of industries it supports and financial instruments it uses.

Amid a continuing strong appetite for overseas investment by Japanese companies, particularly for overseas mergers and acquisitions (M&A), the Group provided loans, equity participations and guarantees amounting to ¥1,460.6 billion for 208 commitments in FY2014.

In FY2015, under JBIC's new Medium-Term Business Plan, we are focusing on the following three priority issues: (1) strengthening support for the overseas business deployment of various industries which are the basis of the Japanese economy; (2) contributing to the development of competitive Japanese technologies and business models into growing industries through overseas business deployment; and (3) supporting mid-tier enterprises and SMEs overseas business expansion utilizing JBIC's characteristics.

Shigeki Kimura
Managing Executive Officer
Global Head of Industry Finance Group

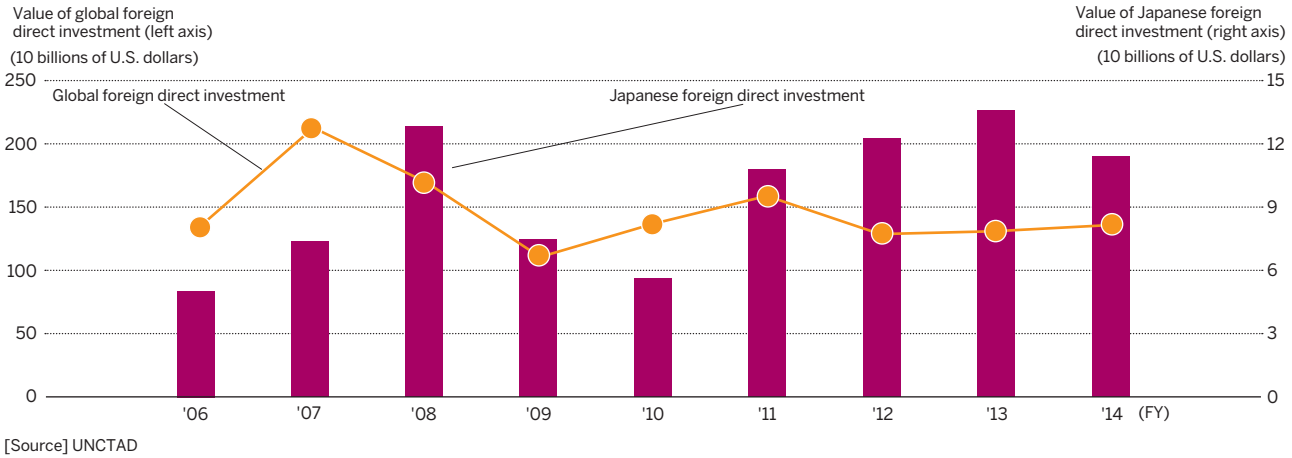
Business Environment and Priority Issues

Increasing Overseas M&As by Japanese Companies

FY2014 saw a slowdown in global economic growth with growing geopolitical risks in Russia, the Middle East, and North African countries, as well as weakened economies of emerging-market countries on account of another adjustment in China's economy and the plunge in crude oil prices. Although the value of overseas direct investment throughout the world grew 3.7% year on year to $1,230.0 billion, overseas direct investment by Japan fell 16.3% year on year to $110.0 billion.

On the other hand, there has been no change in the stance of Japanese companies toward overseas M&As, and the number of such M&A transactions in FY2014 hit a historic high of 557, compared with 500 in FY2013. A detailed look reveals that there were 232 M&A transactions targeting Asian companies, which accounted for 42% of overseas M&A transactions by Japanese companies. M&A transactions

Value of Foreign Direct Investment—Global and Japan



[Source] UNCTAD



M&A by Japanese company

have taken root as a method for Japanese companies to capture and expand sales channels overseas, particularly in the member countries of ASEAN, for which the ASEAN Economic Community (AEC) was established in 2015.

Japan's Growth Strategy

The Japanese government formulated the Infrastructure Systems Export Strategy in May 2013 and the Japan Revitalization Strategy in June 2013, enabling JBIC to broadly support overseas M&As by Japanese companies. JBIC is also strengthening the support in the form of loans in local currencies in order to facilitate the local currency funding by Japanese companies which operate in the country.

The Revised Infrastructure Systems Export Strategy and the Revised Japan Revitalization Strategy, both announced in June 2014, added subordinate loans and leveraged buyouts (LBOs) as new methods to supplement the financing efforts of Japanese financial institutions. As a policy-based financial institution which implements the Japanese government's growth strategy, JBIC supports the overseas expansion of Japanese companies by using such new methods.

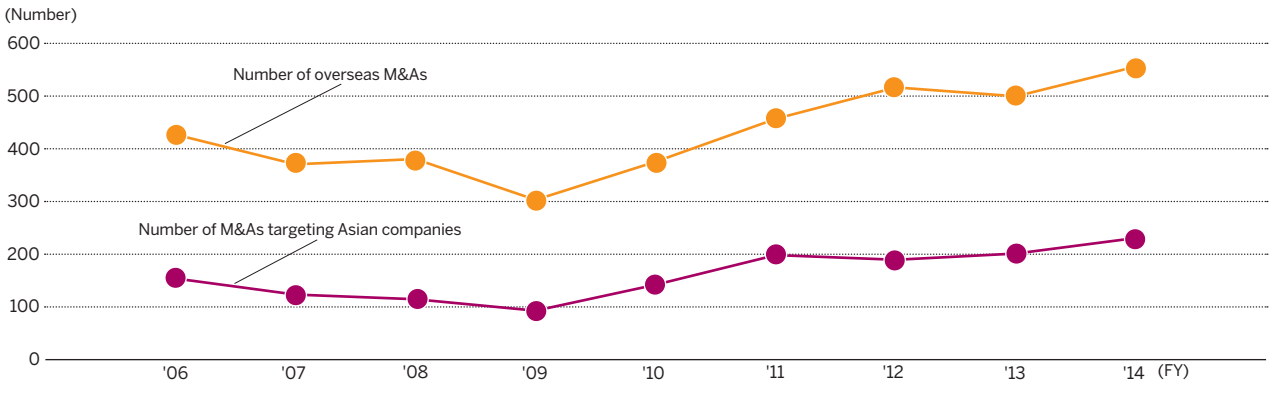
Supporting the Improvement of Japanese Industries' Competitive Advantage and Growth Opportunities in the World Market

Let's now consider the business environment of Japanese companies operating in overseas markets. In order to win through the overseas competition, even in the financial aspect, they will need support by greater communication and risk taking from the strategy development stage, given that they will face increasing demand for global strategies tailored to overseas markets, as well as stronger cost competitiveness and marketing. A growing number of Japanese companies in industries which previously had little overseas expansion, such as medicine, agriculture, and food products, are now working to expand their businesses overseas. It is important in terms of finance to leverage assets possessed by these Japanese companies, including their technologies, brand values, and business models, and transform the industries into growth industries through commercialization and capturing of market share in overseas markets.

Mid-tier Enterprises and SMEs Taking on the Challenge of Expanding Overseas

Turning to the overseas expansion of mid-tier enterprises and SMEs, a growing number of such companies are aiming to create new business opportunities not only by capturing demand in overseas markets, but also by meeting the local procuring needs of major Japanese companies which have launched operations in emerging-market countries, particularly in Asia. With such growth in business types, increasing diversification is seen in mid-tier enterprises and SMEs taking on the challenge of overseas expansion and countries of destination, as well as in the needs for funds. On the other hand, mid-tier enterprises and SMEs tend to face greater constraints than larger companies on various fronts, such as debt financing and information gathering for the operation of overseas businesses. It is therefore necessary to further enhance the support provided to these companies in multifaceted ways.

Number of Overseas M&As by Japanese Companies



[Source] RECOF Corporation.

JBIC's Activities

Supporting Overseas Business Expansion using Various Instruments

JBIC takes advantage of its equity participation function in supporting overseas business expansion of Japanese companies. In FY2014, JBIC supported the first general hospital operation project undertaken by Japanese companies in India with the provision of risk money in local currency by utilizing its equity participation function.

JBIC supports Japanese companies in launching or enlarging overseas operations with loans as well. In FY2014, JBIC provided hybrid finance, including subordinated loans, to support Japanese corporations' expansion of existing business, and the development of new business. Also by concluding M&A credit lines with Japanese financial institutions, JBIC flexibly provided the necessary loans for overseas M&As in various industries, including food products, papermaking, iron casting, chemicals, and real estate.

Furthermore, JBIC provided support in the form of project finance for various projects, such as one to expand an oil refinery and petrochemical complex and another to charter an ultra-deepwater FPSO (floating production, storage, and offloading) unit. JBIC also supported Japanese companies procure funds in the local currencies of the countries where they operate: loans denominated in the Thai baht, Indonesian rupiah, and the Mexican peso (the first for JBIC) for the manufacturing and sales businesses of automobile parts.

In such ways, JBIC actively supported the overseas business expansion of Japanese companies through diverse financing methods during FY2014.

Supporting Exports and Overseas Businesses of Japanese Companies

JBIC is also committed to supporting exports and overseas sales by Japanese companies. During FY2014, JBIC supported Japanese companies increase their exports of oil refinery plants and petrochemical plants by approaching the buyers, such as the governments of host countries, with finance-related proposals from the development stage of projects, conducting direct negotiations, and drawing on its various financial facilities and schemes, including project finance, for structuring projects.

In addition, JBIC supported Japanese shipbuilders to strengthen their capacity to win orders across the world and expand sales, for example by providing timely support for exports of ships with an export credit line, set up for exporting bulk carriers made by multiple shipbuilders.

Supporting Overseas Business Deployment of Mid-Tier Enterprises and SMEs

JBIC is striving more than ever to support mid-tier enterprises and SMEs' overseas business deployment through the units for this special purpose at its Head Office and West Japan Office. During FY2014, it made 109 commitments to such companies.

To support mid-tier enterprises and SMEs finance, JBIC strengthened cooperation with Japanese financial



Project to expand a refinery and petrochemical complex in which a Japanese company is participating

institutions, including regional financial institutions, and combined its loans with domestic financing via parent–subsidiary loans provided by Japanese financial institutions that do not handle overseas operations (particularly regional banks and *shinkin* banks). JBIC also actively worked to complement private financing, by providing, in addition to hard currencies (Japanese yen and U.S. dollars), loans denominated in other currencies, such as the Thai baht, Indonesian rupiah, and Chinese yuan, in order to meet the overseas subsidiaries' needs for funds in local currencies.

In addition to financial support, JBIC offered information on a range of topics, such as the foreign investment environment, and strengthened its partnerships with local financial institutions in developing countries with whom JBIC has concluded MOUs regarding support for the overseas expansion of mid-tier enterprises and SMEs through Japanese regional financial institutions.

In this way, JBIC facilitated the overseas expansion of mid-tier enterprises and SMEs through multifaceted approaches.



Bulk carrier made by Japanese companies

Paying Close Attention to Real Corporate Needs

Amid the ever-changing economic environment, JBIC will continue to contribute to work to maintain and strengthen the international competitiveness of Japanese industries in accordance with policy trends in Japan. JBIC will enhance its support for the global expansion of Japanese companies by leveraging various financial instruments, including project finance, subordinated loans, and loans denominated in local currencies, and appropriately meet the true needs of Japanese companies in order to contribute to exploring and creating new business opportunities that will lead to the sustainable growth of Japan, thereby serving a role that connects Japan with the world.



Holding mid-tier enterprises and SMEs roundtable talks with clients

3 Examples of Business Outcomes in FY2014

1. Overview of Business Outcomes by Region 34

2. Examples of Business Outcomes by Region 36

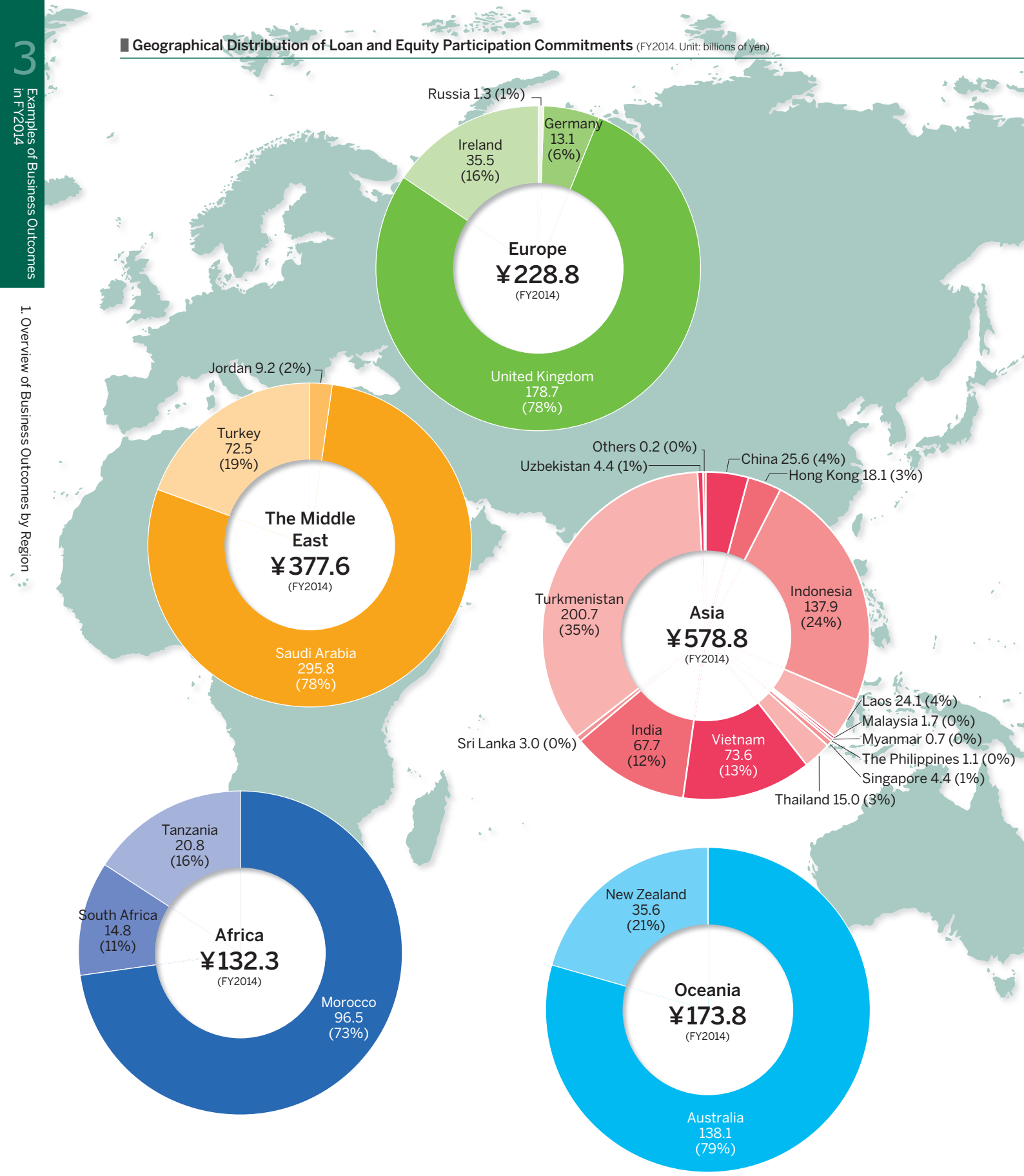
3. Examples of Business Outcomes Relating to Support for SMEs 51

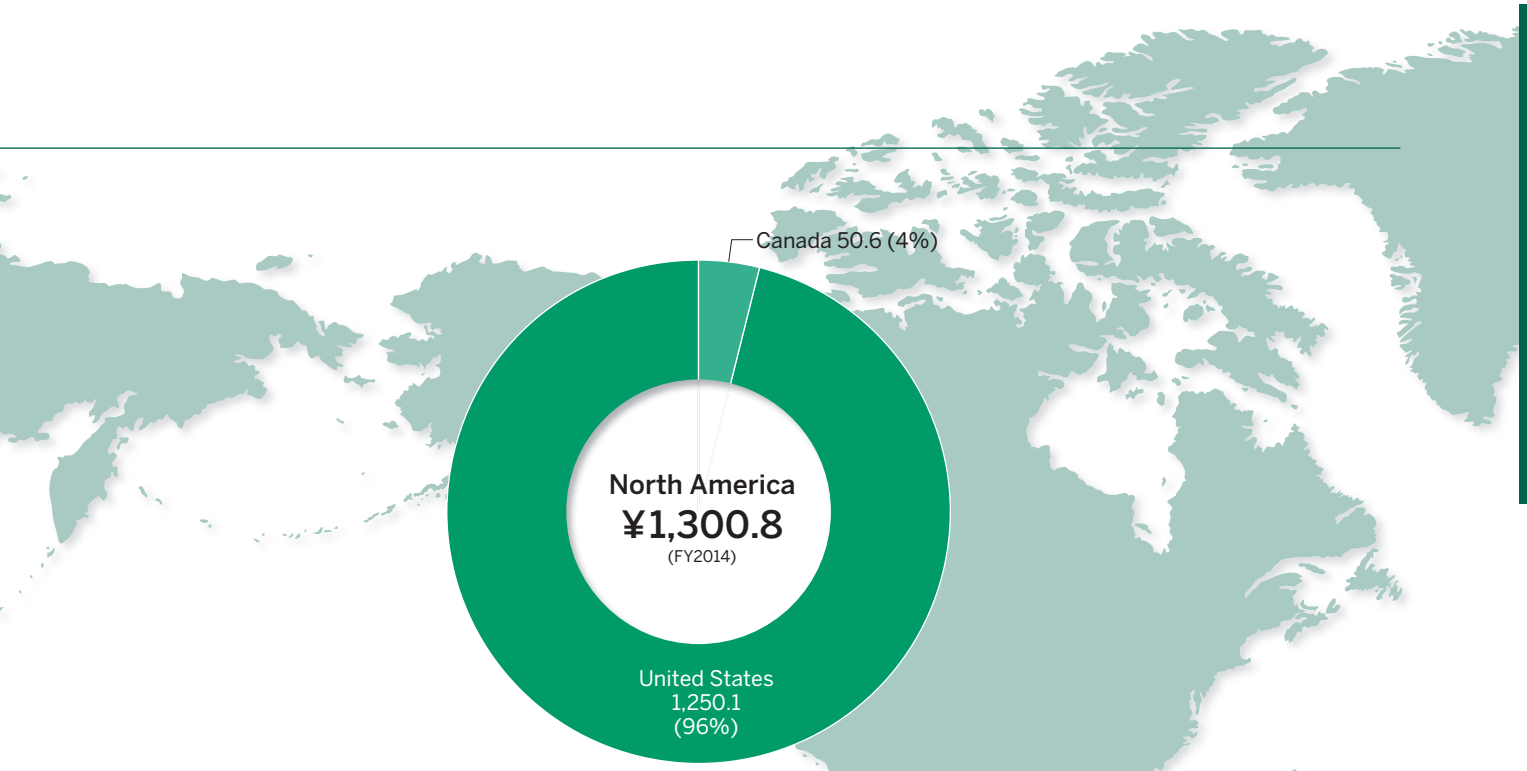
4. Examples of Business Outcomes Relating to Environment 55

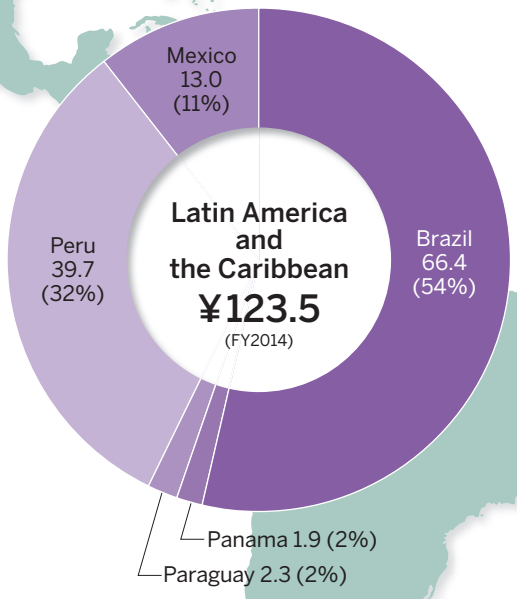
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1. Overview of Business Outcomes by Region

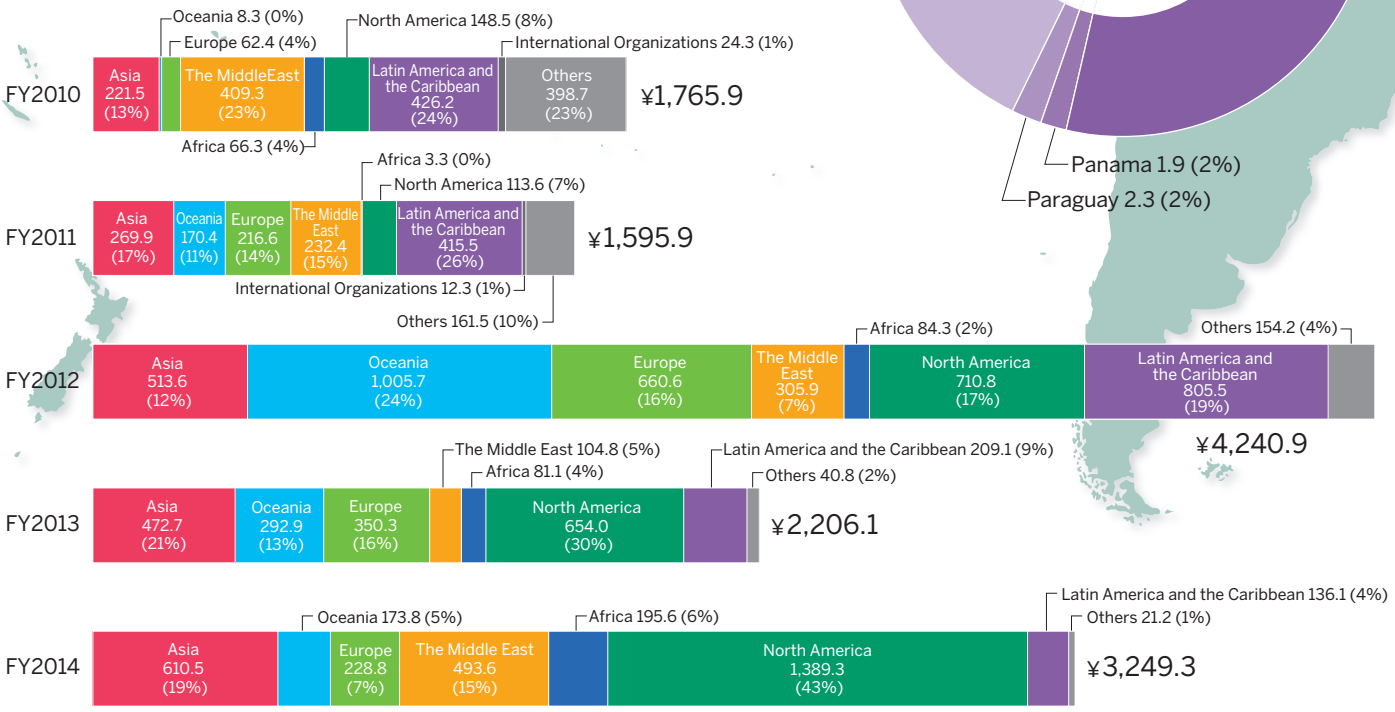
Geographical Distribution of Loan and Equity Participation Commitments (FY2014. Unit: billions of yen)







Transition of Composition of Commitments by Region (Loans, Equity Participation and Guarantees) over the Last 5 Years (Unit: billions of yen)



2. Examples of Business Outcomes by Region

Asia

China

Loan for Shipbuilding Business by Japanese Company

Supporting the expansion of an overseas businesses that employs Japanese shipbuilding technology

JBIC concluded a loan agreement with China-based Dalian COSCO KHI Ship Engineering Co., Ltd. (DACKS), in which Kawasaki Heavy Industries, Ltd. (Kawasaki) has an equity stake. The agreement provides the necessary funds for the shipbuilding business conducted by DACKS in Dalian, Liaoning Province, located in northeast China. The funds are to be used to expand the company's shipbuilding facilities. DACKS builds and sells ships for overseas markets, including China, using the design know-how, production management technology, etc., of Kawasaki, which is involved in the construction of various types of vessels. In the market for new ships, demand is expected to be firm in the future on account of greater overseas transport, and Kawasaki is attempting to expand its ship building and sales operations, particularly for large vessels, through an investment in additional plants and equipment for DACKS.



Indonesia

Loan for the Development and Operation Business of Hotel-Residences

Supporting the expansion of Japanese companies into Indonesia through residential facilities

JBIC concluded a loan agreement with Indonesia-based PT. TTL Residences (TTLR). TTLR was jointly established by Toyota Tsusho Corporation (Toyota Tsusho), the Indonesia-based LIPPO Group, Toyota Home Co., Ltd., and an Indonesian subsidiary of Tokyu Fudosan Holdings Corporation. The agreement provides the necessary funds for TTLR to develop and operate hotel-residences in Indonesia's Lippo Cikarang district that are primarily for Japanese employees of Japanese companies who are on a local assignment or business trip. Because there are plans to develop new sea ports and airports in Indonesia, particularly in the industrial area of east Jakarta, a growing number of Japanese companies are launching operations in the country. Toyota Tsusho plans on supporting Japanese companies with local operations by providing residential facilities of Japanese quality and daily life support services for employees on local assignment through TTLR. This financing supports the expansion of Japanese companies into Indonesia and contributes to maintaining and strengthening the international competitiveness of Japanese companies.



Indonesia

Project Financing for the Donggi-Senoro LNG Project

Contributing to secureing stable supplies, and diversifying the sources, of energy resources for Japan

JBIC concluded a project finance[1] loan agreement for Indonesia-based PT. Donggi-Senoro LNG (Donggi-Senoro), in which Mitsubishi Corporation (MC), Korea Gas Corporation, PT. Pertamina (Persero), the state oil company of Indonesia and Indonesia-based PT. Medco Energi Internasional Tbk. have equity stakes. The financing provides the necessary funds for Donggi-Senoro LNG to construct and operate a liquefied natural gas (LNG) plant with an annual production capacity of two million tons in the central part of the eastern coast of Sulawesi Island, Indonesia, and to supply the LNG produced at the plant to Japanese power companies and others over 13 years.

JBIC also concluded a loan agreement with MC that provides the necessary funds not only to develop upstream gas fields to supply LNG to the Donggi-Senoro LNG project, but also to undertake the Donggi-Senoro two Project.



1. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only by the project assets.

Laos

First Project Finance for a Hydro Power Plant Project in Laos

Supporting a Japanese company's overseas infrastructure project which utilizes renewable energy



JBIC concluded a project finance loan agreement with Laos-based Nam Ngiep 1 Power Company Limited (NNP1), in which the Kansai Electric Power Co., Inc. (KEPCO), a subsidiary of the Electricity Generating Authority of Thailand (EGAT), and a Laotian state-owned company have equity stakes. This is JBIC's first project financing loan for Laos and will be used for the Nam Ngiep 1 Hydropower Project. JBIC is also providing the government of the Lao Peoples Democratic Republic with funds to invest in NNP1 through a Laotian state-owned company.

This is a cross-border project in two member countries of ASEAN, which is experiencing dramatic economic growth, and involves building, owning, and operating a dam-type hydropower plant on the Nam Ngiep River in Bolikhamsai Province. The power generated by the plant will be sold to both EGAT and Electricite du Laos for 27 years. The project also contributes to a reduction in CO_2 emissions by promoting the effective use of Laos's abundant water resources, a source of renewable energy.

Malaysia

Loan for the Manufacture and Sale of Acrylic Fiber Products

Supporting the overseas business deployment of a Japanese chemical manufacturer



JBIC concluded a loan agreement with KANEKA INNOVATIVE FIBERS SDN. BHD. (KIF), a local Malaysian subsidiary of KANEKA Corporation (Kaneka). The loan provides the necessary financing for KIF's manufacturing and sales business of acrylic fiber products[2] in Pahang, Malaysia, and the funds will be used to construct new production facilities. Kaneka established KIF in Malaysia as an overseas production base in October 2010 in order to meet the growing demand in overseas markets. All the products expected to be manufactured at the new facilities will be sold in Africa, and Kaneka is attempting to increase its share of the market in Africa, which is expected to see a large increase in demand on account of both population and economic growth. Through this financing, JBIC is contributing to maintaining and improveing the international competitiveness of Japanese industry.

Myanmar

Conclusion of Shareholders' Agreement to Establish a Company to Promote Private-Sector Projects in Myanmar

Contributing to Japanese companies' participation in projects and promotion of investments through support for projects from the early stages



JBIC concluded a shareholders' agreement with Myanmar's Ministry of National Planning and Economic Development (MNPED) regarding establishing a Project Promoting Vehicle (PPV). PPV will be established to support, from the early stages, projects that are expected to be commercially viable, such as urban development projects throughout Myanmar, including the Yangon metropolitan area, in order to resolve various problems including traffic congestion and jumps in land prices due to inefficient land use. The establishment of a PPV is in line with the Project List[3] announced at the Japan-Myanmar Summit Meeting in May 2013, and a PPV will make it possible to undertake various operations such as promoting private-sector projects and supporting efforts to obtain licenses. It will also facilitate investment by private companies, including Japanese companies, in Myanmar. As Japan's policy-based financial institution, JBIC will advance efforts to develop projects and contribute to the further deepening and expansion of the economic relationship between Myanmar and Japan.

2. The main use of this product is hair extensions used as necessities among African women.
3. This document was prepared by a public-private partnership task force on Myanmar, which consists of the Government of Japan and relevant institutions and associations. In this Project List, JBIC is expected to build up an appropriate financial mechanism (including the establishment of promotion vehicle) from early stage for the infrastructure development in the sector such as power, industrial zone and urban development, implemented by public and/or private entities.

Asia

Vietnam

Loan for Production and Sales Business of Woodchips

Contributing to efforts by Japanese companies to secure a stable supply of woodchips

JBIC concluded a loan agreement with Sojitz Corporation (Sojitz) to provide funds to construct a factory necessary for Vietnam-Japan Chip Corporation LTD. (VIJACHIP), a joint venture between Sojitz and Vietnamese investors, to produce and sell woodchips. VIJACHIP plans to produce 190 thousand BD tons[1] of woodchips annually starting in 2016, and all of the output will be handled by Sojitz, which plans on mainly selling it in Japan as raw material for paper. The overseas supply covers over half of Japan's demand for woodchips to make paper, but the supply of woodchips from Vietnam is expected to tighten in the medium- and long-term as China increases its production of paper due to its economic growth. This project thereby helps secure a stable supply of woodchips from Vietnam.



India

Equity Participation for the Operation of a Private General Hospital

Supporting international deployment of Japanese medical technologies and services

JBIC signed a shareholders agreement with SECOM CO., LTD., Secom Medical System Co., Ltd., Toyota Tsusho Corporation, and two Indian companies, VSK Holdings Private Limited and TAKSHASILA HOSPITALS OPERATING PRIVATE LIMITED (THO), as well as other parties for JBIC's acquisition of preferred stocks of THO. This equity investment supports the operation of a private general hospital, the SAKRA World Hospital[2], which is run through THO, making it the first general hospital project undertaken by Japanese companies in India. JBIC will provide risk money in the local currency by utilizing its equity participation function. This equity investment will support global deployment of Japanese-style medical technology and services based on a government of Japan policy. This project is also expected to help improve the quality of the local medical service with more comprehensive medical facilities.



Sri Lanka

Loan for Acquisition of Shares of Sri Lanka-based CEYLON QUARTZ INDUSTRIES (PRIVATE) LIMITED

Supporting the overseas business expansion of a mid-tier enterprise and a small and medium-sized enterprise

JBIC concluded a loan agreement with Tatsumori Ltd. (Tatsumori) to provide part of the funds the company needs to acquire shares of Sri Lanka-based CEYLON QUARTZ INDUSTRIES (PRIVATE) LIMITED (CQI), which Tatsumori has jointly invested in with a local company. Tatsumori, a small and medium-sized enterprise (SME) engaged in the production and sale of silica[3] used as filler material for semiconductors,[4] is expanding into Malaysia, Sri Lanka, China, and other countries in order to secure raw materials and expand sales. Tatsumori plans on obtaining a stable supply of raw materials and moving forward with its global business deployment by acquiring a majority of CQI's shares and thus a controlling interest through the share acquisition. The loan agreement provides long-term funds necessary for an overseas mergers and acquisitions (M&A) and supports the overseas business expansion and new business development of mid-tier enterprises and SMEs. As Japan's policy-based financial institution, JBIC partners with private-sector financial institutions and provides support for overseas M&As by Japanese companies, including those of mid-tier enterprises and SMEs.



1. BD (Bone Dry) ton is a measurement of wood pulp/chip at 0 percent moisture content.
2. SAKRA World Hospital was opened in March 2014 as a general hospital in Bangalore. In addition to having six core centers, including the cranial neurology center and cardiology center, the hospital offers services in 17 specialties: internal medicine, otorhinolaryngology, radiology, rheumatology, anesthesiology, endocrinology/diabetes, ophthalmology, psychiatry, dermatology, respiratory medicine, and emergency care.
3. Silica refers to silicon dioxide.
4. Filler material for semi-conductors is an insulator to protect semi-conductors.

Turkmenistan

Buyer's Credit for the Turkmenistan Government

Supporting the export of equipment for an ethylene complex, Gas to Gasoline plant, and chemical fertilizer plant by Japanese companies

JBIC concluded three buyer's credit[5] loan agreements with the Turkmenistan government. The buyer's credit will provide funds for (1) Turkmenistan's state-run gas company Turkmengas to construct an ethylene complex to produce high density polyethylene and polypropylene[6] from natural gas, (2) the construction of a Gas to Gasoline plant to produce gasoline from natural gas, and (3) Turkmenistan's state-owned petrochemical company, Turkmenhimiya, to construct a chemical fertilizer plant to produce ammonia and urea fertilizer from natural gas. Supporting the export of plants produced by Japanese companies through this financing not only helps create business opportunities for Japanese companies, but also contributes to a more diverse energy sector for Turkmenistan, which continues to record strong economic growth.



Uzbekistan

Export Credit Line for the National Bank for Foreign Economic Activity of Uzbekistan

Supporting the export of terrestrial digital broadcasting equipment by a Japanese company

JBIC concluded an export credit line agreement with Uzbekistan state-owned National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU) in the presence of the country's First Deputy Prime Minister and Minister of Finance of Uzbekistan H.E. Rustam Azimov, who was visiting Japan to attend the 12th Japan-Uzbekistan Joint Economic Conference in Tokyo. The agreement provides funds through the NBU for the purchase from OGAWA SEIKI CO., LTD. of all the necessary equipment to build a terrestrial digital broadcasting network in major Uzbek cities, such as Tashkent, Samarkand, and Bukhara. This not only contributes to the construction of a high-quality digital broadcasting network in Uzbekistan, which is pushing forward with efforts to transition to terrestrial digital broadcasting within the country by 2017, but also provides financial support for the export of related equipment from Japan.



5. Buyer's credit is a loan JBIC directly extends to a foreign importer (buyer) to finance its import of machinery, equipment or services from a Japanese company.
6. High density polyethylene/polypropylene is one of the major raw materials of plastics and is mainly used in automobile parts, home appliance parts, packaging films, food containers, etc.

Oceania

Australia

Loan for the Acquisition of Interests in Browse Gas and Condensate Fields

Contributing to efforts to secure a stable supply of LNG for Japan in the medium- and long-term

JBIC concluded a loan agreement with MITSUI & CO., Ltd. (MITSUI & CO.) to provide funds for Australia-based Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI Browse), in which MITSUI & CO. has a 50% stake, to acquire 16% of interests in East Browse and 8% in West Browse, the two of which form the Browse Gas and Condensate Fields[1] off the coast of Western Australia. MIMI Browse plans to develop the gas-condensate field together with other partners including Australia-based Woodside Energy Ltd. MIMI Browse will obtain a portion of the output proportional to the above participating interests, and is expected to sell the output mainly to Japan. The agreement contributes to Japan's stable supply of LNG through the purchase of interests in natural resources by Japanese companies.



Image courtesy of Shell

Australia

Project Financing for the Purchase of an LNG Tanker

Supporting efforts to reinforce the value chain in order to secure a stable, long-term supply of LNG

JBIC concluded a project finance loan agreement with Panama-based Oceanic Breeze LNG Transport S.A. (OBLT), in which Kawasaki Kisen Kaisha, Ltd. and INPEX SHIPPING CO., LTD., a wholly-owned subsidiary of INPEX CORPORATION (INPEX), have stakes. The funds will finance the OBLT's purchase of an LNG tanker, which is expected to be mainly used to transport LNG produced by the Ichthys LNG Project,[2] operated by INPEX in Australia. This agreement supports efforts by Japanese companies to reinforce the energy value-chain from LNG project planning to transportation, and helps secure a stable supply of natural gas using the know-how of Japanese shipping companies.



Image courtesy of INPEX CORPORATION

1. Condensate is a hydrocarbon liquid at room temperature and atmospheric pressure obtained in the process of collection and purification of natural gas. In general lighter than oil, it is intended to be refined into gasoline, diesel, jet fuel or naphtha.
2. The Ichthys LNG Project is a project to develop the Ichthys Gas-condensate Field off the coast of Western Australia and produce and sell LNG and other products. Since 2012, JBIC has concluded various loan agreements related to the Ichthys LNG Project, including ones with Australia-based Ichthys LNG Pty Ltd; Tokyo Gas Co., Ltd.; Australia-based Osaka Gas Ichthys Pty Ltd, a wholly owned subsidiary of Osaka Gas Co., Ltd.; Chubu Electric Power Co., Inc.; and Australia-based Kansai Electric Power Ichthys E&P Pty Ltd, a subsidiary of the Kansai Electric Power Company, Incorporated.

Europe

Germany

Buyer's Credits for the Export of Ships to Germany-based Oldendorff

Supporting the export of bulk carriers built by Japanese Shipbuilders

JBIC concluded buyer's credit agreements with German-based Oldendorff Carriers GmbH & Co. KG (Oldendorff) for funding its purchase of two bulk carriers. Oldendorff, based in Germany, is a shipping operator that boasts one of the world's largest fleets, mainly bulk carriers. The financing makes it possible for Oldendorff to purchase two 60,000DWT[3] bulk carriers to be built by Japan Marine United Corporation. These agreements not only provide financial support for the export of ships built by Japanese shipbuilders, which play an important role in local economies and are involved with various related industries comprising mid-tier enterprises and SMEs, but also contributes to efforts to at least maintain, if not improve, the international competitiveness of Japan's shipbuilding industry.



United Kingdom

Project Financing for an Intercity Express Programme

Supporting the participation of a Japanese company in an overseas railway project through British pound sterling loan

JBIC concluded a project finance loan agreement with Britain-based Agility Trains East Limited (ATEL), in which Hitachi, Ltd. (Hitachi) has a stake, to fund the East Coast Main Line segment of the Intercity Express Programme (the "Programme") in the UK. This financing will provide funds in pound sterling currency necessary for ATEL, established by Hitachi and a Britain-based company, which invests in public infrastructure, to purchase rail cars, develop railway depots to maintain the cars, and to lease the train cars and provide maintenance services to the train operator for a period of about 30 years. This loan, by which JBIC provides support to the segment integrally with Phase 1[4] of the Programme, positioned as one of the highest-priority projects by the British government, is expected to contribute to strengthening economic ties between Japan and the UK.



3. Dead weight tonnage (DWT) refers to the total carrying capacity of a vessel, including freight, fuel, food, drink, water, ship crew and their personal effects.
4. For Phase 1, JBIC concluded a project finance loan agreement for the Great Western Main Line in July 2012.

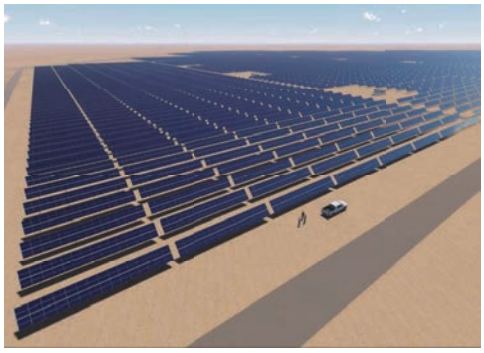
The Middle East

Jordan

Project Finance for Photovoltaic Power Generation Project

Supporting the participation of a Japanese company in a solar power generation project

JBIC concluded a project finance loan agreement with Jordan-based Shams Ma'an Power Generation PSC (Shams Ma'an) for a photovoltaic power generation project, in the presence of Japanese Prime Minister Shinzo Abe and Jordanian Prime Minister and Minister of Defense Abdalla Ensour. The project involves Shams Ma'an, invested by Mitsubishi Corporation to construct and operate a solar power plant in Ma'an Governorate, Jordan, and to sell the electricity to the National Electric Power Company in Jordan for 20 years. Demand for electricity in Jordan is growing on average 7% per year due to the country's economic growth, and increasing power generation capacity has become an urgent issue. Jordan is also moving forward with the development of renewable energy, including solar power, and this project is in line with the Jordanian government's policy.



Saudi Arabia

Project Finance for Expanding the Rabigh Integrated Oil Refining and Petrochemical Plant

Supporting the overseas business deployment of the Japanese petrochemical industry

JBIC concluded a project finance loan agreement with Saudi Arabia-based Rabigh Refining & Petrochemical Company (Petro Rabigh) to provide funds for the expansion of the Rabigh Integrated Oil Refinery and Petrochemical Plant (Rabigh Phase II Project). Both Sumitomo Chemical Company, Limited (Sumitomo Chemical) and Saudi Arabia-based Saudi Arabian Oil Company (Saudi Aramco) have stakes in Petro Rabigh. The project will expand its existing plant (Rabigh Phase I Project)[1] and produce high-added-value petrochemical products, which will then be sold by Sumitomo Chemical and Saudi Aramco. Sumitomo Chemical seeks to increase its profitability through economies of scale and cost competitiveness helped by the location of the site with the raw materials.



Turkey

Loan for the Manufacturing and Sale of Various Products including Cold Rolled Steel and Surface-Processed Steel Sheets

Supporting the overseas business deployment of a Japanese corporation in Turkey

JBIC concluded loan agreements with both Tosyali Toyo Celik Anonim Sirketi (Tosyali Toyo), a joint venture established by Toyo Kohan Co., Ltd. (Toyo Kohan) and Turkey-based Tosyali Holding A.S., and Yapi ve Kredi Bankasi A.S., a Turkish commercial bank. Financing from both agreements will be used by Tosyali Toyo to manufacture and sell cold rolled steel, surface-treated steel sheets, and similar products in Turkey. Making use of rolling and surface-treatment technology that it has acquired over many years as a group company of Toyo Seikan Group Holdings, Ltd., Toyo Kohan will establish a production base in Turkey, which is expected to see demand for such technologies grow, and plans to aggressively move forward with its steel plate business overseas.



1. JBIC concluded a project finance loan agreement with Petro Rabigh related to the Rabigh Phase I Project in 2006.

Turkey

Buyer's Credit for STAR Oil Refinery Project

Supporting Export of Plant and Machinery and Equipment by Japanese Companies

JBIC signed a buyer's credit agreement (export loan) in project financing with STAR RAFİNERİ ANONİM ŞİRKETİ (STAR). The State Oil Company of the Azerbaijan Republic (SOCAR), a national oil company of the Republic of Azerbaijan and the Ministry of Economy and Industry of the Republic of Azerbaijan have a stake in STAR. In this project, STAR will build and operate a 10 million ton per annum capacity oil refinery in the Aliaga area about 50 km northwest of Izmir, and sell refined products to distributors and other companies in the domestic market. JBIC provides the necessary funds partially for engineering, procurement and construction of STAR's oil refinery plant, upon a collective order, by a joint venture participated by Itochu Corporation. The construction of this oil refinery is expected to contribute to the improvement of short supply of domestic refined products in Turkey, and also to creating export opportunities for Japanese companies.



United Arab Emirates (UAE)

Business Cooperation Agreement with Abu Dhabi National Oil Company in the Environment Sector

Diversifying the relationship with Abu Dhabi government-affiliated entities and supporting the activities of Japanese corporations

JBIC concluded a memorandum of understanding (MOU) on cooperation in the environment sector with Abu Dhabi National Oil Company (ADNOC), a state-run oil company fully owned by the government of the Emirate of Abu Dhabi. ADNOC operates an oil and gas business in the emirate of Abu Dhabi, the leader in oil and gas production in the UAE. JBIC has previously concluded three MOUs with ADNOC in the field of oil and gas, but the latest MOU extends the cooperative relationship to the environmental field. The UAE is an extremely important country in Japan's resource strategy for reasons such as having been a stable supplier of oil over the past 30 years. The conclusion of this MOU with ADNOC is in line with the Joint Statement issued by both countries[2] as well as ADNOC's policies, which include reducing greenhouse gas (GHG) emissions, utilizing renewable energy, promoting a sustainable environment and ecology, while making effective use of energy and water resources, and will lead to a stronger relationship between Japan and the UAE.

2. The Joint Statement on the Strengthening of the Comprehensive Partnership between Japan and the UAE towards Stability and Prosperity, which expands the multi-level partnership between Japan and the UAE. It confirms with the head of the UAE the comprehensive partnership in a wide range of fields, including politics, business, culture, and personnel exchanges, It was announced when Japanese Prime Minister Abe visited the UAE in May 2013. The desire to strengthen that comprehensive partnership was confirmed by Prime Minster Abe when H.H. General Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, visited Japan in February 2014.

Africa

Morocco

Project Finance for Ultra Super Critical Coal-Fired Power Generation Project in Morocco, the First for JBIC and for the African Continent

Supporting the participation of a Japanese corporation in a power generation project

JBIC signed a project finance loan agreements with Morocco-based Safi Energy Company S.A. (Safi), in which Mitsui & Co., Ltd. and other investors have stakes, to finance the Safi coal-fired power generation project. In this project, Safi will construct and operate an ultra super critical coal-fired power plant with a capacity of approx. 1,250 MW in the Safi area of Morocco, and will sell the electricity to the Office National de l'Electricité et de l'Eau Potable for 30 years after the completion of construction work. It is expected that the plant will serve as an important source of power for the country, where demand for electricity has been growing in recent years. These loans are made under the JBIC Facility for African Investment and Trade Enhancement (FAITH),[1] which was established in accordance with the Fifth Tokyo International Conference on African Development (TICAD V), and is in line with various Japanese government policies including the Strategy Relating Infrastructure Export and Economic Cooperation, Strategic Energy Plan, and Actions for Cool Earth (ACE).



Tunisia

Guarantee for Privately Placed Samurai Bonds Issued by the Central Bank of Tunisia

Supporting the business activities of Japanese corporations through guarantees

JBIC concluded agreements related to guarantees for yen-denominated bonds issued in Japan (Samurai bonds)[2] by the Central Bank of Tunisia as part of FAITH. The bonds are privately placed yen-denominated bonds, and JBIC guarantees the full principal and some of the interest of the bonds. With the agreement, JBIC provided guarantees through the Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility[3] as part of support for the Middle East and North Africa based on the Deauville Partnership.[4] This is the third round of guarantees that JBIC has provided for Samurai bonds issued by the Central Bank of Tunisia. Such continuous support is expected to aid the diversification of fund procurement by the Tunisian government, as well as promote the issuance of bonds by overseas entities in the Samurai bond market, and also contribute to efforts to at least maintain if not improve the international competitiveness of Japan's capital markets. Tunisia's real GDP grew at an annualized rate 2.3% in 2013, and it is hoped that this agreement will further strengthen the relationship between Japan and Tunisia, and invigorate Japanese corporations' business in a wide range of fields.

Mozambique

MOU with the Mozambique Government in the Field of Resources

Supporting resource-related projects for Mozambique by Japanese corporations

JBIC concluded an MOU with the Mozambique Ministry of Mineral Resources (MIREM) aimed at the exchange of information and opinions as well as joint cooperation toward developing and implementing resource-related projects in Mozambique in which Japanese corporations are involved. Mozambique is rich in energy and mineral resources, such as natural gas and coal, and Japanese corporations have shown a strong interest in participating in such projects. When Japanese Prime Minister Abe visited Mozambique in January 2014, the two countries reached agreement on the Japan-Mozambique Development Initiative based on Natural gas and coal, in accordance with the Japan-Mozambique "*amizade*" (meaning friendship in Portuguese) partnership, and it was decided to facilitate efforts such as improving the investment environment which promotes the resource-related projects. The MOU will contribute to further exchanges of information and opinions, as well as to the establishment of frameworks for capacity building and joint cooperation in project development with the MIREM. Moreover, progress in the resource-related projects under bilateral initiatives is expected to lead to the diversification of resource and energy supplies for Japan, and to business expansions for Japanese companies.

1. The JBIC Facility for African Investment and Trade Enhancement (FAITH) was established in June 2013 to make use of JBIC financing, guarantees, etc., and to promote private-sector lead growth and the construction of infrastructure in Africa.
2. Samurai bonds are yen-denominated bonds issued in Japanese markets by an overseas entity such as a foreign country or corporation.
3. With the Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility, JBIC supports the issuance of Samurai bonds through partial guarantees and acquires some Samurai bonds itself when necessary.
4. The Deauville Partnership is a framework agreed to at the G8 Deauville Summit held in May 2011 to support the historic changes that were occurring in the Middle East and North Africa.

South Africa

First Credit Line for Standard Bank in South Africa under GREEN Operations

Supporting renewable energy businesses in Sub-Saharan African countries

JBIC concluded, in line with FAITH, a loan agreement with the South Africa-based private-sector bank, The Standard Bank of South Africa Limited (SBSA), to establish a credit line (credit facility based on financing for project development). This credit line provides, through the SBSA, the necessary funds for environmental projects that make use of renewable energy, such as photovoltaic and solar thermal power, in various Sub-Saharan African countries as part of JBIC's Global action for Reconciling Economic growth and ENvironmental preservation (GREEN)[5] operations. SBSA is the core bank of the largest financial group in Africa in terms of assets, operating in 20 African countries. This financing, which is expected to contribute to a reduction in GHG emissions in Sub-Saharan African countries, is also in line with Actions for Cool Earth (ACE) announced by the Japanese government in November 2013.



Tanzania

First Buyer's Credit Provided to the Government of Tanzania by JBIC

Supporting the export of power plant equipment by Japanese companies

JBIC concluded, in line with FAITH, a loan agreement (export financing) with the Tanzanian government which provides the funds necessary for the procurement and installation of gas turbines made by MITSUBISHI HITACHI POWER SYSTEMS, LTD. from SUMITOMO CORPORATION, for a gas-fired combined cycle power plant scheduled to be constructed by TANZANIA ELECTRIC SUPPLY COMPANY (TANESCO). Given Tanzania's tighter supply of power due to robust economic growth, the Tanzanian government has created a Power System Master Plan, through which it strives to not only expand its power generation capacity, but also reduce the cost of generating power through the use of the country's abundant gas resources. Supporting the export of equipment manufactured by Japanese companies through this loan is expected to contribute to maintaining and improving the international competitiveness of Japanese corporations, and also aid Tanzania's economic development through a stable supply of energy.

5. Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations promote overseas projects which aim to preserve the environment, such as the prevention of global warming. JBIC seeks to contribute to achieving both environmental and economic sustainability through these operations. (See page 63.)

North America

Canada

Loan for the Acquisition of Interests and Development of Shale Gas Project

Contributing to the diversification of LNG supplies for Japan

JBIC concluded a loan agreement with Canada-based JAPEX Montney Ltd. (JML), which is owned by Japan Petroleum Exploration Co., Ltd. (JAPEX), Japan Oil, Gas and Metals National Corporation, and MITSUBISHI GAS CHEMICAL COMPANY, INC. The financing provides the necessary funds for JML to acquire 10% of the shale gas mining rights in British Columbia, Canada, owned by a subsidiary of Malaysia's Petroliam Nasional Berhad (PETRONAS), and to develop and produce shale gas. With vast reserves of shale gas, Canada has substantial potential as a new supplier of LNG to Asian and Pacific markets. JML is planning to convert the natural gas produced through this project into LNG at a liquefaction plant to be built on the west coast of British Columbia, and export the LNG to Asia, including Japan. The project is expected to contribute to the diversification of LNG sources for Japan.



Image courtesy of JAPEX

United States

Project Financing for Freeport LNG Project

Supporting Japanese Company's Participation in U.S. LNG Export Project

JBIC signed a loan agreement in project financing with FLNG Liquefaction, LLC (FLIQ), a company in the U.S. Osaka Gas, Chubu Electric, and Freeport LNG Expansion, L.P. have invested in FLIQ. This loan will finance new construction of a liquefaction plant in the state of Texas, and production of LNG made from shale gas and conventional gas produced in the U.S. Osaka Gas and Chubu Electric have obtained the right to use liquefaction facilities and offtake LNG as tollers. This is a long-term LNG procurement project using the pricing mechanism linked to the U.S. gas market index, which is different from the existing LNG pricing linked to crude oil prices. Thus, this project contributes to the diversification of LNG procurement sources and the pricing mechanism.



United States

Loan for the Acquisition of U.S.-Based Beam Inc.

Supporting the overseas M&A of a Japanese company by hybrid financing

JBIC concluded a subordinated loan agreement, a type of hybrid financing,[1] with Suntory Holdings Limited (Suntory) to provide part of the funds necessary for the company to acquire U.S.-based Beam Inc. (now Beam Suntory Inc., referred to as "Beam" below), which makes and sells spirits. Under the policy of reinforcing its global spirits business, Suntory will acquire a controlling interest in Beam, which possesses numerous global brands, and aims to enhance the strength of its brand in the global spirits market and realize global growth using Beam's sales network and promote technological exchanges between the two companies. JBIC also concluded another loan agreement to supply some of the funds for the acquisition. By leveraging hybrid financing to help Japanese companies raise long-term funds for overseas M&As, JBIC supports the overseas business expansion of Japanese companies and contributes to at least maintaining if not improving the international competitiveness of Japanese industry.

1. Hybrid financing is accounted for as a liability but part of it can be treated as capital when credit rating agencies assess the financial position of the borrower.

United States

Project Financing for Cameron LNG Project

Contributing to securing stable supply and diversifying supply sources of energy resources to Japan

JBIC signed a loan agreement in project financing with Cameron LNG, LLC (Cameron), a U.S. company. The loan will finance Cameron's new construction of a liquefaction plant in the U.S. state of Louisiana, and production of LNG from shale gas and conventional gas produced in the U.S. Cameron is invested by Mitsui & Co., Ltd. (Mitsui), Mitsubishi Corporation (MC), Nippon Yusen Kabushiki Kaisha, Sempra Energy, a U.S. company, and ENGIE S.A. (ENGIE, known as GDF SUEZ prior to April 2015), a French company. Mitsui, MC and ENGIE, upon obtaining the liquefaction plant use rights as LNG tollers will sell LNG to Japanese utility companies and others. This is the first project to export LNG to Japan based on a long-term contract using the pricing formula linked to the U.S. gas market index. Thus, the project contributes to the promotion of diversifying LNG procurement sources and the pricing formula.



Latin America and the Caribbean

Brazil

Third Credit Line for the BNDES under GREEN Operations

Supporting renewable energy projects which make use of Japan's environmental technologies

JBIC concluded a loan agreement with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) to establish a credit line (credit facility based on financing for project development), the third loan for the bank. As part of JBIC's GREEN operations, it provides, through the BNDES, the necessary funds for environmental projects that make use of renewable energy, such as wind and biomass-generated power in Brazil. The BNDES, as the sole government-affiliated financial institution responsible for providing long-term funds for projects in Brazil, actively supports environmental projects which utilize renewable energy. JBIC and the BNDES have developed a close relationship over the past 50 years through financing and technical cooperation related to various types of projects in Brazil, such as industrial investment, export promotion, and infrastructure development. This loan agreement is expected to contribute to a decline in GHG emissions in Brazil, and to provide opportunities to spread Japan's leading environmental technology in the country.

Brazil

Project Financing for Chartering Ultra-Deepwater FPSO Units

Supporting offshore resource related projects of Japanese corporations

JBIC concluded a loan agreement with Netherlands-based Carioca MV27B.V (CMV27), which is invested by MODEC, Inc., Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd., and Marubeni Corporation. The loan is for a long-term FPSO[1] unit charter project for Netherlands-based Guara B.V., a company established by a consortium[2] that includes Brazil's state-owned oil company Petróleo Brasileiro S.A., which owns the rights to the Lapa (formerly Carioca) deepwater field[3] off the coast of Brazil. This project involves CMV27 providing Guara B.V. with charter services over 20 years for an ultra-deepwater FPSO unit to be constructed by MODEC, Inc. that will be used for the development of the Lapa (formerly Carioca) field. The charter services include the lease and other operations (operating and maintaining the unit). Continued provision of FPSO unit charter services, which are indispensable for the development of marine resources, by Japanese ocean energy businesses will lead to enhancement in the provision of technology and know-how related to operating FPSO units in deepwater fields.



Note: The same FPSO unit model discussed here

Brazil

MOU on Business Cooperation with Brazil-Based Vale S.A.

Reinforcing the relationship with one of the major resource companies in the world and supporting the business activities of Japanese corporations

Taking Japanese Prime Minister Abe's visit to Brazil as an opportunity, JBIC concluded an MOU with Brazil-based Vale S.A. (Vale) on business cooperation. The main objective of this MOU is business cooperation through consultations toward realizing projects which not only secure a stable supply of mineral resources for Japan, but also involve the export of mining-related equipment by Japanese corporations. Vale, one the world's top suppliers of mineral resources, such as high-quality iron ore, has built good relationships with JBIC and Japanese companies over many years. Resource-related projects have recently grown in size, and Japanese companies are expected to have a larger number of, and more diverse, opportunities to take part in these projects. Given such expectation, JBIC, through this agreement, seeks to contribute to securing of a stable supply of mineral resources by Japanese companies, as well as creating export opportunities for mining equipment by further strengthening the close cooperation and partnership with Vale through deepening discussions related to the development and operation of projects of mineral resources.

1. A floating production, storage and offloading (FPSO) unit is a floating vessel that conducts primary refining of crude oil (removing gas and water mixed in the crude oil straight from a well) , then stores and offloads the oil.
2. The consortium comprises Petrobras, the England-based BG Group, Spain-based Repsol Group, and China's Sinopec.
3. The Lapa (formerly Carioca) field is a massive oil field under the pre-salt layer of the Santo Basin located about 300 km south of the coast of Rio de Janeiro.

Paraguay

Loan for Shipbuilding Business by Japanese Corporation

Supporting the overseas business deployment of mid-tier enterprises and SMEs

JBIC concluded a loan agreement with Tsuneishi Holdings Corporation (Tsuneishi HD) to provide the funds necessary for Paraguay-based Astillero Tsuneishi Paraguay S.A. (ATP), a local subsidiary of Tsuneishi Shipbuilding Co., Ltd. which is affiliated with Tsuneishi HD, to build river barges[4] and barge pushers[5]. Tsuneishi HD, a SME conducting shipbuilding and shipping operations business globally, builds various types of ships centering on bulk carriers, in Japan and overseas. The company's new business of building barges and barge pushers in South America is expected to experience firm growth in the steady demand in the future because of an increase in river shipping. Thus, Tsuneishi HD plans to expand its production and sale of river barges and barge pushers in South America through the investment in ATP. JBIC will contribute to maintaining and strengthening the international competitiveness of the Japanese shipbuilding industry by supporting such overseas business deployment of mid-tier enterprises and SMEs.



Peru

Loan for Acquisition of Shares of Anglo-American Quellaveco S.A. in Peru

Securing Stable Supply of Copper Resources to Japan over Medium and Long Term

JBIC signed a loan agreement with Mitsubishi Corporation (MC) to finance MC's acquisition of the 18.1 percent interest in Anglo-American Quellaveco S.A. (AAQ) in Peru which was held by the International Finance Corporation (IFC). Through this acquisition of shares, MC obtained interests in the Quellaveco Copper Project in Peru owned by AAQ, and plans to take delivery of copper concentrate produced by AAQ in proportion to its share ownership for supplies to Japanese refineries as well as other buyers. Copper is indispensable to Japanese industry as it's used extensively for various products, and its demand is expected to rise globally with growing demand among emerging countries and increasing sales of hybrid and electric vehicles.[6] This loan contributes to secure a long-term stable supply of copper resources important to Japan who relies solely on imports for its supply of copper concentrate, used for copper ingots.



Mexico

MOU with Banco Nacional de Obras y Servicios Públicos S.N.C. Regarding an Exchange of Information and Opinions

Supporting the creation of infra-related business opportunities in Mexico

JBIC concluded an MOU with Banco Nacional de Obras y Servicios Públicos S.N.C. (BANOBRAS), a government-affiliated financial institution established to support infrastructure projects in Mexico, in the presence of Japanese Prime Minister Abe and Mexican President Peña Nieto. Enhancement of infrastructure is one of the key policies of the Mexican government. The MOU was concluded in order to facilitate an exchange of information and opinions regarding how JBIC provides peso-denominated financing, as well as on infrastructure-related cooperation. Creating this type of framework with BANOBRAS is expected to promote the development of infrastructure projects in which Japanese companies can take part.

4. A barge is a flat boat that carriers cargo on inland waterways, such as rivers and canals, and in harbors. Because barges do not have engines, they cannot propel themselves.
5. Barge pushers are equipped with an engine and push barges.
6. It is said that hybrid and electric vehicles need two to three times more copper than in comparison with the same type of conventional engine vehicles.

Latin America and the Caribbean

Mexico

Loan for the Manufacturing and Sales Business of Automobile Engine Parts

Supporting the overseas business expansion of mid-tier enterprises and a SMEs through its first financing denominated in Mexican pesos

JBIC concluded a loan agreement with NISSIN MANUFACTURING CO., LTD. (NISSIN)'s Mexico-based subsidiary NISSIN MANUFACTURA DE MÉXICO, S.A. DE C.V. (NMX). This agreement provides funds denominated in the local currency necessary for NMX to establish a plant to manufacture automobile engine parts (rocker arms, etc.) in the state of San Luis Potosí, Mexico. NISSIN, a mid-tier enterprise that manufactures and sells automobile engine parts, established NMX in Mexico in 2012 and plans to expand its business in the country, as the demand for products such as automobile parts is expected to continue to grow, particularly in North, Central, and South America. This financing will contribute to efforts to at least maintain, if not improve, the international competitiveness of Japanese industry by supporting the overseas business expansion of NISSIN.



Mexico

MOU with the Petróleos Mexicanos

Supporting the participation of Japanese companies in the development of oil and gas in Mexico

JBIC concluded an MOU with the Mexican state-run petroleum company Petróleos Mexicanos (PEMEX), in the presence of Japanese Prime Minister Abe and Mexican President Peña Nieto. In February 2007, JBIC and PEMEX had concluded an MOU to support the expansion of trade between Japan and Mexico, and the participation of Japanese companies in oil and gas projects undertaken by PEMEX through consultations and exchanges of information related to new PEMEX projects and business strategies, and to expand business opportunities for both JBIC and PEMEX. The new MOU revises the fields in which JBIC and PEMEX will try to strengthen their relationship and forms a framework for creating and developing the long-term friendly and cooperative partnership between both companies. JBIC not only contributes to the creation of business opportunities for Japanese companies but also supports efforts to further strengthen the economic relationship between Japan and Mexico.



3. Examples of Business Outcomes Relating to Support for SMEs

JBIC supports SMEs in a wide range of industries with their overseas business deployment.

China

HIRUTA KOGYO CO., LTD.

Manufacturing and Sales of Automobile Parts

HIRUTA KOGYO CO., LTD. manufactures and sells automobile parts such as those for chassis, transmissions, and engine related parts. Having already expanded its business overseas in countries such as the U.S., Thailand, China, and Mexico, the company is now aiming to further increase its share of the Chinese market by making capital investments in its China-based subsidiary HIRUTA (FOSHAN) AUTOMOTIVE COMPANY, LIMITED (HFA). JBIC provided the funds to finance HFA for the capital investment or facilities necessary to conduct the business.



Indonesia

Marugo Rubber Industries, Ltd.

Manufacturing and Sales of Rubber Products for Automobiles

Since its inception in 1954, Marugo Rubber Industries, Ltd. (Marugo Rubber) has been involved in the production of rubber products for automobiles, including rubber vibration isolators and high-performance hoses. With the establishment of its Indonesian subsidiary, PT. MARUGO RUBBER INDONESIA (PTMI), the company strengthened its manufacturing and sales of products mainly for local Japanese-affiliated automakers, and is expanding its market share. JBIC provided Marugo Rubber with the necessary funds for PTMI to conduct the business.



Indonesia

KYOTOSEIKO CO., LTD.

Manufacturing and Sales of Automatic Machines and Inspection Equipment for Industrial Use

KYOTOSEIKO CO., LTD. handles automatic industrial machines and inspection equipment, such as leak test machines, image inspection machines, and various automatic assembly and inspection machines, and has earned high credit from the customers for its post-delivery maintenance and after-sales service. The company established the Indonesia-based PT. KYOTOSEIKO INDONESIA (KSI) in 2013, and is moving forward with efforts to expand its overseas market share. JBIC provided KSI with necessary funds denominated in the local currency for its business operations.



Indonesia

FASIC CO., LTD

Manufacturing and Sales of Men's Clothing

Specializing in private brand development for men's and women's clothing (suits, jackets, and others) retailers, FASIC CO., LTD is mainly planning, manufacturing, and supplying its products to major mass retailers of men's clothing. It established an Indonesian subsidiary, PT. FASIC INDONESIA (PTFI), as its production base under the China plus one strategy, for the country has geographical advantages in addition to an inexpensive and abundant work force. JBIC provided PTFI with funds necessary for expanding its production facilities.



Indonesia

RP TOPLA LIMITED

Manufacturing and Sales of Synthetic Resin Injection Molded Products

Since its foundation in 1953, RP TOPLA LIMITED (PR TOPLA) has manufactured and sold synthetic resin injection molded products.* Given the increasing demand for the synthetic resin injection molded products with the growing economies of Indonesia and neighboring countries, the company is expanding its market share through its Indonesia-based subsidiary, PT. TOPLA HYMOLD INDONESIA. JBIC provided RP TOPLA with necessary funds for expanding for production facilities at its local subsidiary.



Laos

Misuzu Co., Ltd.

Manufacturing and Sales of Conductors for Various Types of Electrical Wires

Misuzu Co., Ltd. (Misuzu) was established in 1955 and since then has been engaged in the production and sales of conductors for various types of electrical wires. The products are used in a wide range of devices such as household appliances and cables for gastro and other endoscopes. Misuzu established the Lao-based MISUZU LAO CO., LTD (MLO) in order to capture a greater share of the ASEAN market, which is projected to further grow in the future. JBIC provided MISUZU with funds necessary for MLO to conduct the business.



Philippines

Kasai Works Co., Ltd

Manufacturing and Sales of Plastic Resin Molded Parts

Kasai Works Co., Ltd. (Kasai) is a plastic resin product maker manufacturing that produces and sells electric parts for automobiles. Since establishing a Philippine subsidiary, KASAI ADVANCED MFG. PHILIPPINES INC (KAMP), which manufactures and sells molded plastic resin molded parts such as door mirror switches, Kasai has been expanding its business in emerging countries by using the Philippines as a base for manufacturing and selling products mainly for Japanese-affiliated automakers. JBIC provided Kasai with the necessary funds to establish KAMP.



Thailand

Facelabo Co., Ltd.

Production and Sales of Dietary Supplements

Facelabo Co., Ltd.(Facelabo) produces and sells cosmetics, health foods, and dietary supplements. Demand for health foods and supplements is expected to grow in Thailand, backed by greater health consciousness and economic growth, and thus Facelabo seeks to expand the production and sales business targeting local Thai brands through its local subsidiary FC Laboratories Co., Ltd (FCL). JBIC provided FCL with necessary funds to expand its production facilities.



* Synthetic resin injection moldings are plastic products produced by (injection molding) technique that injects and cools plastic material dissolved in hot molding into an injection mold.

Thailand

Yamamori Inc.

Brewing and Sales of Japanese Soy Sauce

One of the largest soy sauce producers in Japan in terms of production volume, Yamamori Inc. (Yamamori) also possesses advanced technical skills in the field of product development, such as small packages of liquids and retort-pouch foods. Through its Thai subsidiary, YAMAMORI TRADING CO., LTD. (YTC), Yamamori established YAMAMORI (THAILAND) CO., LTD. (YTH) in Rayong Province of central Thailand, and is working to further expand its local market share. JBIC provided YTC with funds denominated in the local currency for the establishment of YTH.



Thailand

KAIHARA CORPORATION

Production and Sales of Denim Fabric

KAIHARA CORPORATION (KAIHARA), which started business in 1893, has produced and sold denim fabrics. Handling all processes from spinning the raw cotton to dyeing, weaving, up to finished fabrics, it is the largest domestic producer of denim fabric in Japan and has won high praise from throughout the world, particularly for its Aizen (indigo dyeing) technology. KAIHARA established KAIHARA (THAILAND) CO., LTD. in Thailand, its first overseas production base, and is attempting to expand the market. JBIC provided KAIHARA with funds necessary for conducting its Thai subsidiary's business.



Vietnam

Unika Holdings Co., Ltd.

Construction and Operation of Industrial Parks

With UNIKA CO., LTD., a subsidiary of Unika Holdings Co., Ltd. (Unika HD), which manufactures and sells cutting-edges tips for various types of electric drills and fasteners for construction, Unika HD began operating an industrial park in Vietnam in 1996 through a subsidiary. Through its subsidiary, Unika HD established Vietnam-based VIETNAM JAPAN TECHNOLOGY PARK COMPANY LIMITED (VIE-PAN), a joint venture with a company affiliated with the Ho Chi Minh City People's Committee, and is aiming to expand its business. JBIC provided VIE-PAN with necessary funds for the industrial park project.



Vietnam

KATZDEN ARCHITEC Co. Ltd.

Manufacturing and Sales of Residential Metal Parts

KATZDEN ARCHITEC Co. Ltd. (KATZDEN ARCHITEC) is involved in the manufacture and sales of stair products and other housing components and has won praise for its high design quality. As demand for residential metal parts is expected to grow on account of economic growth in emerging countries, KATZDEN ARCHITEC established Vietnam-based KATZDEN ARCHITEC VIETNAM CO., LTD and is expanding its business in emerging markets, such as ASEAN, using Vietnam as the base. JBIC provided KATZDEN ARCHITEC with necessary funds for its local subsidiary's business operations.



India

Kusakabe Electric & Machinery Co., Ltd.

Manufacturing and Sales of Pipe Mills

Established in 1916, Kusakabe Electric & Machinery Co., Ltd. (KUSAKABE) manufactures and sells pipe mills. To meet the demand from Japanese-affiliated companies which have launched operations in India, as well as demand from throughout the world, KUSAKABE set up a local subsidiary in India, KUSAKABE INDIA PRIVATE LIMITED (KI), as an overseas production base, and aims to expand its business. JBIC provided KUSAKABE with necessary funds to construct a new factory for KI.



Turkey

Sango Co., Ltd.

Manufacturing and Sales of Automobile Parts

With its strength in metal processing technology for various pressed and pipe products, Sango Co., Ltd.(SANGO) manufactures and sells parts for automotive exhaust system parts for major automobile manufacturers. SANGO established the Turkey-based SANGO OTOMOTIV URUNLERI SANAYI VE TICARET ANONIM SIRKETI (STI) in 2002 as a base for car exports to the European Union countries and further expands its market share. JBIC provided STI with necessary funds for conducting its business.



Mexico

TOHKEN THERMO TECH CO., LTD.

Manufacturing and Sales of Heat Treatment

As an industry pioneer that heat-treats metal materials, mainly those used for automobile parts, TOHKEN THERMO TECH CO., LTD. (TOHKEN THERMO TECH) is one of the largest and possesses some of the most advanced technological skills. It established the local subsidiary TOHKEN THERMO MEXICANA, S.A. DE C.V. (TTM) in Mexico, which is becoming increasingly important as an export base for North America, Central America, and South America after Thailand, Malaysia, and China. JBIC provided TOHKEN THERMO TECH with necessary funds for TTM's business operations.



Mexico

KUROTA SEIKI-SEISAKUSHO CO., LTD.

Manufacturing and Sales of Automobile Parts

KUROTA SEIKI-SEISAKUSHO CO., LTD. (KUROTA) manufactures and sells automobile parts, and given the expectation that Mexico will see stronger demand as a production base for automobile parts due to the growing North American economy and automobile market, it established KUROTA MEXICO S.A. de C.V. (KRM) in June 2014. JBIC provided the necessary funds for KRM to manufacture and sell automobile parts in the state of Aguascalientes, Mexico. KUROTA seeks to expand its business through local production by KRM.



4. Examples of Business Outcomes Relating to Environment

Supporting Environmental Conservation and Improvement Projects

Achieving both environmental preservation and economic development is at present universally recognized as a common challenge for developed and developing countries alike. Given this awareness, there are growing expectations across the world on implementing projects which lead to environmental conservation and improvement.

Various efforts in this field are underway throughout the world, including energy-saving projects to increase energy efficiency; renewable energy projects such as solar and wind power generation; projects involving highly efficient, high-performance coal-fired power generation and natural gas-fired combined-cycle power generation that reduce carbon dioxide (CO_2) emissions; urban transportation projects such as railroads that help alleviate traffic jams and air pollution; smart grid projects that supply electricity efficiently using IT technology; and eco-city projects that aim to realize environmentally sustainable cities.

Amid such developments, JBIC not only takes into consideration the environmental and social aspects of individual projects, but is also committed to support environmental conservation and improvement projects, such as measures against global warming. For its Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations, JBIC focuses its support on efforts to conserve the global environment, including projects that are expected to dramatically reduce GHG emissions, while keeping in mind the global dissemination of Japan's internationally-acclaimed leading environmental technologies (see page 63).

Supporting a CO_2-EOR[1] Project that Utilizes Exhaust from Coal-fired Power Plants

JBIC signed a project finance loan agreement with U.S.-based Petra Nova Parish Holdings LLC, which is owned by the JX Group and U.S.-based NRG Energy, Inc. (NRG). This CO_2-EOR project in Texas involves the construction of a CO_2 capture system[2] at the W.A. Parish coal-fired power plant, owned by a subsidiary of NRG, and injection of CO_2 captured from the power plant's exhaust gas into the West Ranch oil field located on the Gulf of Mexico for the enhancement of oil recovery and sequestration of CO_2 underground. Although EOR utilizing CO_2 has already been implemented in areas throughout the world, this will be one of the world's largest commercial enhanced oil recovery projects using CO_2 captured from the emission of a coal-fired power plant. It is expected to contribute to both reducing the environmental burden and enhancing the productivity of energy resources.



Supporting a Hydro Power Plant Project in Indonesia

Indonesia is expected to see its demand for electricity grow at an annual rate of 8.5% over the next ten years, and, at the same time, the Indonesian government is actively working to make use of renewable energy for the prevention of global warming. Under such circumstances, JBIC concluded a loan agreement for the Rajamandala Hydro Power Project with Indonesia-based PT. Rajamandala Electric Power (REP), in which the Kansai Electric Power Co., Inc. has a stake. The project involves REP constructing and operating a run-of-the-river hydro power plant in the Citarum River basin (Indonesia) and selling the electricity to the PT. PLN (Persero) in Indonesia for 30 years. This project will contribute to a reduction in CO_2 emissions by effectively employing water resources, a source of renewable energy, through the productive use of the vertical drop between existing dam-type power plants located both upstream and downstream and taking in the water released from the upstream power plant.



1. EOR is an abbreviation for "enhanced oil recovery".
2. For this project, a consortium consisting of Mitsubishi Heavy Industries America, Inc., a U.S. subsidiary of Mitsubishi Heavy Industries, Ltd., and TIC (The Industrial Company), a major U.S. construction company, will construct the CO_2 capture plant with a daily capturing capacity of 4,776 metric tons, making it one of the largest plants in the world to capture CO_2 from exhaust gas.

Supporting Offshore Wind Power Generation Projects

JBIC concluded a project finance loan agreement with Britain-based WMR JV Investco Limited (WMR), in which Marubeni Corporation has an equity stake, for an offshore wind power generation project in the UK. In this project, Marubeni and Britain-based Green Investment Bank Plc jointly established WMR, through which they acquired shares of a UK offshore wind power generation company owned by a subsidiary of Denmark-based DONG Energy A/S (DONG), the world's largest offshore wind power generator. Marubeni will work with DONG to build and operate an offshore wind power plant about eight kilometers off the coast of East Riding in Yorkshire, and to sell the electric power generated by the plant. Amid the advancement of large-scale offshore power generation projects in Europe and intensifying competition among foreign companies from various countries for concessions in projects, JBIC supports long-term overseas renewable energy projects by Japanese companies through provision of long-term funds denominated in British pounds, reducing the exchange rate risk in foreign-currency loans faced by project participants.



Partnerships and Knowledge Sharing in the Environmental Sector

Amid growing expectations for the implementation of environment-related projects towards global environmental conservation and a low-carbon society in various parts of the world, JBIC supports Japanese overseas business deployment as well as efforts being made by foreign governments in this field, not only through financing but also by sharing information and providing knowledge through activities such as holding seminars and participating in relevant events. JBIC also simultaneously forms close partnerships with foreign governments and government agencies, domestic prefectural and municipal governments, and other stakeholders both in Japan and abroad.

MOU with Nacional Financiera in Mexico

JBIC and Nacional Financiera, S.N.C., I.B.D.(NAFIN), a governmental financial institution that supports Mexico's mid-tier enterprises and SMEs, as well as renewable energy and energy efficiency projects, concluded an MOU in the presence of Japanese Prime Minister Abe and Mexican President H.E. Enrique Peña Nieto. The purpose of the MOU is to improve the exchange of information and opinions regarding the manufacturing sector of local SMEs and the environment sector, such as renewable energy projects in Mexico. Since a new administration came to power at the end of 2012, the Mexican government has worked on structural reform of various sectors, and announced its active efforts in the energy sector by setting the goal of increasing the percentage of energy generated from renewable energy sources to 35% by 2024 under its Energy Reform. It is expected that this MOU will create business opportunities for companies in both countries, particularly in these fields, through cooperation between JBIC and NAFIN.

MOU with the Ministry of New and Renewable Energy in India

The Indian government has set the numerical target of reducing GHG emissions per unit of gross domestic product (GDP) to 20–25% below 2005 levels by 2022.

Seizing the opportunity provided by the official visit of Indian Prime Minister H.E. Narendra Modi to Japan, JBIC and the Indian Ministry of New and Renewable Energy concluded an MOU on the cooperation and exchange of information to promote renewable energy projects in India. The main objective of the MOU is for JBIC to exchange information and opinions with the Indian Ministry of New and Renewable Energy and to promote renewable energy projects by leveraging Japanese companies and their latest technologies. Given the projection that demand for electricity in India will remain strong, active efforts are being made to develop renewable energy in order to ensure electricity generating capacity and to diversify energy supply sources. The MOU is also expected to contribute to the promotion of project development in the renewable energy field in India which makes use of Japanese companies' technologies.

5. Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Governmental Organizations and International Organizations

JBIC conducts research and surveys related to overseas investment and international finance, and these efforts include collection and analysis of a variety of information, as well as knowledge sharing, while interacting with overseas government organizations, as well as foreign and domestic research institutes and experts in various fields.

Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Since 1989, JBIC has conducted the Survey Report on Overseas Business Operations by Japanese Manufacturing Companies annually, making the 2014 survey the twenty-sixth such survey. The survey is used to ascertain the trends and issues in the overseas business operations by Japanese manufacturing companies, and it attracts widespread interest for its distinctive character and continuity.

The results of the survey are compiled into a report and released to the public in several ways, including booklet form and website, and extensive use is made of the report to provide information at various venues such as seminars held in partnership with Chamber of Commerce and Industry in areas throughout Japan. In fiscal 2014, JBIC held "the Overseas Investment Seminar: Overseas Business Operations by Japanese Manufacturing Companies" in several Japanese cities, including Tokyo, Osaka, Nagoya and Kyoto. Effective use is made of the survey results in overseas countries as well, when holding explanatory meetings for overseas Japan Chamber of Commerce and Industry and foreign governments, and also when making policy proposals to overseas governments.

Collaboration with Overseas Governmental Organizations and International Organizations

In October 2014, the Philippine government held a business seminar in Tokyo, "Philippine Economic Briefing in Japan", which was supported by JBIC along with Japan's Ministry of Finance, Japan International Cooperation Agency (JICA), and other organizations. The seminar was held to promote understanding of the Philippine economy in Japan, and JBIC gave a presentation on the outlook for the Philippine economy and possibilities to further strengthen its manufacturing industry. Around 400 people attended the meeting, including several members of the Philippine cabinet, such as the Secretary of Finance and Director-General of the National Economic and Development Authority, and members of Japanese corporations and financial institutions. Cabinet members and other participants gave presentations on not only the Philippine economy and financial markets but also on infrastructure development, which were followed by lively questions and answers.



Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Promising Countries and Regions for Overseas Business over the Medium Term (FY2014)

Ranking	Country/Region	Number of Respondents (Companies)	Share (%)
1	India	229	45.9
2	Indonesia	228	45.7
3	China	218	43.7
4	Thailand	176	35.3
5	Vietnam	155	31.1
6	Mexico	101	20.2
7	Brazil	83	16.6
8	United States	66	13.2
9	Russia	60	1 20
10	Myanmar	55	1 1.0

Each company selected up to five countries or regions that they consider promising in the medium term (in the next three years).



Overseas investment seminar

In November 2014, JBIC took part in the Asian EXIM Banks Forum,* 20th Annual Meeting in Jodhpur, India. The Asian EXIM Banks Forum, initiated under the advocacy of the Export-Import Bank of India, has held its Annual Meetings every year since 1996 to exchange information and discuss issues of common interest among Asian export credit agencies. The theme for the 20th Annual Meeting was the "Evolving Role and Relevance of Asian EXIM Banks —Path to 2020," and the representatives of each participating organization delivered a presentation on transitions and efforts they have made. In the JBIC's presentation, the representative touched upon the transition of JBIC's Commitments in last several decades including the response to the Asian financial crisis and global financial crisis, then presented JBIC's future effort as its "Path to 2020".

Also in November, the Ministry of Economy, Trade and Industry of Japan and the Asia Pacific Energy Research Centre (APERC) jointly held the "LNG Producer-Consumer Conference 2014" in Tokyo, where JBIC gave a presentation at the session titled "New Movement towards Developing Flexible LNG Market and Change in LNG Trade." Based on the changes in the LNG market and importance of its healthy development, the conference was held with the aim of enabling producers and consumers in the LNG market to share the latest trends and to discuss the development of a stable and transparent market. More than 1,000 participants from companies, government departments and agencies, and researchers, including various government ministers—Qatar's Minister of Energy & Industry, Australia's Minister for Industry, Canada's Minister of Natural Resources, and Japan's Minister of Economy, Trade and Industry—from over 50 countries and regions attended the conference, demonstrating the strong interest in the LNG market.

* The following are the ten member organizations: Export Finance and Insurance Corporation (Australia), The Export-Import Bank of China (China), Export-Import Bank of India (India), Indonesia Eximbank (Indonesia), Export-Import Bank of Malaysia Berhad (Malaysia), Philippine Export-Import Credit Agency (Philippines), The Export-Import Bank of Korea (Korea), Export-Import Bank of Thailand (Thailand), The Vietnam Development Bank (Vietnam), and JBIC (Japan).

Collaboration with Universities

In November 2014, JBIC co-hosted a joint discussion on the economies of the various Asian countries with Seikei University and the Asian Development Bank (ADB). The event was planned and held in order to deepen understanding of Asian economies from a wider range of perspectives through sharing results of studies conducted by each institution.

The discussion among JBIC, which focuses on risks as a lender, Seikei University, which analyzes economies from an academic perspective, and the ADB, which emphasizes developmental perspectives, such as poverty elimination and gender issues, led to numerous valuable findings for each organization.



Philippine Economic Briefing in Japan



Presenters at the LNG Producer–Consumer Conference 2014



Asian EXIM Banks Forum



Joint discussion on the Asian economy

4

Financial Instruments

1. Financial Instruments 60

2. Prominent Initiatives in Recent Years 71

3. Framework for Supporting Globalization Efforts of SMEs 72



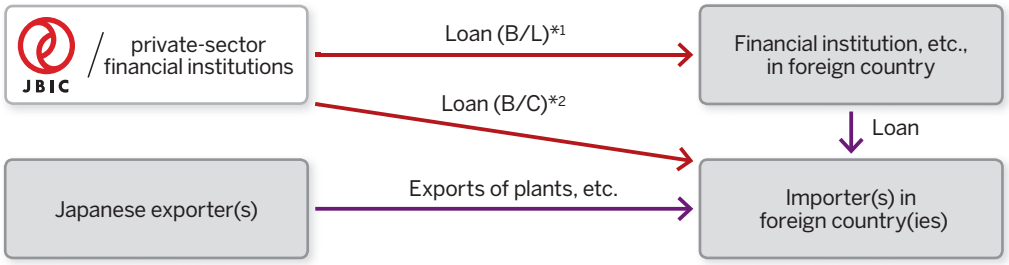
1. Financial Instruments

Export Loans

Export loans are provided to overseas importers and financial institutions to support finance exports of Japanese machinery, equipment and technology mainly to developing countries. In particular, products such as marine vessels, power generation facilities and other types of plant equipment incorporate a large amount of advanced technology, and their export contributes to enhancing the technological base of Japanese industries. Further, Japanese shipbuilding and plant facilities industries have a broad range of supporting industries including small and medium-sized enterprses (SMEs) producing parts and components. Export loans JBIC provides are also expected to positively contribute to the business of these Japanese companies. Export loans are also available to developed countries in eligible sectors (see note).

Terms and conditions of export loans are determined based on the Arrangement on Officially Supported Export Credits (OECD Arrangement). In principle, the loan amount should not exceed the value of an export contract or technical service contract, and excludes down payment. While local costs cannot, in principle, be applied to the loan, such costs may be covered provided that the amount is within the scope prescribed by the OECD Arrangement.

Eligible Sectors of Export Loans in Developed Countries (As of July 31, 2015)
[Integrated Infrastructure System Projects]
Railways (high-speed, inter-city projects and projects in major cities), water business, biomass fuel production, renewable energy power generation, nuclear power generation, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), highly efficient gas-fired power generation and smart grid
[Other Export Transactions]
Ships, satellites, aircrafts, medical positron beam therapy equipment



*1. Loan to foreign financial institutions (Bank-to-Bank Loan or "B/L").
*2. Loan to foreign importers (Buyer's Credit or "B/C").

Supporting the Export of Bulk Carriers by Japanese Companies



Image photo

JBIC established an export credit line for PB Vessels Holding Limited (PBVH), based in the British Virgin Islands, for funding the purchase of 16 bulk carriers to be built by four Japanese shipbuilders. PBVH is a wholly owned subsidiary of Hong Kong's leading shipping operator, Pacific Basin Shipping Limited. JBIC also signed two loan agreements for funding the purchase of two bulk carriers to be built by the TSUNEISHI GROUP (ZHOUSHAN) SHIPBUILDING, Inc., a Chinese wholly owned subsidiary of TSUNEISHI HOLDINGS CORPORATION. These loans will support Japanese shipbuilders win more orders and will support individual contracts for exports from Japan in a comprehensive, flexible, and responsive manner. These loans will thus contribute to maintaining and strengthening the international competitiveness of the Japanese shipbuilding industry.

Supporting Export of Facilities Related to Oil Refining and Petrochemical Plants by Japanese Companies



JBIC signed a loan agreement to set up an export credit line with Reliance Industries Limited (RIL) in India. This Credit Line will finance RIL for procurement of goods and services from multiple Japanese companies including a number of SMEs related to new gasification and refinery off-gas cracker plants and expansion of existing petrochemical plants at Jamnagar, Dahej, Hazira and Silvassa. In India, further growth in the petrochemical sector is foreseen, backed by its vigorous domestic demand. In these projects, financial support provided by JBIC and Japanese cofinancing private financial institutions, including Japanese regional banks, will help create business opportunities for Japanese companies in India's oil refining and petrochemical sector, and also contribute to supporting smooth implementation of long-term financing projects to developing countries by both Japanese mega and regional banks.

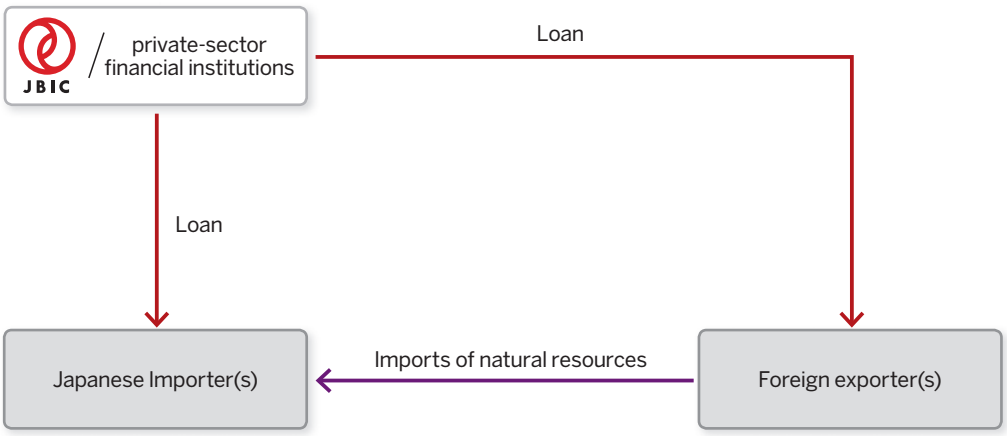
Import Loans

Import loans support imports of strategically important goods including natural resources. They are extended to Japanese importers or foreign exporters. As Japan is poorly endowed with natural resources, stable imports of natural resources over the long term are one of the key factors underpinning domestic economic activity. Import loans finance the development and import of energy resources, including oil and liquefied natural gas (LNG), and mineral resources, including iron ore, copper and other rare materials.

In addition to natural resources, JBIC provides a guarantee facility for goods and services essential to the sound development of the Japanese economy, such as for the import of aircraft.

Products Eligible for Import Loans (Natural Resources)

Oil, petroleum gas, LNG, coal, uranium, metallic ore, metals, mineral phosphate, fluorite, salt, lumber, wood chip, pulp, and other materials.



Providing Guarantees for Loan of Private Financial Institutions for Importing Aircraft

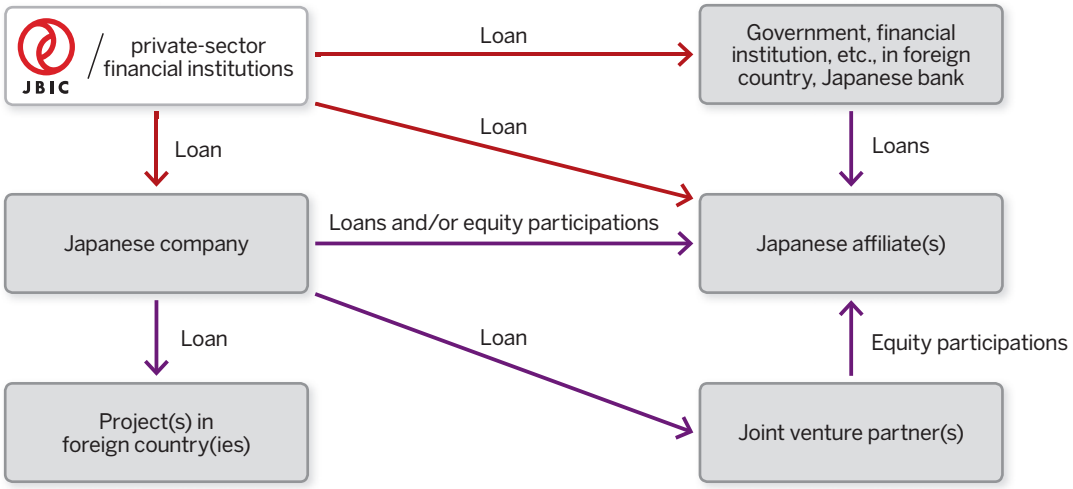
JBIC concluded guarantee agreements for the principal and interests of loans which private financial institutions provide to ANA Holdings Inc. and Japan Airlines Co., Ltd. (JAL). The agreements not only help the ANA Group and JAL to borrow the necessary funds from private financial institutions to import aircraft (operated by the ANA Group and JAL) from the U.S.-based Boeing Company, but also contribute to maintaining and strengthening the international competitiveness of Japan's aviation industry. As Japan's policy based financial institution, JBIC will continue to provide financial support for the import of aircraft, which are indispensable for the lives of Japanese people.

Overseas Investment Loans

Overseas investment loans support Japanese foreign direct investments. They are extended to Japanese companies (investors), overseas affiliates including joint ventures where Japanese companies have equity interests and governments or financial institutions that make equity participations in or extend loans to such overseas affiliates.

Direct loans to Japanese companies are intended for SMEs, as well as for projects aimed at developing or securing interests in overseas resources that are strategically important to Japan, or for projects to assist with merger and acquisition (M&A) activities and other agreements (including to large companies). Moreover, JBIC is able to provide two-step loans (TSLs) to support the overseas business deployment of Japanese companies including SMEs, as well as TSLs intended to support their M&A activities. JBIC is also able to provide short-term loans for overseas business operations when bridge loans are required to fill the financing gap before it offers long-term loans. JBIC is further empowered to extend investment loans for projects in developed countries for eligible sectors (see note).

Eligible Sectors of Overseas Investment Loans in Developed Countries (As of July 31, 2015)
Railways (high-speed, inter-city projects and projects in major cities), water business, renewable energy power generation, nuclear power generation, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), smart grid, development of telecommunications network, biomass fuel production, highly efficient gas-fired power generation, aircraft maintenance and sales, M&A activities, etc.



Loan for Manufacturing and Sales Business of Automobile Parts

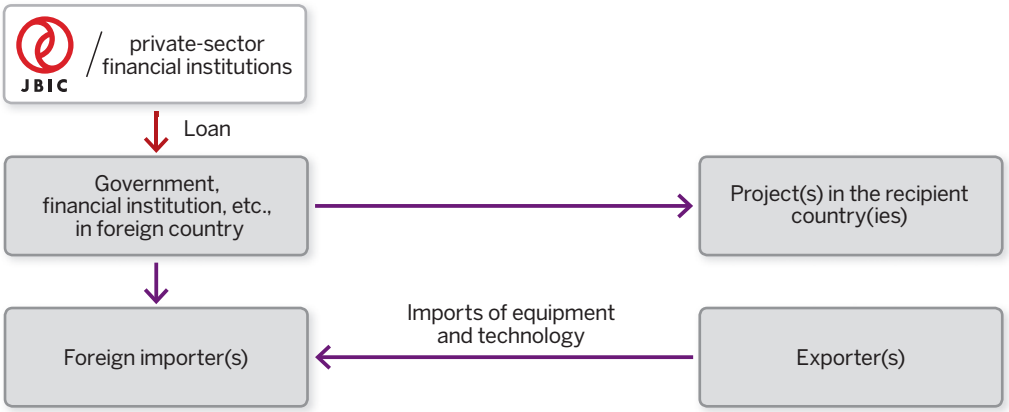


JBIC signed a loan agreement with ENKEI CORPORATION to provide the necessary funding for manufacturing and sales business of automobile parts (aluminum wheels) of Enkei Philippines, Inc. (EKP), its subsidiary in the Philippines. ENKEI is the first Japanese company that successfully produced aluminum wheels, and supplies the genuine aluminum wheels to motorcycle and automobile manufacturers as an independent supplier. Currently, the company has 16 overseas subsidiaries and supplies their products mostly to Japanese automobile manufacturers locally. Amid that the automobile manufacturers are expanding their local production in Asian countries responding to the increase in demand for motorcycles and automobiles backed with economic growth, EKP sells the products mainly in the Philippines' domestic market. The loan contributes to maintaining and strengthening the international competitiveness of Japanese industries through supporting ENKEI's overseas business deployment.

Untied Loans

Untied loans are financing basically to developing countries necessary to implement projects and import goods, or for such countries to level their international balance of trade, or stabilize their currency. Loans are not conditional on procurement of equipment and materials from Japan.

Capital procured from untied loans is used to: Secure stable supplies of energy and mineral resources to Japan; Promote business activities of Japanese companies; Maintain and expand trade and direct investment from Japan; Finance projects having significant effect on global environmental preservation; and Finance projects maintaining international financial order.



GREEN Operations

JBIC launched GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations in April 2010. Previously, JBIC's financing operations had centered mainly on projects directly aiming to maintain and improve international competitiveness of Japanese industries, such as projects involving Japanese companies' investment and machinery/equipment exports. Accordingly, projects dedicated solely to preservation of the global environment were so far not eligible for JBIC support. Launching GREEN operations enabled JBIC to focus its financing on projects seeking to preserve the global environment, such as those that materially reduce greenhouse gas (GHG) emissions, while propagating advanced Japanese environmental technologies across the world.

Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming



Eligible Entity:

Foreign government, governmental agencies or local governments, public enterprises such as utilities operating closely with government, foreign nancial institution, multilateral institution.

Eligible Projects:

1. Favorable impact on preservation of the global environment, such as signi cantly reducing GHG emissions.
2. Accepting J-MRV* process on the effect of the environmental preservation. (e.g. Energy efficiency improvement, Renewable energy, etc.)

* JBIC original methodology for Measurement, Reporting and Verification.

Supporting Renewable Energy and Energy Efficiency Projects in Turkey

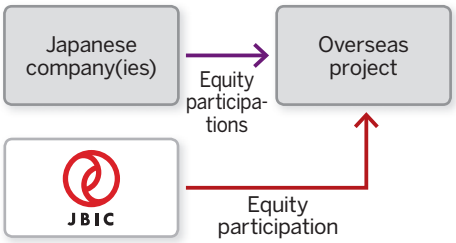


Through its GREEN operations, JBIC signed untied loan agreement for setting up a credit line with Türkiye Kalkınma Bankası A. Ş. (TKB), Development Bank of Turkey and Türkiye Sınai Kalkınma Bankası A. Ş. (TSKB) a development and investment bank in Turkey to provide the necessary funds for renewable energy and energy efficiency projects in Turkey. TKB is a policy-based financial institution established to achieve various goals including promoting national development projects in Turkey, and TSKB is a privately owned development and investment bank responsible for policy-based financing in Turkey. The Turkish government has promoted increasing the country's energy self-sufficiency rate as an important policy challenge and is moving forward with both banks to undertake projects that preserve the environment. This credit line supports these efforts by the Turkish government and is expected to help Japan's advanced environmental technology spread throughout the country.

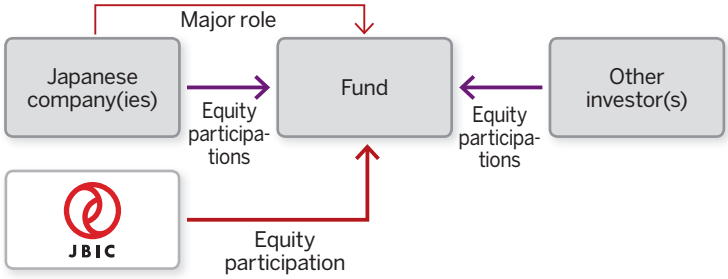
Equity Participations

Equity participations are capital contributions to companies where Japanese companies have equity stakes to undertake overseas projects and funds where Japanese companies perform a significant role. In principle, equity participations take the following forms.

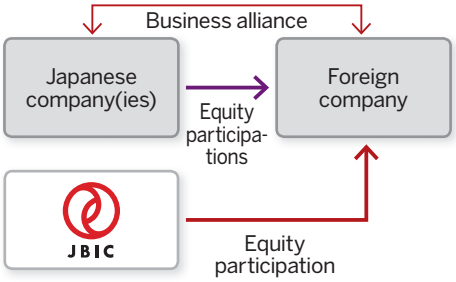
Japanese companies make equity participation in an overseas project



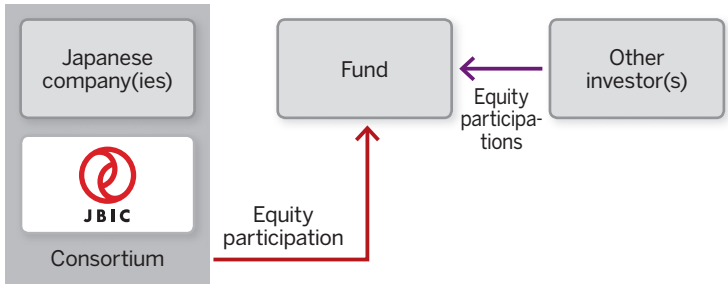
Japanese companies participate in fund (and perform such major role as general partner in their management and investment decisions)



Japanese companies acquire equity interests in a foreign company to form business alliance



Japanese companies form a consortium and participate in fund



Equity Participation in Metito Holdings Limited



Along with Mitsubishi Corporation (MC) and Mitsubishi Heavy Industries, Ltd. (MHI), JBIC signed a shareholders' agreement with Metito Holdings Limited (MHL) and its existing shareholders to acquire MHL classified shares. Through this investment, MC and MHI acquired a stake in MHL, an integrated water management company based in Dubai of the United Arab Emirates, and by investing in MHL through classified shares, JBIC supported the company's efforts to raise the funds necessary for its growth. Investing in MHL, which boasts a strong presence in the Middle East, Africa, and Asia, is mutually complementary for both MC and MHI, and by supporting the efforts of both companies to acquire a business foundation to develop their water businesses in these regions, JBIC is contributing to maintaining and strengthening the international competitiveness of the water businesses of Japanese companies.

Equity Participation in IFC Fund to Invest in Financial Institutions of Emerging Countries



JBIC signed an agreement for equity participation in the IFC Financial Institutions Growth Fund, LP (The Fund), which is managed by IFC Asset Management Company, LLC, a subsidiary of International Finance Corporation (IFC). The Fund, financed by IFC and other governmental organizations together with JBIC, invests in financial institutions such as banks and insurance companies in emerging countries. In 2009, JBIC participated as a founding partner with IFC in the IFC Capitalization Fund (Cap Fund)* with the purpose of stabilizing the international financial system after global financial crisis in 2008 by strengthening the capital bases of banks in emerging countries, and they played an important role in improving the governance and capital adequacy ratios of the investee banks. The Fund has been positioned as its successor fund.

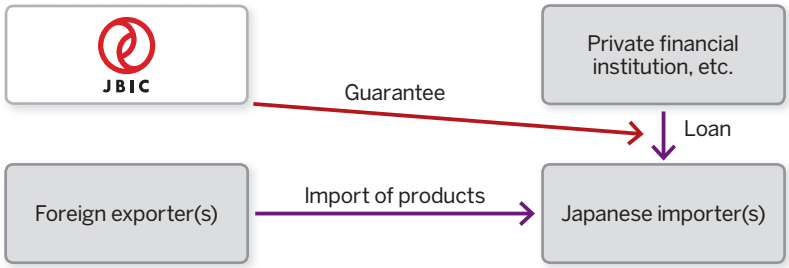
* The IFC Capitalization Fund was established to strengthen the capital base of leading local banks in small and medium-sized developing countries through equity investments and subordinate financing, and thereby stabilize the financial system of those countries.

Guarantees

In addition to loans and equity participations, JBIC also provides support through its guarantee facility. Guarantees are provided for loans extended by private financial institutions, bonds issued by governments of developing countries or overseas Japanese companies, and currency swap transactions. JBIC also issues reassurance for guarantees from export credit agencies in other countries.

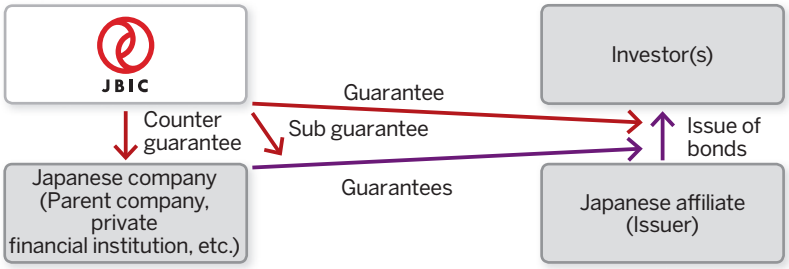
Guarantees for Imports of Manufactured Products

JBIC has a guarantee facility for the borrowings made by Japanese companies to finance the import of aircraft and other manufactured products that are important for Japan.



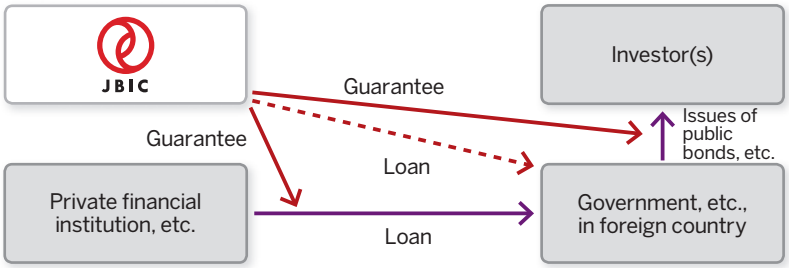
Guarantees for Corporate Bonds Issued by Japanese Affiliates

JBIC supports Japanese affiliates operating overseas by providing guarantees for the bonds they issue in local capital markets.



Guarantees for Co-financing, Overseas Syndicated Loans and Public Sector Bonds

Loans to developing countries involve, among others, currency conversion and transfer risks, and country risk. Guarantees that JBIC issues to cover such risks will enable Japanese private financial institutions to provide medium and long term financing for developing countries, supporting developing countries to bring in private capital and facilitating private companies expanding international business activities.



Providing Guarantees for Privately Placed Samurai Bonds Issued by the Turkish Government

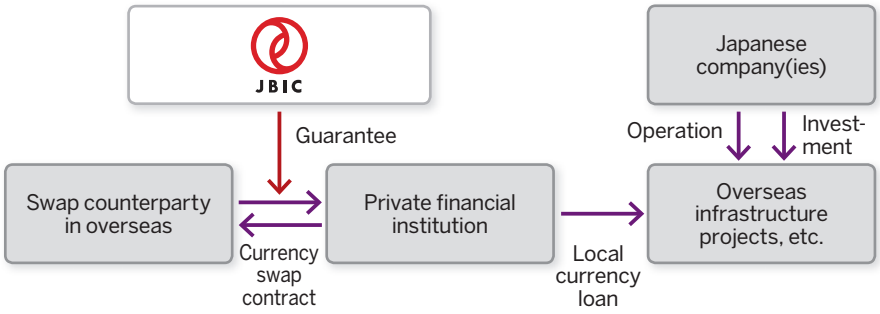
JBIC concluded agreements related to guarantees for yen-denominated foreign bonds issued in the Japanese bond market (Samurai bonds[1]) by the Turkish government. These bonds are privately-placed yen-denominated bonds, and JBIC guaranteed the full amount of the principle. Based on JBIC's Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility[2], the guarantees are the third round of guarantees for Samurai bonds issued by the Turkish government. Supporting the issuance of Samurai bonds through credit enhancement by JBIC guarantees provides a broad range of investment opportunities for Japanese investors and contributes to maintaining and improving the international competitiveness of Japanese capital markets, as well as diversifying the source of funds for the Turkish government.

In addition to continuing to record firm economic growth and boasting strong demand for infrastructure, Turkey is drawing a lot of attention as a destination of plant and equipment exports and overseas investment for Japanese corporations. It is expected that these guarantees will contribute to even closer ties between the two countries and invigorate the business of Japanese companies.

1. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Japanese bond market.
2. The Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility supports the issuance of Samurai bonds through partial guarantees by JBIC, and JBIC itself purchases some of these bonds when necessary.

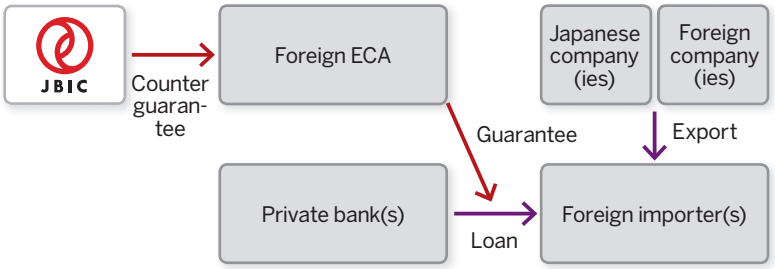
Guarantees for Currency Swaps

JBIC provides guarantees for swap transactions to support the local currency financing of overseas infrastructure projects, etc., undertaken by Japanese companies.



Counter Guarantees for Export Credits

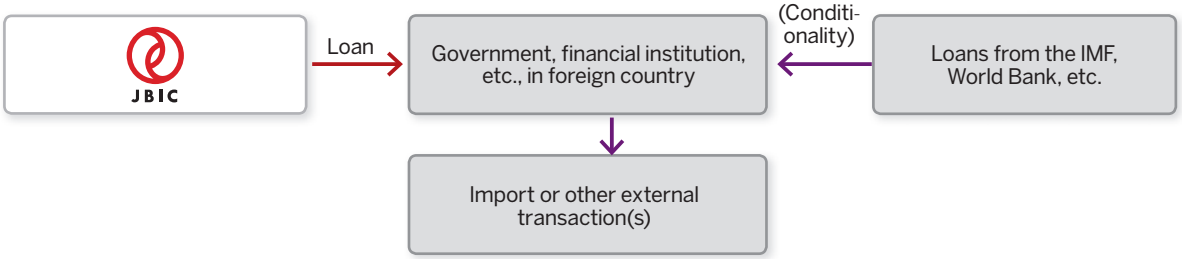
In the case where Japanese companies export machinery and equipment jointly with other country's companies, JBIC provides a counter guarantee for the guarantee provided by that country's Export Credit Agency (ECA). This function enables JBIC to participate in multilateral mutual guarantee schemes with other ECAs, which reduces the administrative burden of exporters and expedites the arrangement of financing. Through such schemes, JBIC supports the exports by Japanese companies in cooperation with foreign exporters.



Bridge Loans

JBIC provides short-term financing for governments of developing countries to meet their foreign currency needs for external transactions when they face balance-of-payment difficulties.

JBIC provided bridge loans (short-term bridging loans) for Myanmar in January 2013 to support clear the arrears of past loans from the Asian Development Bank (ADB) and the International Development Association (IDA), a member of the World Bank Group.



Acquisition of Loan Assets and Public and Corporate Bonds

When JBIC provides export loans, import loans, overseas investment loans and untied loans, JBIC can also provide credits, in addition to providing loans and guarantees, by purchasing loan assets and acquiring public and corporate bonds[1] issued by borrowers for funding. The objective of such operations is to promote private financial institutions' loans in international finance and Japanese companies' funding in international capital markets.

1. The scope of assets and securities acquired includes public bonds, corporate bonds,debt securities and trust beneficiary rights.

Research and Studies

JBIC conducts research and studies on individual projects during their initial stage, as well as research and studies focused on specific regions or industry sectors that may have a bearing on specific projects occasionally. This is an effective means of uncovering potentially favorable projects, and supports to increase exports of materials and services from Japan for that project, as well as to expand opportunities for participation by Japanese companies. Research and studies are conducted at each stage necessary for realization of the project, including creation of a master plan for an individual project, conducting of prefeasibility and feasibility studies (Pre-F/S, F/S), front end engineering design (FEED), and studies of regions and industry sectors linked to specific projects. After the research and studies are completed, follow-up reviews are conducted at least once each year to confirm the progress of the project.

Research and studies are conducted in the following order.

1. Selection of a research and study subject
2. Selection of the contractor to conduct research and studies
3. Conduct of the research and studies
4. Completion of the research and study report
5. Follow-up

Securitization, etc.

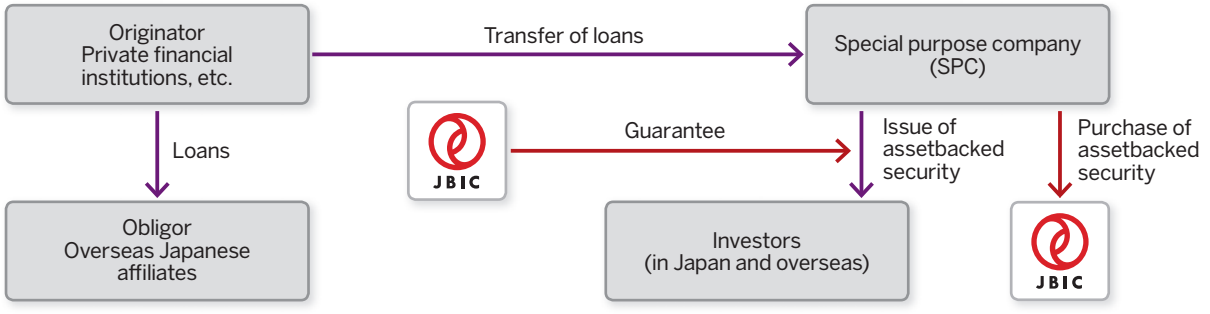
JBIC provides support for securitization, etc. in order to supplement and encourage the activities of private financial institutions.

1. Securitization (Guarantees)

In cases where special purpose companies (SPCs) or trust companies issue asset-backed securities or other financial products with loans or other assets as collateral, JBIC guarantees the payment of such asset-backed securities to reduce country and structure risks, thereby supporting the issuance of bonds in the emerging capital markets.

2. Securitization (Acquisition of Securities)

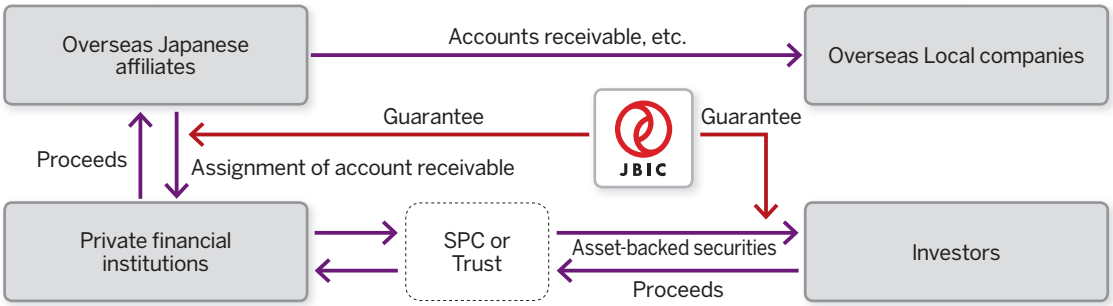
JBIC supports bond issues by acquiring a portion of the asset-backed securities issued by SPCs or trust companies with loans or other assets as collateral. JBIC's acquisition will contribute to the smooth issuance of bonds, as well as stimulates the market by circulating the acquired bonds back into the market when market conditions allow it.



The above diagrams depict the schemes where SPCs are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

3. Securitization of Receivables, etc.

JBIC provides guarantees for the receivables and other monetary claims held by overseas subsidiaries of Japanese companies, in order to facilitate the purchase of such receivable by banks. JBIC is also able to provide guarantees for securities issued by SPCs or trust companies to secure monetary claims they have acquired from overseas Japanese subsidiaries.



Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations

Growing interest in environmental conservation has led to a worldwide trend toward more rigorous environmental regulations. There are more than a few cases, especially in overseas projects, in which insufficient risk management of possible environmental and social impacts has seriously affected project implementation or undermined its social reputation.

In conducting these operations, JBIC confirms whether the borrower has made appropriate consideration for local communities and the natural environment in all the JBIC financed projects based on the "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations" (Guidelines).

The Environmental Guidelines set out the procedures, criteria, and requirements that JBIC-financed projects must meet in confirming environmental and social considerations. When JBIC judges that the project proponents have not made appropriate environmental and social considerations, it will encourage them to take remedial measures. If appropriate environmental and social considerations have not been taken, JBIC may decide not to extend funding.

Process for Revising Environmental Guidelines

The Guidelines set forth that a comprehensive review should be conducted within five years of their enforcement and revisions may be made as needed. In 2013, four years after its Guidelines came into effect in 2009, JBIC started to work on amending the Guidelines, and after being widely disseminated, the Guidelines were amended in January 2015.

In order to ensure a highly transparent and open process for amending the Guidelines, JBIC held a total of 11 consultation meetings in which experts and parties from various entities including opinion leaders, representatives from NGOs, industry and government departments and agencies participated, from December 2013 through November 2014, making it possible to exchange opinions regarding the amendments. After a public comment period regarding the proposed amendments, the current Guidelines were set in January 2015 and came into effect in April of the same year.

Objection Procedures

JBIC introduced "Procedures to Submit Objections Concerning JBIC Guidelines for Confirmation of Environmental and Social Considerations (Procedures)" to ensure compliance with the Guidelines.

As for actual procedures to submit objections, JBIC was appointed independent Examiners for Environmental Guidelines responsible for investments and finance in order to

1. To investigate facts as to whether or not the Guidelines have been complied with by JBIC and report the results thereof to the Executive Committee; and
2. To encourage dialogues between the parties concerned based on their consent in order to assist early resolution of disputes concerning specific environmental and/or social problems caused by the JBIC-funded project, which arose due to JBIC's non-compliance with the Guidelines.

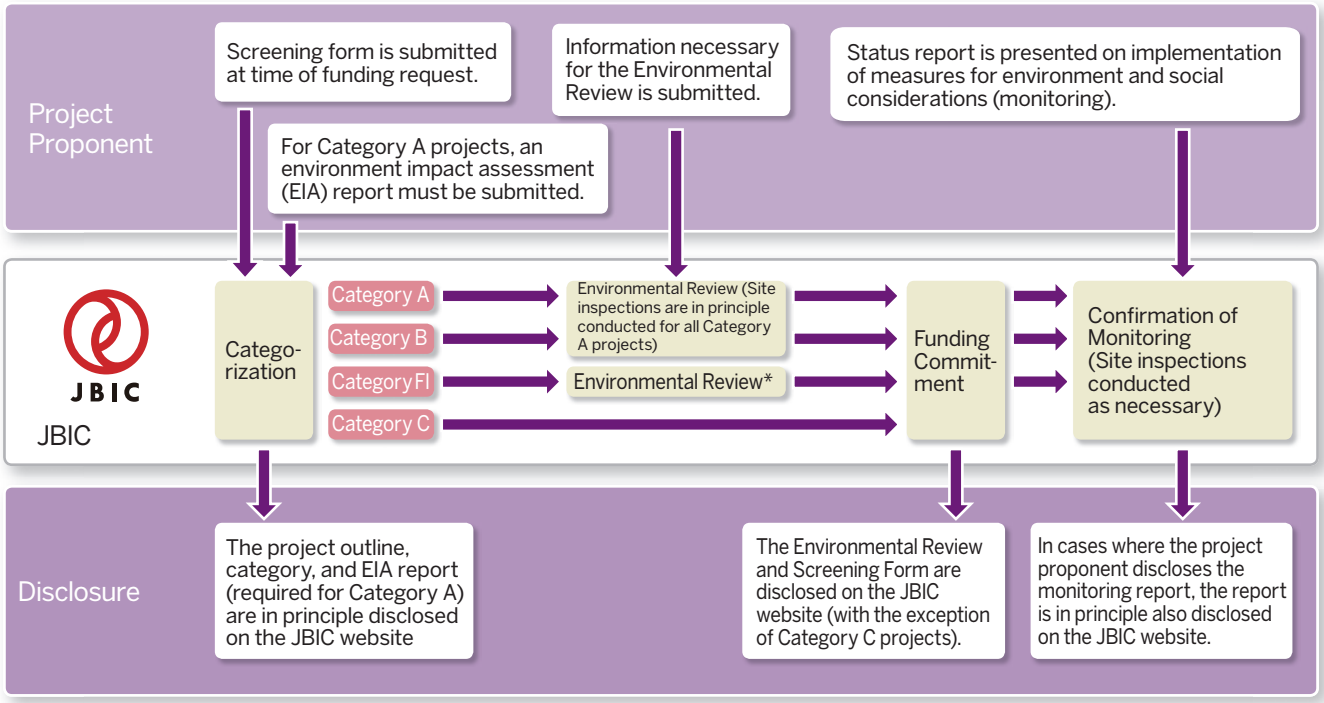
Along with amendments to the Environmental Guidelines, the Procedures were also revised. The current Procedures were set in January 2015 and came into effect in April of the same year.



Cover of the new Guidelines

Procedure for Confirmation of Environmental and Social Considerations

Prospective projects are screened prior to funding, and classified into categories according to the degree of potential environmental impact. An Environmental Review is then conducted to verify that the environmental and social impacts have been considered in a proper manner. After funding has been approved, projects are monitored to assess the actual impact.



* For Category FI projects, JBIC confirms through the financial intermediary that the proper environmental and social considerations indicated in the Environment Guidelines have been followed for the project.

Projects are classified into one of the following four categories in relation to the degree of environmental impact, based on the information provided by the project proponent during the screening process.

Category A:	Project with the potential for a serious and adverse impact on the environment.
Category B:	Project with the potential for an adverse impact on the environment, but less than that of Category A projects.
Category C:	Project with the potential for minimal or no adverse impact on the environment.
Category FI:	Project for which JBIC provides funding to a financial intermediary, and after acceptance of JBIC funding, the financial intermediary selects and conducts screenings for specific subprojects, in cases where subprojects cannot be determined prior to acceptance of JBIC funding, and where such subprojects are anticipated to have an impact on the environment.

2. Prominent Initiatives in Recent Years

Efforts to Meet Local Currency Needs

Although Japanese yen, U.S. dollar, and Euro have been the standard currencies of JBIC's financing, JBIC has recently been actively responding to the growing need for financing denominated in other currencies, including those of developing countries.

1. **Direct loans in local currency**
   Each direct loan in a currency other than the Japanese yen, U.S. dollar, or Euro is given a case-by-case consideration while confirming the availability of funding in such currency and other aspects.
2. **Two-step loans (TSLs) through local financial institutions**
   JBIC provides loans in currencies such as Japanese yen and U.S. dollar to local financial institutions in developing countries, including local subsidiaries and branches of Japanese private financial institutions; the local financial institutions in turn extend sub-loans in local currencies.
3. **Guarantees for corporate bonds denominated in local currencies**
   JBIC provides guarantees for bonds denominated in local currencies which are issued by local subsidiaries of Japanese companies under the Asian Bond Markets Initiative (ABMI), agreed to at the 6th ASEAN+3 Finance Ministers' Meeting in August 2003 (ASEAN+3 refers to ASEAN member nations along with Japan, China, and the Republic of Korea),
4. **Guarantees for loans denominated in local currencies**
   In order to support local-currency financing, JBIC provides guarantees for the portion of loans in local currencies provided by private financial institutions.
5. **Guarantees for currency swaps**
   In April 2012, JBIC launched a guarantee operation for cross-currency swap transactions in order to facilitate financing in local currencies.

Supporting Projects in Africa

In order to support the promotion of private-sector lead growth and infrastructure development in Africa by utilizing its functions of loans, equity participations, and guarantees, JBIC established the JBIC Facility for African Investment and Trade Enhancement (FAITH).

This facility was expanded and restructured from the JBIC Facility for African Investment, which was established in April 2009, and through the new facility, JBIC actively provides loans, investments, and guarantees for projects in Africa, including investments in projects and financing in local currencies, in cooperation with international organizations and other entities.

At the Fifth Tokyo International Conference on African Development (TICAD V), which was held in Yokohama in June 2013, the Japanese government announced its intentions to expand its trade and investment in Africa through public- private sector cooperation. JBIC expects to provide financial support worth 5.0 billion dollars over a period of five years under the FAITH framework, already approving approximately 2.7 billion dollars in loans and guarantees by May 2015.

JBIC's Loans, Equity Participations and Guarantees for Africa since 2013

Month of agreement	Country	Project
March 2013	South Africa	Export credit line for the Development Bank of Southern Africa
June 2013	South Africa	Loans and Guarantee for the Development Bank of Southern Africa (renewable energy projects)
August 2013	Tunisia	Guarantee for Samurai bonds issued by the Central Bank of Tunisia
September 2013	Ghana	Project financing for deep water FPSO chartering project for the T.E.N. offshore oil field in Ghana
October 2013	Morocco	Credit line for the Banque Marocaine du Commerce Extérieur (BMCE Bank)
October 2013	South Africa	Loans for South Africa-based group company of Toyota Financial Services (TFS)
September 2014	Morocco	Project financing for thermal power generation project undertaken by Safi Energy Company S.A.
October 2014	Tunisia	Guarantee for Samurai bonds issued by the Central Bank of Tunisia
March 2015	Morocco	Buyer's credit for the export of desalination plant equipment
March 2015	Tanzania	Buyer's credit for the export of equipment for gas-fired combined cycle power plant
March 2015	South Africa	Renewable energy credit line for Standard Bank of South Africa Limited

3. Framework for Supporting Globalization Efforts of SMEs

JBIC actively supports Japanese mid-tier enterprises and small and medium-sized enterprises (hereinafter collectively referred to as "SMEs") expanding overseas in response to economic globalization.

Following the economic growth of emerging market countries since the beginning of the 2000s, especially in Asia, an increasing number of SMEs are not only meeting the procurement needs of major Japanese companies with overseas production operations, but also seeking to expand their own business in emerging markets. With such change in the purposes for SMEs' overseas expansions, the needs for funds among SMEs have grown more diverse.

In order to respond to the diversification of SMEs' financial needs for their overseas expansion, JBIC is further enhancing cooperation with Japanese private financial institutions and local financial institutions in other countries and expanding its support, including provision of two-step loans through private financial institutions, loans in cooperation with regional banks and credit unions (shinkin banks), loans denominated in local currencies, and two-step loans for finance leases.

Commitments for SMEs

	FY2011	FY2012	FY2013	FY2014
Number	16	34	54	109
Amount	¥3.6 billion	¥34.1 billion	¥18.0 billion	¥111.7 billion

Support for the Overseas Deployment of SMEs

Utilizing the know-how and experience of overseas financing that it has accumulated over the years, JBIC supports the long-term financing required by Japanese companies, including SMEs, for overseas investment, export of products, and other activities through co-financing with private financial institutions in the form of overseas investment loans, export loans, and other loans.

JBIC implements the following six measures in order to support the overseas business deployment of SMEs.

(1) Application of preferential loan conditions: Long-term loans with preferential loan conditions (interest rates, etc.)

(2) Response to small loans of several million to several 10 million yen: In addition to new capital investment, small loans for replacement of machinery, etc.

(3) Local currency-denominated loans: Long-term local currency loans with fixed interest rates

(4) Support for mergers and acquisitions overseas: Loans for acquisition funds required when entering overseas markets through M&As

(5) Coordination and cooperation with private financial institutions (regional banks, credit unions, money center banks): Support for the overseas business deployment needs of SMEs all through the country

(6) Utilization of networks of JBIC overseas offices: Information service on overseas investment environment; support for solving issues with foreign governments

Cooperation with Japanese Regional Financial Institutions

Regional financial institutions that SMEs work with play an important role when SMEs seek to expand overseas.

JBIC concludes business cooperation memorandum of understandings (MOUs) with regional financial institutions and provides a wide range of support to facilitate the overseas expansion of local companies, such as holding joint seminars on overseas business expansion and other issues.

This type of agreement was concluded with The Shimizu Bank, Ltd. in June 2014 and THE SHIGA BANK, LTD. in August of the same year with the aim of supporting the overseas expansion of Japanese companies, especially SMEs based in their respective areas.

In addition, following amendments to the Ordinance for Enforcement of the Shinkin Bank Act in March 2013, which enabled shinkin banks to make direct loans to the overseas subsidiaries of their clients, JBIC has strengthened its cooperation with shinkin banks and provided fine-tuned support, including small loans.

Furthermore, JBIC signed an MOU with the Japan Federation of Bar Associations (JFBA) aimed at business cooperation relating to the overseas business expansion of SMEs, to which JBIC and the JFBA work closely to provide support–for example, JBIC provides SMEs who require legal advice with information about JFBA's referral system for lawyers who support the overseas deployment of SMEs.

Cooperation with Local Financial Institutions in Developing Countries

Securing the support of local financial institutions in developing countries well-acquainted with the local area is also vital for SMEs.

Not limiting itself to supporting local subsidiaries of Japanese companies, JBIC has strengthened its relationship with local financial institutions, through measures such as provision of two-step loans, in order to develop and support local companies that supply the local subsidiaries of Japanese companies with materials and components.

In addition, JBIC have concluded MOUs with the local financial institutions to develop a support system for SME's local business expansion that involves regional financial institutions in Japan. Until now, JBIC has reinforced its relationships with the local financial institutions, while working with the regional Japanese financial institutions to confirm SMEs' needs in their overseas expansion. Under these MOUs, JBIC encourages local financial institutions to set up and expand single contact points "Japan desks" for Japanese companies, and builds frameworks which enable consultations on specific cooperation and coordination together with the regional financial institutions who have business relationships with the SMEs.

Furthermore, JBIC held meetings with participating financial institutions to exchange opinions–Thailand's KASIKORNBANK Public Company Limited in July 2014 and the Philippines' Metropolitan Bank and Trust Company (Metrobank) in September 2014–where various issues were discussed, including how to improve the Japan desk operations.

Local Financial Institutions in Developing Countries and Participating Japanese Regional Financial Institutions

Country	Local financial institutions in developing countries	When MOU was signed	Number of participating Japanese regional financial institutions
Thailand	KASIKORNBANK Public Company Limited	May 2011	28
Indonesia	PT. Bank Negara Indonesia	July 2011	33
India	State Bank of India	August 2012	45
The Philippines	BDO Unibank, Inc. (BDO)	March 2013	7
	Metropolitan Bank and Trust Company (Metrobank)	March 2013	45
Vietnam	Bank for Investment and Development of Vietnam (BIDV)	July 2013	5
	Vietcombank (VCB)	August 2013	45

(As of July 2015)

Providing Local Currency-Denominated Loans

In response to expansion of the overseas business of SMEs, JBIC has provided loans in various local currencies, including the Thai baht, Indonesian rupiah, and Chinese yuan, since 2012. When SMEs try to procure local currency funds in developing countries, they face the problems of short repayment periods (basically up to one year) and high interest rates. In order to solve these problems, JBIC prepares long-term fixed-rate local currency loans, a preferential measure for SMEs, and provides co-financing with private financial institutions directly to the local subsidiaries of Japanese companies who are the clients of those financial institutions. The co-financing involves JBIC providing local currency-denominated loans and the private financial institutions providing yen-denominated loans through the parent company in Japan.



Providing funds denominated in the Thai baht for local production and sales by the automobile parts manufacturer Okawa Screw Manufacturing Co., Ltd.

Information Services, Seminars, etc.

In addition to consulting services for SMEs' overseas expansion, JBIC provides advisory services concerning the legal, accounting, and tax affairs relating to currency regulations, employment and labor issues, contracts, company establishment, and other issues for China, India, and the ten member countries of the ASEAN through experts.

JBIC also organizes seminars and consultation sessions on overseas business deployment in cooperation with Japanese entities, including regional financial institutions, prefectural and municipal governments, and local chambers of commerce and industry. In addition, it conducts field studies to assess investment climates in countries where Japanese companies are actively expanding business. The findings of these studies are compiled into guidebooks, which are available in book form and on JBIC's website.

Moreover, JBIC offers an itinerant advisory service in many parts of Japan in cooperation with prefectural and municipal governments as well as local chambers of commerce and industry which support local companies in expanding their operations overseas. This service, which is available on a regular basis in Sendai, Ota, Tokyo, and Nagoya, offers advice on the overseas investment climate and how to obtain long-term financing, among other topics.

On March 27, 2015, The Small and Medium Enterprise Agency announced "Excellent SMEs and Micro Enterprises Selection 300" and "Excellent Shopping Districts Selection 30," which present examples of efforts by SMEs and shopping streets throughout Japan that are active in various fields such as developing innovative products, creating services, revitalizing local communities, and expanding business overseas.

JBIC's clients, companies listed to the right, were also selected for the development of innovative products or successful overseas expansion.

- Industria Co., Ltd.
- Katzden Architec. Inc
- Kyotoseiko Co., Ltd.
- Kosei Aluminum Co., Ltd.
- Samtech Co., Ltd.
- Shóshiba Manufacturing Company, Ltd
- Takaokaya Co., Ltd.
- Tamada Industries, Inc.
- Suzutoku Holdings Co., Ltd.
- Haso Ltd
- Benda Kogyo Co., Ltd.
- Marugo Rubber Industries, Ltd.
- Yuei Caster Co., Ltd.

5 Operational and Administrative Policies

1. Corporate Governance 76

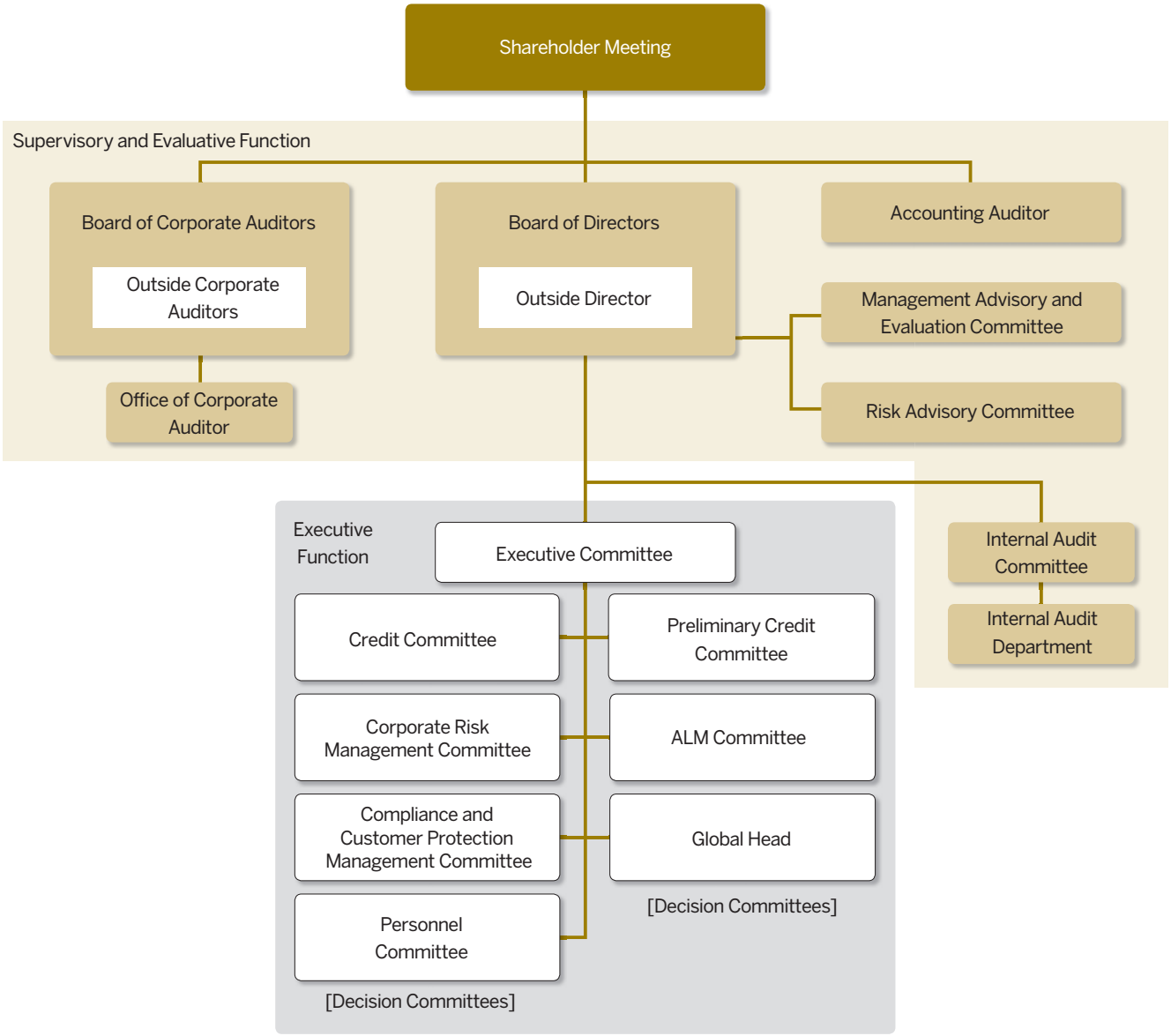
2. Risk Management 80

3. Public Information and Disclosure 83

1. Corporate Governance

Fundamental Approach to Corporate Governance

JBIC is making efforts to build corporate governance structure in conducting operations with particular attention to integrity and efficiency, as it seeks to fulfill the mission set out under the JBIC Act (Law No. 39, 2012) and realize its corporate philosophy.



How National Government is Involved in JBIC

As JBIC has its shares wholly owned by the Government of Japan, it is subject to the control of the Japanese government, its sole shareholder. Additionally, it is subject to the national budget passed in the Diet, inspections by the Board of Audit of Japan, by the Competent Minister and by the Financial Services Agency whose inspection is delegated by the Competent Minister.

Supervisory and Evaluative Function and the Conduct of JBIC Operations

To strengthen the supervisory and evaluative function of the Board of Directors as well as conduct speedy and flexible operations, JBIC has established, in addition to the Board of Directors, the Board of Corporate Auditors and other organs required by the Companies Act, the Management Advisory and Evaluation Committee, the Risk Advisory Committee, the Internal Audit Committee and the Executive Committee. Furthermore, a variety of committees were set up by the Executive Committee that delegated specific tasks to them.

(1) Board of Directors

The Board of Directors consists of 5 members, of which one member is an outside director as set forth in the Companies Act. The external director supervises the conduct of JBIC operations from the point of view of a corporate outsider,

apart from representative directors of JBIC. In addition, he contributes to improving the governance of JBIC as a member of the Management Advisory and Evaluation Committee as well as the Risk Advisory Committee.

(2) Board of Corporate Auditors

The Board of Corporate Auditors consists of 3 auditors, of which two are outside corporate auditors, as set forth in the Companies Act. Outside corporate auditors contribute to improving the governance structure of JBIC, as they cooperate with the full-time auditor in auditing the conduct of its operations. As a section helping them execute their responsibilities, there is the office of corporate Auditor.

(3) Management Advisory and Evaluation Committee

The Management Advisory and Evaluation Committee consists of 3 to 7 external experts and the outside director. They make assessment and offer advice on the matters referred to them by the Board of Directors pertaining to the business operations and management of JBIC.

List of Members of the Management Advisory and Evaluation Committee

Name	Occupation
○ Shujiro Urata	Professor, Graduate School of Asia-Pacific Studies, Waseda University
Akira Kondoh	JBIC Managing Director (Outside Director)
Yoshikatsu Suzuki	Senior Commentator of Jiji Press Ltd.
◎ Yuzo Takagi	Chairman & Representative of Audit Corporation GODAI, Certified Public Accountant
Mikiko Fujiwara	CEO of Alpha Associates Co., Ltd.
Sumihiko Yoshie	Executive Auditor of Government Pension Investment Fund, Japan (Former Representative Director and President of NIPPON STEEL & SUMIKIN INSURANCE SERVICE, INC.)

(◎: Chairman ○: Deputy-chairman)
(Listed in the order of 50 character kana syllabary, name listed without honorifics)

(4) Risk Advisory Committee

The Risk Advisory Committee consists of 3 to 7 external experts and the outside director. They offer advice on the matters referred to them by the Board of Directors pertaining to risk management and assessment framework associated with large-lot debtors and risk exposure to large-scale projects.

List of Members of the Risk Advisory Committee

Name	Occupation
Shuhei Abe	President, CEO&CIO of SPARX Group Co., Ltd.
◎ Eiji Ogawa	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Akira Kondoh	JBIC Managing Director (Outside Director)
Toshiki Tomita	Professor, Faculty of Law, Chuo University
Chieko Matsuda	Professor of Management, Graduate School of Social Sciences, Tokyo Metropolitan University
○ Keisuke Yokoo	Advisor of Mizuho Securities Co., Ltd.

(◎: Chairman ○: Deputy-chairman)
(Listed in the order of 50 character kana syllabary, name listed without honorifics)

(5) Internal Audit Committee

The Internal Audit Committee consists of representative directors and the outside director. They make decisions and deliberations concerning important matters pertaining to internal audit, as delegated by the Board of Directors.

(6) Executive Committee

The Executive Committee consists of representative directors, executive director and all the managing executive officers. They make decisions and deliberations concerning important managerial matters, thereby taking responsibility for conducting flexible JBIC operations, as delegated by the Board of Directors. Certain decisions such as financing to a specific project are delegated to the following committees.

(i) Credit Committee

The Credit Committee makes decisions and deliberations concerning important matters on loan, guarantee and equity participation by JBIC, as delegated by the Executive Committee.

(ii) Corporate Risk Management Committee

The Corporate Risk Management Committee makes decisions and deliberations concerning important matters pertaining to the corporate risk management of JBIC, as delegated by the Executive Committee.

(iii) Compliance and Customer Protection Management Committee

The Compliance and Customer Protection Management Committee makes decisions and deliberations concerning important matters pertaining to the compliance and customer protection management of JBIC, as delegated by the Executive Committee.

(iv) Personnel Committee

The Personnel Committee makes decisions and deliberations concerning important matters pertaining to the personnel of JBIC, as delegated by the Executive Committee.

(v) Preliminary Credit Committee

The Preliminary Credit Committee makes deliberations concerning important matters pertaining to assessment policies toward loan, guarantee and equity participation and credit policy toward large-lot debtors, as delegated by the Executive Committee.

(vi) ALM Committee

The ALM Committee makes deliberations concerning important matters pertaining to the asset-liability management (ALM) of JBIC, as delegated by the Executive Committee and the Corporate Risk Management Committee.

(vii) Global Head Committee

The Global Head Committee makes deliberations concerningcross-cutting matters among internal groups, including operational policy for each country or region, as delegated by the Executive Committee.

Mission/Sector-Specific Group Structure

JBIC reconstituted its organization and adopted mission/sector-specific group structure in July 2011. Its objective is to strengthen the capacity to formulate projects by bringing together knowhow and expertise in each sector and area, thereby facilitating JBIC to perform the functions in its mission more flexibly and strategically.

Specifically, Energy and Natural Resources Finance Group; Infrastructure and Environment Finance Group; Industry Finance Group; Corporate Group; and Credit, Assessment, and Systems Group were set up, with each Group having departments with special expertise.

For each Group, the responsible board member is appointed, and the managing director or a managing executive officer performs as Global Head of each Group. Each Group is managed in an integral manner under the Global Head of the Group in an effort to conduct speedy, flexible and efficient operations.

Member of Board of Directors

Governor, CEO	Hiroshi Watanabe	
Executive Managing Director, COO	Koichi Yajima	
Senior Managing Director	Tadashi Maeda	
Managing Director	Masaaki Amma	Corporate Group
Managing Director (Outside Director)	Akira Kondoh	

Managing Executive Officers

Global Head of Energy and Natural Resources Finance Group	Kenichiro Hayashi	Energy and Natural Resources Finance Group
Global Head of Infrastructure and Environment Finance Group	Hideo Naito	Infrastructure and Environment Finance Group
Global Head of Industry Finance Group	Shigeki Kimura	Industry Finance Group
Global Head of Credit, Assessment, and Systems Group	Yasuhiko Yoshida	Credit, Assessment, and Systems Group

Member of Board of Directors　Member of Internal Audit Committee　Member of Executive Committee

Fundamental Policy on Internal Control

As an internal control system for overall operations, JBIC has appropriate internal audit procedures to review, as well as evaluate their appropriateness and effectiveness and make recommendations to improve them. For these purposes, JBIC has the Internal Audit Committee, which includes the outside director, as a decision-making body independent of the Executive Committee that is responsible for conducting operations. There is also the Internal Audit Department independent of the line departments and directly reporting to the Governor.

The Internal Audit Department exchanges relevant information and cooperates with Corporate Auditors and an Accounting Auditor for executing efficient internal audit.
(See p. 164 for the Fundamental Policy on Internal Control)

Maintenance and Control of Information Assets

JBIC sets forth its fundamental "Security Policy" concerning the use and management of information assets (see p. 166) in order to secure high standard information security and implement proper and efficient operations. Based on the standard, JBIC properly handles, manages, protects and maintains information assets.

Compliance

JBIC has set forth in its Code of Conduct to "Maintain high ethical standards and a law-abiding spirit. Observe our moral code as a JBIC member at all times." Its management and staff members are keenly aware of the public missions and social responsibilities called for in the international community and in civil society. It is also well recognized that any act in violation of laws, regulations or rules by its management and staff will lead to denigrating confidence in JBIC as a whole and have a materially adverse effect on its operations. Attentive to these needs, JBIC is constantly striving toward compliance and operational integrity.

JBIC makes positive efforts to improve compliance, primarily through the Compliance and Customer Protection Management Committee, and has established the Legal Affairs and Compliance Office as an integrated compliance management unit.

Each group and overseas representative office serving as a regional headquarter has an Integrated Compliance Officer, while each department and overseas representative office has a Compliance Officer for making positive efforts in compliance, such as fostering such awareness among JBIC employees.

To foster in-depth understanding of compliance, JBIC makes good use of its Compliance Manual and provides training sessions for its management and staff members. It also develops a compliance program every fiscal year as a basis for making necessary compliance arrangements and providing relevant training.

In addition to the reporting procedures in its ordinary line of business, JBIC has put in place and is properly operating an internal reporting system such that it is capable of finding significant compliance issues at an early stage and taking appropriate remedial action.

Protection of Private Information

JBIC has drawn up and disclosed its Privacy Policy (see p. 167) which stipulates appropriate management of private information held by JBIC pursuant to the provisions of the Act on the Protection of Personal Information Held by Independent Administrative Agencies, etc.

2. Risk Management

In general, the operations of financial institutions involve various risks, including credit risk, market risk (such as interest rate and exchange rate risk, etc.), liquidity risk and operational risk. As a policy-based financial institution, JBIC conducts financial operations to achieve policy objectives. Thus, JBIC differs from private financial institutions in its nature as well as the extent of risks involved in its operations and ways to deal with them. Nonetheless, recognizing the importance of appropriate risk management as a financial institution, JBIC has put in place an institutional system for risk management commensurate with different types of risks and for addressing integrated risk management.

More specifically, JBIC defines the objective of risk management as identifying, measuring and monitoring various risks JBIC is exposed to in the process of conducting operations to ensure the soundness and integrity of operations and increase transparency. For this purpose, JBIC has designated the staff responsible for managing various risks and has a department working on the overall risk management. In addition, there are the Corporate Risk Management Committee and the ALM Committee that make discussions and considerations for the effective functioning of risk management. JBIC has also set up the Risk Advisory Committee, which consists of external experts, to provide the JBIC Board of Directors with advice on the risk management and assessment system with respect to large-lot debtors and on issues referred to by the JBIC board of directors with respect to risks associated with large-scale projects.

The following sections describe how JBIC manages representative risks JBIC is facing, among various other operational risks, in conducting operations as a policy-based financial institution.

Credit Risk

Credit risk refers to the potential loss from a decline or loss of the value of credit assets due to deterioration in the financial conditions of a debtor. This risk is inherent in JBIC's operations as it primarily engages in lending activities. Credit risk exposure to JBIC may be classified into: sovereign risk, which involves financing foreign governments; corporate risk, which involves financing business firms; project risk, which occurs when a project financed in project financing—a financing structure in which a loan is primarily secured on the cash flow generated from the project—fails to generate the planned cash flow; and country risk, which involves financing foreign firms as well as projects located in foreign countries (a risk added to corporate risk and project risk arising from the country where the debtor resides and the project is located). Given the very nature of financial support JBIC provides for promoting overseas development and securement of strategically important resources to Japan, for maintaining and improving the international competitiveness of Japanese industries, and for promoting the overseas business for preserving the global environment, such as preventing global warming, JBIC frequently extends loans to foreign governments, government agencies and companies. Therefore, sovereign and country risks account for a considerable share of the credit risks accompanying JBIC's operations.

Managing Credit Risk

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower's creditworthiness in the process leading to credit approval. When a new loan application is being processed, the relevant finance department and the Credit Department collect and analyze information on the borrower. The overseas representative offices also play a part in collecting information on foreign governments and companies. It is based on this information and its analysis that credit appraisal takes place, with checks and balances at work between these different departments throughout this process, leading to the final decision by management.

In providing credit for foreign governments and companies, JBIC makes the most of its unique position as an official financier, as it exchanges views and information with the governments and relevant authorities in the recipient countries, multilateral institutions such as the International Monetary Fund (IMF) and the World Bank, other official export credit agencies and, furthermore, with private financial institutions in developed countries. Using all these channels, JBIC evaluates sovereign and country risks based on a broad range of information collected on borrowing governments, government agencies and political and economic conditions in their countries.

In providing credit for domestic and foreign companies, there is a need to evaluate their creditworthiness and the appropriateness of the collateral they offer. In particular, for credit provision related to overseas projects, credit evaluation involves checking and examining the certainty of conducting transactions to be financed, feasibility studies of the projects and the industry in which the borrower operates.

Internal Credit Rating

JBIC has established an internal credit rating system which covers, in principle, all the borrowers. Internal credit ratings are the cornerstone of credit risk management, being used for conducting individual credit appraisals and quantifying credit risks.

Internal Assessment of Asset Portfolio

Japanese private financial institutions undertake the internal assessment of asset portfolios in accordance with *Inspection Manual for Deposit-Taking Institutions* (the "Financial Inspection Manual") of Japan's Financial Services Agency. JBIC is similarly undertaking the internal assessment of its loan portfolio, based on the Financial Inspection Manual so that the characteristics of its loan assets will be accurately

reflected on its assessment. In this process, the first-stage assessment is conducted by the relevant financing departments, while the second-stage assessment is conducted by the Credit Department and the Country Credit Department, which is then inspected by the Audit Department. The results of internal assessment conducted on the portfolio are not only used internally for the continuous reviews of the loan portfolio but are also reflected in the disclosure of asset quality to enhance the transparency of JBIC's financial position.

Quantifying Credit Risk

In addition to individual credit risk management, JBIC is working on quantifying credit risks with a view to evaluating the risk of the overall loan portfolio. To quantify credit risks, it is important to take into account the characteristics of JBIC's loan portfolio, which holds a significant proportion of longterm loans and loans involving sovereign and country risks. Also to be taken into account are mechanisms for securing assets, such as the Paris Club[1] a unique framework for debt management by official creditor countries. The credit risk quantification model incorporating these factors is measuring credit risks and is utilized for internal control.

1. An informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations. Since the first meeting took place in 1956 to resolve the debt problem of Argentina, the meeting has been held in Paris, with the French Treasury acting as its secretariat. Hence, it has come to be called the Paris Club.

Market Risk

Market risk refers to the potential loss from changes in the value of assets and liabilities as a result of fluctuations in interest rates and foreign exchange rates. JBIC manages specific market risks as follows.

Exchange Rate Risk

Foreign currency-denominated loans involve the risk associated with exchange rate fluctuations. JBIC has a consistent policy of hedging the full amount of such exposure through currency swaps and forward exchange transactions.

Interest Rate Risk

Funding for yen-denominated loans is mainly managed at fixed-rate interest. Interest rate risk for yen-denominated loans, however, is limited since derivative transactions such as interest rate swaps are used to hedge interest rate risk for portions of loans that are thought to have high exposures to interest rate fluctuation risk. Interest rate risks associated with foreign currency-denominated loan operations and relevant fundings are generally hedged by managing the funds with floating interest rates with the use of interest rate swap transactions. In addition, JBIC carefully calculates and analyzes projections of its future asset/liability structure and profits and losses.

Derivatives Transactions

(1) Basic Policy for Derivatives Transactions
JBIC engages in derivatives transactions exclusively for the purpose of hedging exchange rate and interest rate risks.

(2) Transactions
Derivatives transactions of JBIC include interest rate and currency swaps and forward exchange contracts. The following table gives a summary of these transactions as of March 31, 2015.

Credit Risk of Derivatives, etc.

(As of March 31, 2015; 100millions of yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts
Interest Rate Swaps	36,184	889
Currency Swaps	51,220	3,794
Forward Exchange Contracts	1	0
Other Derivatives	—	—
Credit Risk Reductions through Netting		△ 3,239
Total	87,406	1,445

"The credit risk amounts" are calculated under Uniform International Standards in accordance with the Banking Act of Japan and the related regulations.

(3) Risks Involved in Derivatives Transactions
Derivatives transactions involve the following risks.

◆ **Counterparty Credit Risk**
The potential loss from the failure of a counterparty to perform its obligations in accordance with the terms and conditions of the contract governing transactions due to bankruptcy or its deteriorating business performance.

◆ **Market Risk**
The potential loss from changes in the market value of financial products due to fluctuations in interest rates or exchange rates in the market.

(4) Measures to Address These Risks

◆ **Counterparty Credit Risk**
JBIC constantly monitors the market value of a derivative in making transaction with each counterparty, credit risk exposure to it and its creditworthiness. Such information is then used to assess the appropriateness of making transaction with it.

◆ **Market Risk**
JBIC utilizes derivatives transactions exclusively for the purpose of hedging. Therefore, the market risk on derivatives transactions and the risk on hedged (lending or funding) transactions, in principle, offset each other.

Liquidity Risk

Liquidity risk refers to the potential loss resulting from difficulties in funding due to a maturity mismatch between financing and funding caused by unexpected cash-outs or from being forced to fund at an interest rate significantly higher than in normal circumstances, as well as the potential loss resulting from a failure to make transactions in the market due to market turmoil or from being forced to make transactions at a significantly disadvantageous price compared to normal circumstances.

JBIC is minimizing liquidity risk through effective cash flow management and the diversification of its funding sources, including borrowings under the Fiscal Investment and Loan Program (FILP), government-guaranteed bond issues in international capital markets and FILP agency bond issues in the domestic capital market.

Operational Risks

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. Apart from administrative and computer system risks, JBIC recognizes that its operations involve various direct and indirect risks. JBIC will proactively identify, assess and manage such risks.

Administrative Risk

Administrative risk is the risk of a financial institution incurring losses from the neglect by officers and employees to conduct administrative work properly, accidents caused by them, and violation of laws and regulations caused by them, etc., conducted in the course of the administrative work process.

JBIC has been minimizing this risk by ensuring sound operations through scrupulous checks on work processes, creating operational manuals, improving training programs, and streamlining and adopting systematic procedures.

Computer System Risk

Computer system risk refers to the potential loss from a breakdown or malfunction in computer systems as well as from their misuse. JBIC has been minimizing computer system risk by increasing readiness to respond effectively to emergency situations. Specifically, (a) measures have been taken to prevent system malfunctions and leakage of client information; and (b) contingency plans have been prepared to respond to system malfunctions caused by accidents and other causes, and disaster-response drills have been conducted.

3. Public Information and Disclosure

JBIC is providing and disseminating information to a broad range of the domestic and overseas public in an effort to promote further understanding of its operations and activities.

The JBIC Information Center at the Head Office and the West Japan Office make various brochures, annual reports, public relations magazines, and other materials available to the general public. In addition, a variety of information about JBIC is provided publicly in Japan and overseas through the JBIC website (http://www.jbic.go.jp/en/).

Publications

JBIC publishes its annual operations and activities as well as its financial conditions in various disclosure materials, including annual reports, business reports, financial statements, and Form 18-K, submitted to the U.S. Securities and Exchange Commission.

Other publications available to the public include "*JBIC Today*," a public information magazine that reports on JBIC's latest activities and topics on its operations and other relevant issues; and "*JBIC Profile: Role and Function*," a brochure describing JBIC operations.



JBIC Today



JBIC Profile: Role and Function



JBIC Project Finance Initiatives

Website

The website provides access to JBIC information, including its financial instruments, press releases, invitations to seminars, reports on various studies, activities on environmental issues, annual reports, various brochures, IR information for investors, and various other types of information.



JBIC website

Information Dissemination for the Media

Aside from information disseminated through various publications, the website, and other means, JBIC informs the news media about its operations and activities through press conferences, meetings, etc.



Governor Hiroshi Watanabe at the press conference

Disseminating Information from Overseas Representative Office

JBIC's overseas representative offices are actively contributing reports and articles to the news media to provide information from overseas. They have also appeared in TV news programs to provide timely topics that can only be reported on at the local grassroots level, such as individual consumption and information on taxation, etc.

Promoting International Exchange

Since 1976, JBIC has held annual JBIC Seminars in Japan to promote mutual understanding with its overseas business partners and relevant organizations by inviting officials from foreign governments, government agencies, private companies, financial institutions, etc. The cumulative number of seminar participants is approximately 640 so far.



Participants at the JBIC Seminar

Participating in Various Events

JBIC actively takes part in events held both in Japan and overseas in order to explain its role and functions, its support in the environmental field, etc. Photos of JBIC's participation in these events can be viewed on its website. In November 2014, JBIC had a booth at Messe Nagoya 2014, which was held in Nagoya. In December 2014, JBIC held Eco-Products 2014 at Tokyo Big Sight. JBIC has also undertaken various activities overseas, such as having an employee give a presentation at the 3rd Annual Islamic Banking Summit Africa, which was held in the African country of the Republic of Djibouti in November 2014.



Eco-Products 2014

Disclosure

JBIC discloses to the public its operational and financial information to promote further understanding of its current activities, as follows.

(Principal) Materials for Providing Information

Source of Information	Access
Report on Settlement of Accounts	● Available at the Head Office and the West Japan Office ● Distributed to the National Diet Library and economic organizations, etc.
Annual Report Public Relations Magazine, etc.	● Available at the Head Office, the West Japan Office and Representative Offices ● Distributed to interested persons/institutions
Website: ● Type of Business Operations, Operational Results, Overview of Organization, Financial Composition, etc.	● On the internet Address: http://www.jbic. go.jp/en/