

2018 Annual Report

日本の力を、世界のために。
Supporting Your Global Challenges



**JAPAN BANK FOR
INTERNATIONAL COOPERATION**

Highlights of JBIC's Activities in FY2017

Loans, Equity Participations, and Guarantees (Commitments)

¥ **1,193.2** billion

130 commitments

(FY2017)

Accumulated Financial Commitments

Approx.

¥ **71.5** trillion

26,966 commitments

(End of FY2017)

Loans Outstanding per Employee

¥ **23,502** million

(End of FY2017)

Accumulated Commitment Amount for Natural Resources Projects in the Last Decade

Approx.

¥ **7.9** trillion

(End of FY2017)

Financial Commitments to Mid-tier Enterprises and SMEs

¥ **15.4** billion

74 commitments

(End of FY2017)

Accumulated Commitment Amount for GREEN Operations

Approx.

US\$ **2,645** million

(As of end of FY2017)

Regions / Countries of Loans and Equity Participations Outstanding

92 countries and regions

(End of FY2017)

JBIC 2018

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 JBIC.
4. Due to the launch of the newly established Special Operations, JBIC started to perform separate accounting procedures for the Ordinary Operations and the Special Operations on October 1, 2016. Data for JBIC operations during the period until the day before October 1, 2016 was recorded in the Ordinary Operations Account. In this annual report, financial data after October 1, 2016 is presented separately in the Ordinary Operations Account and the Special Operations Account. For financial reporting in FY2016, data from the Ordinary Operations Account covers the period from April 1, 2016 to March 31, 2017, while that from the Special Operations Account covers the period from October 1, 2016 to March 31, 2017. In the supplementary document "Data 1: Statistics," which can be found later in this annual report, JBIC's business data is presented without separating the Ordinary Operations Account and the Special Operations Account.

1 Profile of JBIC

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1 Profile

The Purpose of JBIC

Japan Bank for International Cooperation (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 operations 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 disruptions

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.

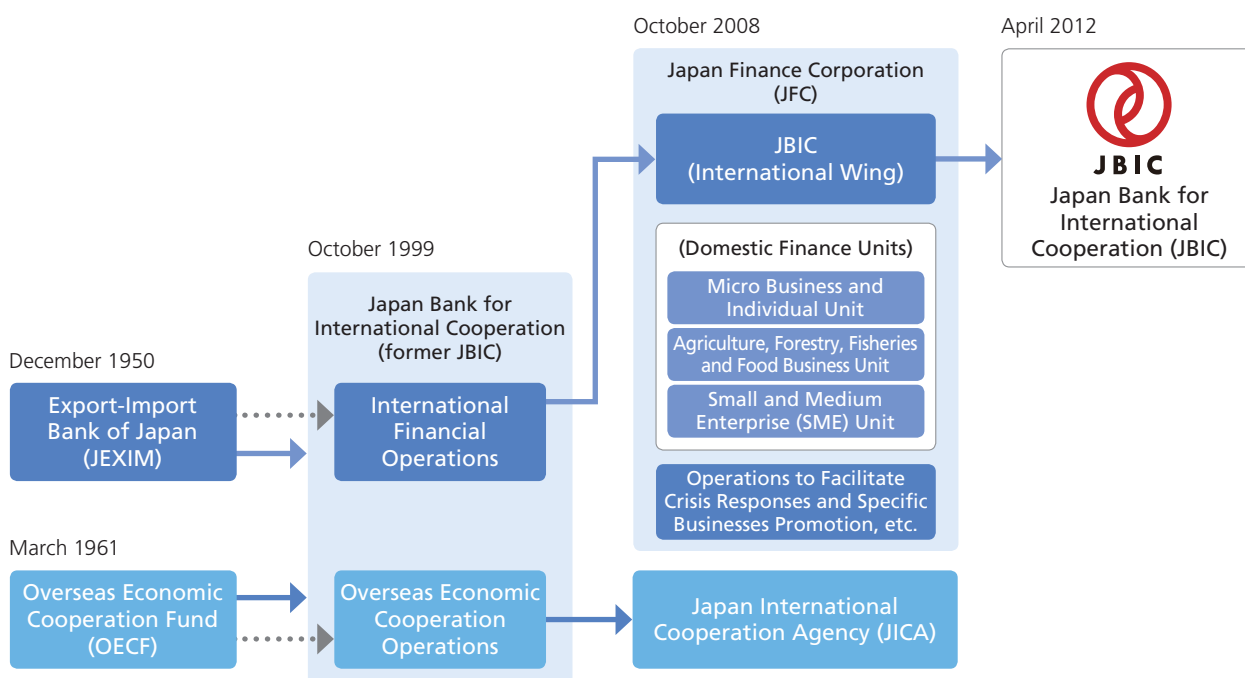
- 1. Supplementing the financial transactions implemented by private-sector financial institutions**
To effectively perform the functions required for policy-based financing, JBIC shall take account of situations where private-sector financial institutions are placed in their international finance activities 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

JBIC was established on April 1, 2012 in accordance with the Japan Bank for International Cooperation Act (JBIC Act), which was 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*	¥1,765.2 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations*	¥13,919.4 billion
Outstanding Guarantees*	¥2,260.2 billion

* As of March 31, 2018

2 Interview with the Governor

On behalf of the Japan Bank for International Cooperation (JBIC), I would like to express my sincerest appreciation for your continued support for and understanding of JBIC.

The world economy is on a moderate recovery path driven largely by the buoyant U.S. economy boosted by the Trump administration's tax-reduction policies. On the other hand, as 10 years have passed since the collapse of Lehman Brothers, new concerns such as mounting trade frictions between the U.S. and China and the EU are now arising. Also, close attention is required for economic trends in emerging countries and the impact of geo-economic approaches taken by large nations. In the energy and natural resources sector, for example, the rise of emerging countries has weakened Japan's negotiating position in resources acquisition and caused uncertainty about a global energy supply and demand balance. Under such circumstances, it is important for Japan to ensure energy security of the Asian region by participating in the energy value chain in Asia while responding to robust demand in the region.

Looking at the domestic situation in Japan, a declining birthrate and the aging population put a strain on medium-to-long-term economic growth. To address this situation, Japan needs to push up its potential growth rate by encouraging wider workforce participation via work style reforms and to increase productivity through innovation. Against this backdrop, Prime Minister Shinzo Abe announced the Future Investment Strategy 2018 (Cabinet decision on June 15, 2018), aiming to significantly raise the potential growth rate of the Japanese economy and improve Japan's international competitiveness by adopting technological innovations such as IoT, Big Data, and AI. In reaction to this strategy, Japanese industries are making their efforts to boost productivity across different sectors. Quality infrastructure investment and climate change measures are also promising fields. There are expectations for projects that will help to improve and protect the global environment with high efficiency utilizing Japan's advanced infrastructure and environmental technologies.

Amid rapidly changing environments in Japan and overseas, we will proactively support Japanese companies in expanding overseas, with the focus on growth areas and new fields to address the key challenges facing Japan as explained above, in addition to our conventional business activities in the areas of natural resources development and infrastructure export.

To contribute to the sound development of Japan and the international economy and society amid changes in the globalized economy, JBIC is increasingly required to provide future-oriented support in a more proactive and flexible manner by expanding its existing financial support framework in response to trends in the fields of diplomacy, industry, and finance. As Japan's policy-based financial institution, JBIC will strive to fulfill these responsibilities by meeting the needs and expectations of Japanese industrial and financial communities.

Tadashi Maeda

Governor
Japan Bank for International Cooperation
(JBIC)



— You assumed the position of Governor in June 2018. Could you explain the challenges facing JBIC and the directions JBIC will pursue?

JBIC has undertaken a wide range of financing operations in accordance with the Japan Bank for International Cooperation Act. These operations include providing financial support for infrastructure and natural resource development projects involving country risk, and for Japanese companies with plans to expand overseas, including mid-tier enterprises and small and medium-sized enterprises (SMEs), in addition to responding to global financial instabilities.

Nonetheless, major shifts in international affairs and social issues make it increasingly difficult for JBIC to meet the expectations of industry and the financial community by simply performing operations in accordance with its legally mandated mission.

In view of this, we formulated the JBIC Third Medium-term Business Plan (FY2018–FY2020) in June 2018 based on our belief that JBIC should operate with a more proactive role. Under this business plan, JBIC aims “to serve as a ‘navigator’ for Japanese companies to expand overseas business in an uncertain world” and fulfill its role of opening a path to a new era.

Specifically, JBIC will provide support to the following areas in the form of loans, equity participations, and guarantees: the overseas deployment of new industries for the next generation, investments in quality infrastructure overseas, and securing of a resource supply to Japan. JBIC will take a lead in projects in relation to these areas by participating from the early stage of the project development process. I believe this approach will help boost Japan’s economic growth and raise its presence in the international community.

To fulfill this new role, JBIC also needs to build a strong organization and develop talented human resources. As JBIC’s new Governor, I will draw on my own experiences and promote work style reforms for enhancing operational competencies and management capabilities and for strengthening our organizational foundation.

— Can you please explain JBIC’s business results for FY2017?

In FY2017, JBIC made 130 financial commitments totaling ¥1,193.2 billion in loans, equity participations, and guarantees, reflecting a decline in the number of M&A deals overseas and loans to Japanese mid-tier enterprises and SMEs due to external factors.

By business field, beginning with the energy and natural resources sector, project finance for construction of the Nacala Railway and Port infrastructure in Mozambique and Malawi deserves special mention. As JBIC’s largest-ever financial commitment to Africa, this project intends to supply Japan with high-quality coking coal from inland Africa and contribute to economic development of regions in interior Africa. With the 7th Tokyo International Conference on African Development (TICAD VII) scheduled to convene in Yokohama in 2019, JBIC will proactively support economic growth in Africa through the promotion of trade investments by Japanese companies in the region.

Meanwhile, as part of efforts to strengthen strategic relations with oil-producing countries, JBIC provided financing to Abu Dhabi National Oil Company (ADNOC) to ensure stable imports of crude oil to Japan, with an eye to



Japanese companies renewing their existing concessions in offshore oilfields.

Looking at the infrastructure sector, JBIC provided project finance and a political risk guarantee to a hospital public-private partnership (PPP) project in Turkey. The government of Turkey is currently promoting policies that direct private-sector funds toward the enhancement of medical services in the country. This is the first PPP hospital project involving a Japanese company and it draws attention as a project which is expected to encourage Japanese companies to roll out their advanced medical systems and services in foreign countries.

In the environmental field, JBIC provided project finance to the Rantau Dedap Geothermal Power Project in Indonesia. JBIC also supported Japanese mid-tier enterprises and SMEs in expanding overseas in collaboration with Japanese regional banks, including a business that manufactures concrete products for use in India’s infrastructure.

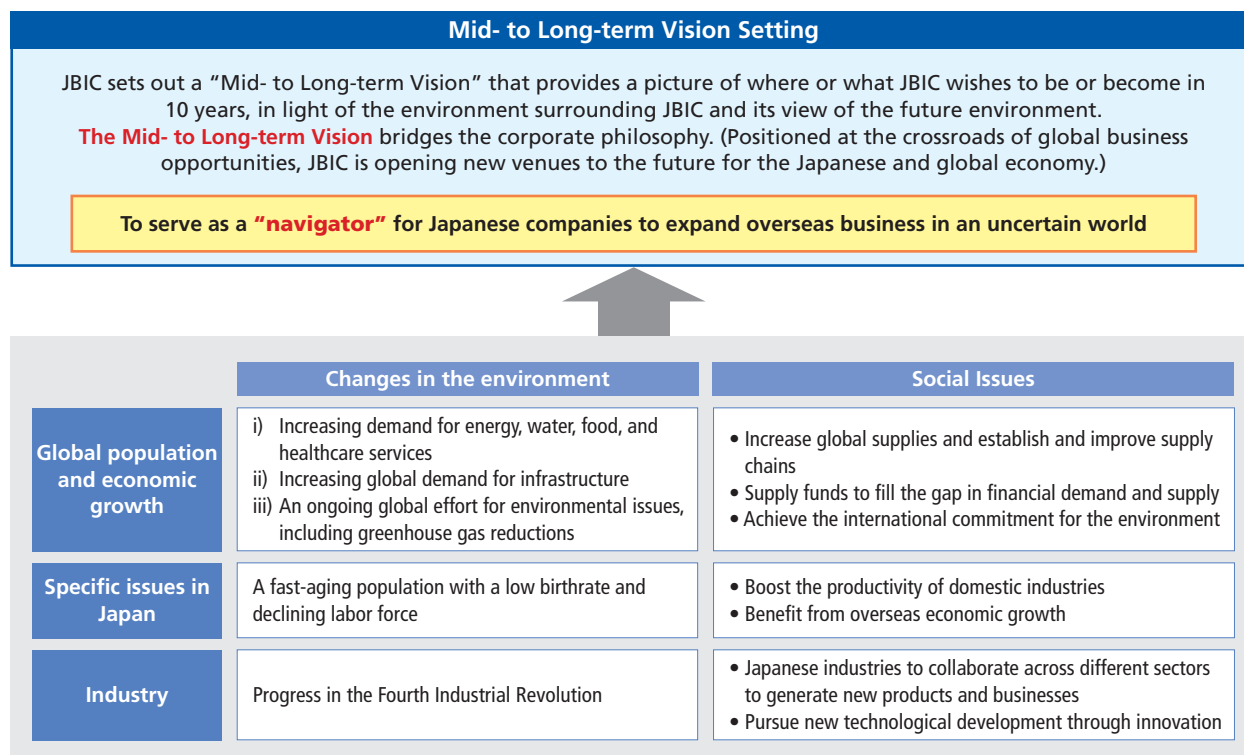
— Could you sum up the Second Medium-term Business Plan (FY2015–FY2017)?

Under the previous Medium-term Business Plan, JBIC made financial commitments totaling ¥5,830.4 billion during the plan’s three-year implementation period. These were aimed at “contributing 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.”

During this three-year period, JBIC established a framework for strengthening its capacity to supply funding for projects with relatively high risk profiles, which becomes increasingly important in the execution of Japan’s growth strategy of benefitting from overseas growing markets. In October 2016, JBIC launched its new financing operations called the Special Operations to increase its risk-taking ability in investing in overseas infrastructure business. At the same time, JBIC established the Equity Finance Group and the Equity Investment Department to enhance its capability in the area of equity financing. In June 2017, JBIC established JBIC IG Partners (JBIC IG) to provide investment advisory services, in collaboration with Industrial Growth Platform, Inc. (IGPI).

The aim of JBIC IG is to provide long-term, continuous

Mid- to long-term vision set in the Third Medium-term Business Plan and background



assistance to Japanese companies with plans to expand overseas, by capitalizing on the respective strengths of JBIC and IGPI. As Japan’s policy-based financial institution, JBIC has built up an excellent network of contacts with government agencies in other countries and invested in many projects overseas. IGPI has significant experience in providing companies with hands-on support for long-term and sustainable growth in corporate and business value. JBIC IG started providing investment advisory services to the US\$1 billion Russia-Japan Investment Fund (RJIF) in cooperation with the Russian Direct Investment Fund (RDIF) to invest in Russian companies that are expected to boost Japan-Russia economic cooperation.

— Can you explain the Third Medium-term Business Plan (FY2018–FY2020) that was formulated in June 2018?

Under the Third Medium-term Business Plan (FY2018–FY2020), we aim “to serve as a ‘navigator’ for Japanese companies to expand overseas in an uncertain world,” which is also our mid- to long-term vision that expresses where or what JBIC wishes to be or become in 10 years. This plan identifies eight key focus areas and 21 action plans under three basic business policies which are: i) To enhance JBIC’s risk-taking capability by capitalizing on its strength as a policy-based financial institution, ii) To respond to changing social situations and clients’ needs in a flexible manner, while having the objective of supplementing the financial transactions implemented by private-sector financial institutions, and iii) To strengthen organizational competency. (For details, please see page 11.)

In key focus areas concerning operations, we will pursue our business plan for “growth areas, new fields.” For example, JBIC will work to broaden its vision to extend support to start-up companies expected to play key roles in growth fields exemplified by IoT and Big Data analysis, which are driving the Fourth Industrial Revolution. These companies require funding for investing in their new businesses, and when providing assistance to these companies in the form of equity financing, JBIC will diversify its risk through equity participation in various investment funds. JBIC will also utilize JBIC IG to play a role of a general partner who proactively invests in various businesses.

Next, let me turn to overseas infrastructure development. In the past, I used to serve as Special Advisor to the Japanese Cabinet and was involved in formulating the Japanese government’s previous growth strategy and the Strategy on Infrastructure Export. Nonetheless, Japan’s infrastructure system exports are still only at the midway point. Although Japanese infrastructure manufacturers have excellent technologies and products, they have limited experience in exporting entire infrastructure systems. This means they miss out on potential business opportunities. To break through this situation, JBIC will lead the way in helping Japanese companies to export quality infrastructure, by participating in projects from the early stage of project development process while proactively assuming risk in those projects.

Turning to global environmental protection, we launched JBIC Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)” in July 2018 to provide

a wide range of support for infrastructure development that is expected to help protect the global environment, such as renewable energy and green mobility. Through the QI-ESG facility, JBIC aims to promote export of Japan's world top-level environmental technologies.

Regarding M&As by Japanese companies, I believe that acquiring overseas companies with technologies that Japanese companies do not have will enable them to accelerate their business and adapt quickly to evolving overseas markets. This M&A approach will help Japanese companies expand into the "growth areas, new fields" that I mentioned previously. JBIC will continue to support the strategic overseas M&As by Japanese companies.

— Could you describe JBIC's organizational reforms and work style reforms?

For organizational reforms, we aim for the enhancement of operational functions such as by promoting the formation of projects that are geo-economically important, responding to the changing business environment, and strengthening collaboration with private-sector financial institutions. Besides, we will strive to improve our management capabilities by making prompt decision-making and enhancing the financial and risk management systems. In August 2018, we set up the Strategic Research Department as part of efforts to provide support for structuring financing schemes for geo-economically important projects. JBIC will also cooperate with specialist organizations and specialists from around the world in performing advanced information analysis such as risk forecast management to promote accurate and quick decision-making in financial areas and business execution.

The management team will take the lead in promoting work style reforms that encourage employees to choose how to work. Specifically, we will strive to enhance the efficiency of operations by re-evaluating our operational processes and utilizing various IT technologies, including RPA (Robotic Process Automation). JBIC aims to build a resilient organization by having employees spend time on improving or learning new skills during work hours, while asking them to think about what they can do for Japan. I expect JBIC's employees to meet more companies and people to enter new business areas and acquire new clients, thereby becoming more aware of developments in financial markets and utilizing their knowledge and insights to help the Japanese government formulate policies.

— What is your message to stakeholders?

Amid increasing demand for large infrastructure investment across the world, the needs for raising funds are expected to rise further. In response to this, PPP-based projects mobilizing private-sector funds are expected to be promoted not only in the electric power sector but also in the transportation and communications sectors. To ensure that Japanese companies can participate widely in these projects, JBIC will increase opportunities for policy dialogue with government agencies of countries around the world and further strengthen its continued efforts to build relationships that generate mutual benefits. These efforts include development of cooperative projects in the Indo-Pacific based on a memorandum of understanding with Overseas Private Investment Corporation (OPIC) in the U.S. in November 2017 and the establishment in February 2018 of Far East Limited Liability Company

(Far East JPPV) to promote Japanese investment in the Russian Far East region through a joint investment with Russian government agencies. JBIC will further support the overseas business strategies of Japanese companies, including the cultivation of growth fields for the next generation, and will create environments where more private-sector financial institutions can provide financing to Japanese companies in collaboration with JBIC.

JBIC will continue to strive to conduct balanced and sound business activities by strengthening its governance structure such as risk management alongside enhancing its operational competencies. JBIC will also carry out its responsibilities to contribute to the Japanese economy as well as the international economy and society by capitalizing on its human resources, global network of contacts, and policy recommendation capacity as a public financial institution.

3 Directors, Managing Executive Officers, and Corporate Auditors (As of August 1, 2018)



(Back row, from left)	Managing Director Shinichi Koizumi	Senior Managing Director Kuninori Kuroishi	Senior Managing Director Yasushi Hasegawa	Senior Managing Director Tatsuhiko Takesada	Managing Director Yoshinori Kawamura
(Front row, from left)	Deputy Governor Nobumitsu Hayashi	Governor Tadashi Maeda	Executive Managing Director Kazuhiko Amakawa		



Corporate Auditor Mitsuaki Tsuchiya	Corporate Auditor Yasuo Ota	Corporate Auditor Yuko Tamai
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■ Directors

Governor	Tadashi Maeda
Deputy Governor	Nobumitsu Hayashi
Executive Managing Director	Kazuhiko Amakawa
Senior Managing Director	Yasushi Hasegawa
Senior Managing Director	Kuninori Kuroishi
Senior Managing Director	Tatsuhiko Takesada
Managing Director (Outside Director)	Shinichi Koizumi
Managing Director (Outside Director)	Yoshinori Kawamura

■ Corporate Auditors

Corporate Auditor (Full-Time Corporate Auditor)	Yasuo Ota
Corporate Auditor (Outside Corporate Auditor)	Mitsuaki Tsuchiya
Corporate Auditor (Outside Corporate Auditor)	Yuko Tamai

■ Managing Executive Officers

Managing Executive Officer, Global Head of Corporate Planning Group	Shigeto Hashiyama
Managing Executive Officer, Global Head of Credit, Assessment and Risk Management Group	Yutaka Funada
Managing Executive Officer, Global Head of Treasury and Systems Group	Tsuyoshi Nishitani
Managing Executive Officer, Global Head of Energy and Natural Resources Finance Group	Masaaki Yamada
Managing Executive Officer, Global Head of Infrastructure and Environment Finance Group	Kazuhisa Yumikura
Managing Executive Officer, Global Head of Industry Finance Group	Kazuhiko Tanaka
Managing Executive Officer, Global Head of Equity Finance Group	Shinji Fujino

4 Medium-term Business Plan (FY2018–2020)

Since its establishment in April 2012, JBIC has provided proactive support for the projects such as natural resources and infrastructure development projects overseas, M&A transactions involving Japanese companies and the overseas businesses of Japanese SMEs. The Bank participates from the early stages of projects, and provides funds for projects with relatively high risk profiles through various financial instruments. Under its medium-term business plan for FY2015–2017, JBIC has aimed to “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.” As a result, JBIC has made financial commitments in loans, equity participation and guarantees totaling JPY 5,830.4 billion.

The environment surrounding Japan is changing significantly. In addition to progress in the Fourth Industrial Revolution, increasing geo-political risks and international efforts to address global environmental problems, there are structural issues, such as a declining workforce and a fast-aging population with a low birthrate in the domestic

market. These factors further increase the uncertainty in the surrounding environment. Under such circumstances, Japanese industries are facing urgent tasks, such as collaboration across different sectors to boost productivity and pursuing new technological development through innovation. Japanese industries are also continuing and strengthening their efforts to benefit from the growth of overseas markets, while managing increasing business risks in a proper manner.

JBIC’s third medium-term business plan for FY2018–2020 identifies eight key focus areas and sets out 21 action plans. Accomplishing these will allow the Bank to accurately navigate increasingly uncertain domestic and international situations and to provide support in response to the new tasks and challenges faced by Japanese industries.

JBIC will create new additional value and contribute to the sound development of Japan and the international economy and society under its third medium-term business plan by capitalizing on its relationships with stakeholders and its overseas networking and information-gathering abilities.

Mid- to Long-term Vision Setting

In its third medium-term business plan, JBIC sets out a “mid- to long-term vision” that provides a picture of where or what JBIC wishes to be or become in 10 years, in light of the environment surrounding JBIC and its view of the

future environment. The mid- to long-term vision bridges the corporate philosophy. (Positioned at the crossroads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy.)

JBIC’s mid- to long-term vision

To serve as a “navigator” for Japanese companies to expand overseas business in an uncertain world

JBIC’s view of the international environment

There are growing uncertainties in the international environment, such as complex international relations and the emergence of anti-globalization and protectionism, which will bring the world amplified risks and challenges.

Changes in the environment surrounding JBIC

1. As a result of global population and economic growth,
 - i) Increasing demand for energy, water, food and healthcare services raises the need to increase global supplies and establish and improve supply chains;
 - ii) Increasing global demand for infrastructure raises the need to supply funds to fill the gap in financial demand and supply;
 - iii) An ongoing global effort for environmental issues, including greenhouse gas reductions, is required to achieve the international commitment for the environment.
2. A fast-aging population with a low birthrate and declining labor force, which are issues specific to Japan, raise the need to boost the productivity of domestic industries and benefit from overseas economic growth.
3. The progress in the Fourth Industrial Revolution requires Japanese industries to collaborate across different sectors to generate new products and businesses, or pursue new technological development through innovation.

Principles, Key Focus Areas and Action Plans

JBIC's medium-term business plan identifies eight key focus areas and 21 action plans to be pursued following the three principles.

Principles	
<ol style="list-style-type: none"> 1. Enhance JBIC's risk-taking capability by capitalizing on its strength and attributes as a policy-based financial institution 2. Respond to changing social situations and clients' needs in a flexible manner, while having the objective of supplementing the financial transactions implemented by private-sector financial institutions 3. Strengthen organizational competency 	

Key Focus Areas		Action Plans
Business area I	Growth areas, new fields	<ol style="list-style-type: none"> 1. To take strategic actions to promote innovation 2. To support Japanese companies in expanding into frontier markets 3. To promote energy and natural resource projects in response to the new market environment
Business area II	Overseas infrastructure development	<ol style="list-style-type: none"> 1. To support infrastructure projects that are highly important on the policy front 2. To help geo-economically important countries to establish frameworks for promoting infrastructure development
Business area III	Global environmental preservation	<ol style="list-style-type: none"> 1. To contribute to global efforts for the transition to a low-carbon society 2. To further promote global environmental preservation
Business area IV	M&As	<ol style="list-style-type: none"> 1. To support overseas M&As that are important on the policy front 2. To support overseas M&As in collaboration with private financial institutions
Business area V	Consistent implementation of policy-based finance and restructuring of operations	<ol style="list-style-type: none"> 1. To implement policy-based finance in a consistent manner 2. To restructure operations in response to the changing external environment 3. To support Japanese SMEs in expanding overseas
Organizational area I	Enhancement of operational functions	<ol style="list-style-type: none"> 1. To promote formation of projects that are geo-economically important 2. To improve operational functions to quickly respond to the changing business environment 3. To further mobilize private funds amid the changing business model of the financial sector
Organizational area II	Enhancement of management capabilities	<ol style="list-style-type: none"> 1. To ensure an executive management system that facilitates speedy and decisive operation 2. To further enhance the financial and risk management systems to support top management decisions
Organizational area III	Strengthening of organizational foundation	<ol style="list-style-type: none"> 1. To promote work-style reform 2. To streamline operational workflow 3. To ensure stability and safety while performing operations 4. To enhance human capital

Details of Action Plans for Business Performance

I Growth areas, new fields

Action plan I-1. To take strategic actions to promote innovation

(1) Taking up innovation, Creating new business and rolling them out worldwide

Amid the progress in the Fourth Industrial Revolution, where industrial society is transforming into “Connected Industries” which are connecting humans, machines and technologies across firms and borders to create new value, JBIC will support Japanese companies in taking in innovation from overseas, creating new business through innovation and rolling them out worldwide.

(2) Building relationships with key entities/organizations

JBIC will promote relationships with new entities/organizations, such as start-up companies, venture companies established within universities as well as foreign companies and funds that engage in generating and developing new products and businesses through innovation, while re-building relationships with Japanese companies with a focus on advancing innovation.

Action plan I-2. To support Japanese companies in expanding into frontier markets

(1) Creating business opportunities for Japanese companies through support for identification and formation of projects

JBIC will support Japanese companies in expanding to regions which are expected to further strengthen relationships with Japan—such as Africa, the Mekong Region and South Asia—by enhancing its risk-taking capability and collaborations with international organizations and state financial institutions around the world.

(2) Strengthening efforts to facilitate business in Africa towards TICAD VII

JBIC will promote the formation of projects by formulating strategies to encourage Japanese companies to find business opportunities in Africa.

Action plan I-3. To promote energy and natural resource projects in response to the new market environment

(1) Structuring financing schemes to respond to changing markets

JBIC will provide financial support in response to more diversified pricing formulas and contracts in the LNG market, which is at a turning point in its supply and demand balance.

(2) Supporting projects that are expected to help to establish an energy value chain

JBIC will support infrastructure projects, such as projects for Gas-to-Power and LNG receiving terminals, aiming to contribute to Japan’s energy security.

(3) Ensuring new resources and energy sources

JBIC will provide support to secure strategic natural resources to be used for innovation, as well as support to secure new energy sources and establish supply chains to facilitate the transition to a low-carbon society.

II Overseas infrastructure development

Action plan II-1. To support infrastructure projects that are highly important on the policy front

JBIC, in collaboration with the Japanese government and its agencies, will proactively lead project formation to support Japanese companies in participating in overseas infrastructure projects that are highly important on the policy front (e.g. high-speed railways and ports).

Action plan II-2. To help geo-economically important countries to establish frameworks for promoting infrastructure development

JBIC will help geo-economically important countries with high potential as destinations for infrastructure exports to establish a public-private partnership (PPP) framework, through policy dialogue with the governments of those countries and workshops to share knowledge of PPP.

III Global environmental preservation

Action plan III-1. To contribute to global efforts for the transition to a low-carbon society

Taking account of the policies of host governments and their needs, JBIC will support the transition toward low-carbonization of thermal power generation and encourage Japanese companies to develop low-carbon infrastructure projects such as renewable energy projects.

Action plan III-2. To further promote global environmental preservation

To respond to social demand for clean air and water, and waste disposal considering environmental impact, JBIC will contribute to sustainable economic growth by promoting the use of Japanese companies' superb environmental technology and expertise such as desulfurization and denitration equipment, waste water treatment equipment and waste-to-energy generation technology.

IV M&As

Action plan IV-1. To support overseas M&As that are important on the policy front

JBIC will support overseas M&As by Japanese companies, while considering the importance of their business strategies and Japanese government policy.

Action plan IV-2. To support overseas M&As in collaboration with private financial institutions

JBIC will provide financing for overseas M&A transactions in the form of two-step loans, in collaboration with Japanese private financial institutions which have broad customer bases.

V Consistent implementation of policy-based finance and restructuring of operations

Action plan V-1. To implement policy-based finance in a consistent manner

(1) Fulfilling JBIC's mission by enhancing its risk-taking capability

Amid a changing environment surrounding Japan in terms of geo-economic aspects such as the emergence of new entities/organizations, JBIC will support the business activities of Japanese companies particularly in the areas of developing and acquiring interests in strategically important energy and natural resources overseas as well as of maintaining and increasing the international competitiveness of Japanese industries. JBIC will carry out its mission by enhancing its risk-taking capability and utilizing its various financial tools, while considering the needs of host countries' governments.

(2) Responding to the changing international financial environment

JBIC will take measures in a proactive and flexible manner to prevent global financial disorder or respond to financial turmoil by monitoring the international financial environment and corporate funding activities.

Action plan V-2. To restructure operations in response to the changing external environment

JBIC will restructure its existing operations for increased efficiency, in order to quickly respond to the changes in international situations, the financial environment as well as in the Japanese government's policies and clients' expectations for policy-based finance.

Action plan V-3. To support Japanese SMEs in expanding overseas

JBIC will provide its unique support to Japanese SMEs which plan to expand overseas, in close cooperation with Japanese private-sector financial institutions such as regional banks and Shinkin (credit) banks.

Details of Action Plans for Organizational Competency

I Enhancement of operational functions

Action plan I-1. To promote formation of projects that are geo-economically important

(1) Promoting projects that are geo-economically important, through JBIC's strategic research capability

JBIC will offer strategic information to the Japanese government and other stakeholders and help to structure financing schemes for projects that are geo-economically important by utilizing its strategic research capability.

(2) Collaborating with bilateral and international organizations

JBIC will materialize strategic project formation and appropriate risk sharing with bilateral and international organizations, while contributing to rulemaking for the financing of public agencies.

(3) Strengthening relationships with foreign governments and companies

JBIC will enhance relationships with governments and companies in host countries in order to form projects taking into account the Japanese government's foreign policy and the importance of geo-economic aspects.

Action plan I-2. To improve operational functions to quickly respond to the changing business environment

JBIC will improve operational flows, launch new financial instruments and prepare operational conditions in order to deliver services in response to the changing business environment.

Action plan I-3. To further mobilize private funds amid the changing business model of the financial sector

Considering a changing financial environment due to factors such as the Basel requirements, JBIC will supplement the financial transactions implemented by private financial institutions through various means including co-financing, two-step loans and loan guarantees. JBIC will also strive to create new investment opportunities for private financial institutions by offering opportunities to purchase receivables related to the loans granted by JBIC or by other measures such as investment information sharing through seminars.

II Enhancement of management capabilities

Action plan II-1. To ensure an executive management system that facilitates speedy and decisive operation

(1) Strengthening capability to execute corporate strategy

JBIC will enhance its capability to address organizational issues in an effective manner by establishing a structure under which Group-wide planning agendas are integrated.

(2) Reviewing decision-making processes

JBIC will eliminate/consolidate internal committees, increase/decrease the number of committee members depending on the purpose of the committees, as well as review decision-making processes.

Action plan II-2. To further enhance the financial and risk management systems to support top management decisions

(1) Enhancing capital adequacy to strengthen risk-taking capability

JBIC will enhance its capital adequacy to exert its risk-taking capability in large projects.

(2) Improving capacity to raise funds in a diversified and stable manner, and preparing a more effective financial reporting system

JBIC will diversify the means to raise funds over the long term, such as borrowing foreign currencies, and establish its accounting and financial reporting system in response to the changes in its operations and market regulations.

(3) Strengthening the risk management system

To increase risk tolerance, JBIC will improve its overall risk management process and risk analysis ability by, for example, strengthening its risk monitoring practices, increasing its analytical capabilities for asset-liability management and profitability, improving its credit risk management system used for evaluating the creditworthiness of its clients, and collecting data for credit analysis.

III Strengthening of organizational foundation

Action plan III-1. To promote work-style reform

JBIC will develop and implement its “Plan for Work Style Reform.”

Action plan III-2. To streamline operational workflow

(1) Ensuring implementation of operational procedures without errors or omissions

JBIC will streamline its operations by using IT technologies and promote other streamlining measures to implement operations in a more accurate and flexible manner.

(2) Ensuring safe and stable operation of IT system

JBIC will renovate its core IT system and upgrade existing IT infrastructure.

Action plan III-3. To ensure stability and safety while performing operations

JBIC will ensure the effectiveness of its business continuity plan (BCP) and strengthen its responsiveness to information security incidents.

Action plan III-4. To enhance human capital

JBIC will secure and develop human resources to correspond to diversified operations.

5 Outline of Operations in FY2017

Operational Highlights

The total amount of commitments JBIC made during FY2017 in loans, equity participations, and guarantees was ¥1,193.2 billion, which is 46.7% less than that of FY2016. The outstanding amount of loans and equity participations and guarantees as of March 31, 2018 was ¥16,179.6 billion.

The following is a report on JBIC's major operations in each sector during FY2017.

Efforts in the Energy and Natural Resources Sector

As Japan depends on imports from overseas for most of its resources, it is important that the country secures a stable supply of energy and mineral resources in the medium to long term by increasing the ratio of self-development resources. In FY2017, JBIC made a total of nine financial commitments in the natural resources sector, amounting to ¥494.6 billion in loans, equity participations, and guarantees for projects.

JBIC provided project finance¹ to fund the construction of the Nacala railway and port infrastructure in Mozambique and Malawi, which is needed to transport and export coal produced from a coal mine. JBIC also signed a loan facility agreement with Abu Dhabi National Oil Company (ADNOC) in the Emirate of Abu Dhabi in the United Arab Emirates. This facility is intended to ensure to ADNOC the stable import of crude oil by Japanese companies. Other projects that received financing from JBIC included a zinc and silver mine development project in Los Gatos, Mexico.

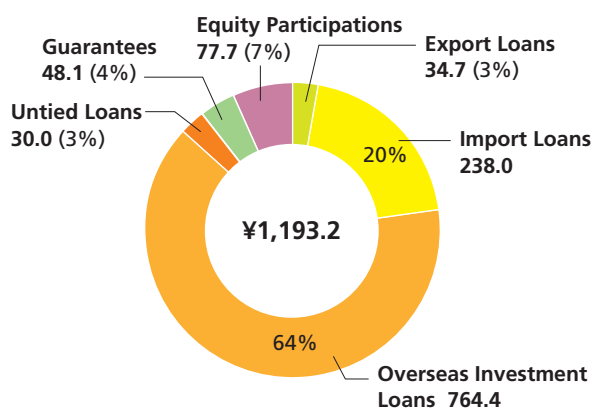
Supporting Overseas Infrastructure Business Deployment by Japanese Companies

In the power sector, JBIC provided project finance to infrastructure projects involving Japanese companies, such as a photovoltaic power project in India, an onshore wind power generation project in Egypt, and a geothermal power project in Indonesia.

In other sectors, JBIC provided support in the form of

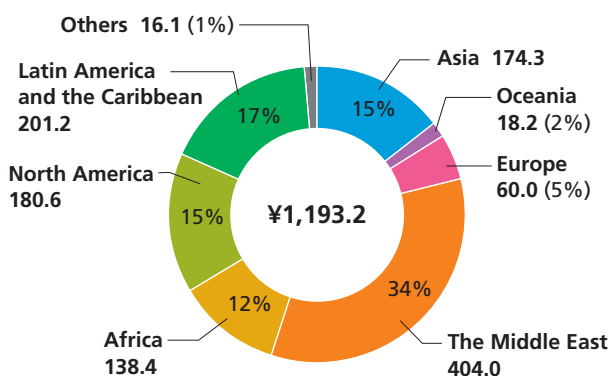
Commitments by Purpose of Financing

(FY2017; unit: billions of yen)



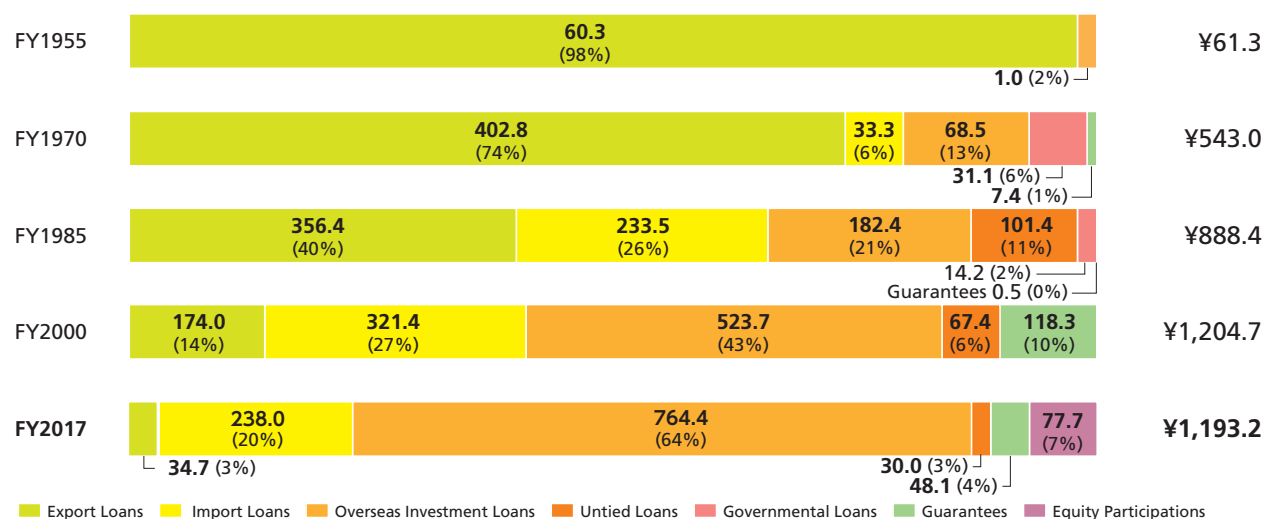
Commitments by Region

(FY2017; unit: billions of yen)



Changing Composition of Loans, Equity Participations, and Guarantees (Commitments)

(Unit: billions of yen)



project finance with a political risk guarantee to a hospital public-private partnership (PPP) project in Turkey, in which a Japanese company participated.

■ Supporting Strategic Overseas Business Activities by Japanese Companies

In overseas M&A by Japanese companies, JBIC supported the acquisition of overseas companies by providing credit lines to Japanese financial institutions.

Additionally, JBIC provided loans to finance wharf development and operation by a Japanese company in Vietnam and the manufacturing and sales of automobile parts by a Japanese company in India.

Furthermore, JBIC, in collaboration with Japanese companies, implemented equity participation in a fund that invests in advanced IT companies, including those based in Silicon Valley.

■ Supporting Exports by Japanese Companies

As the second project for the Special Operations launched in October 2016 (refer to page 73 for details), JBIC offered financing for export of automatic railway stop systems by a Japanese company to the Government of Argentina. JBIC also supported a Japanese company in exporting construction machinery to Africa by utilizing the export credit line offered to the Eastern and Southern African Trade and Development Bank, a regional development bank in Africa. Other export support extended by JBIC included project finance to fund the export of vessels manufactured by a Japanese shipbuilder.

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

To support the overseas business expansion of Japanese mid-tier enterprises and small and medium-sized enterprises (SMEs), JBIC made a total of 74 financial commitments, in cofinancing with Japanese regional banks and *Shinkin* (credit) banks. The support included loans for a broiler meat processing business in Myanmar and an automobile maintenance and sales business in Vietnam.

In financing Japanese mid-tier enterprises and SMEs, JBIC is bolstering cooperation with Japanese regional banks and organized the High-level Workshop on International Finance as a venue for exchanging opinions for those regional banks to further strengthen the cooperative relationship between the regional banks and JBIC. Top executives and officials from more than 60 Japanese regional banks and foreign banks participated in the workshop and exchanged their opinions and views.

■ Supporting Japanese Companies with Local Currency Loans

JBIC provided 14 local currency loans² totaling the equivalent of about ¥6.8 billion. The loans included a Russian ruble loan to fund a Japanese company's automobile sales finance business in Russia and a Mexican peso loan to support the manufacturing and sales of automotive parts in Mexico.

■ Efforts in the Environment-related Sector

JBIC provided project financing to renewable energy projects involving Japanese companies, such as a photovoltaic power project in India, onshore wind power generation project in Egypt, and geothermal power project in Indonesia.

■ Efforts to Develop Future Projects

As part of its efforts to develop future projects, JBIC signed a memorandum of understanding (MOU) with Overseas Private Investment Corporation of the U.S. for promoting projects in sectors such as infrastructure, energy, and natural resources in the regions of Asia, the Indo Pacific, the Middle East, and Africa. JBIC also concluded a memorandum of cooperation with the Washington State Government, the United States, aiming to contribute to the sustainable economic development of Washington State through supporting projects in the infrastructure sector. In addition, JBIC held joint conferences with Export Credit Bank of Turkey and with Export-Import Bank of India to promote bilateral cooperation for exports to and investments in third countries.

■ Supporting Samurai Bond Issuance

JBIC acquired a part of the Samurai bonds³ (privately placed Japanese yen-denominated foreign bonds) issued by the Government of Turkey.

■ Establishment of JBIC IG Partners

JBIC established JBIC IG Partners (JBIC IG) in June 2017 in collaboration with Industrial Growth Platform, Inc. (IGPI). The objective of JBIC IG is to provide investment advisory services regarding overseas investment funds by applying the respective strengths of JBIC and IGPI. While JBIC executes overseas business as Japan's policy-based financial institution, IGPI has extensive experience in providing companies with hands-on support for long-term, sustainable growth in corporate and business value.

In September 2017, JBIC launched the Russia-Japan Investment Fund (RJIF) in cooperation with the Russian Direct Investment Fund (RDIF), Russia's sovereign wealth fund. The aim of establishing the RJIF is to jointly invest in projects and companies which are expected to help enhance economic cooperation between Japan and Russia. JBIC IG administers and manages the RJIF along with the RDIF. As of the end of March 2018, the RJIF decided to make three investments.

1. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.

2. Currencies other than JPY, USD, and EUR

3. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Tokyo bond market.

Operation Results

JBIC made total disbursements of ¥1,726.9 billion in FY2017.

Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2014		FY2015		FY2016		FY2017	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Export Loans	200.0	112.0	200.0	148.8	290.0	227.2	315.0	279.4
Import Loans and Overseas Investment Loans	1,900.0	2,071.2	1,450.0	1,867.9	1,560.0	1,922.4	2,115.0	1,357.2
Untied Loans	50.0	64.3	70.0	44.5	90.0	32.2	50.0	50.3
Equity Participations	100.0	30.9	100.0	42.4	120.0	18.5	130.0	39.8
Total	2,250.0	2,278.6	1,820.0	2,103.8	2,060.0	2,200.4	2,610.0	1,726.9

Financial Results

■ Principles of Accounting

(1) Separate Accounting

Pursuant to Article 26-2 of the Japan Bank for International Cooperation Act, JBIC shall apply separate accounting to Operations other than the Special Operations (Ordinary Operations) and Special Operations.

(2) Preparation of Financial Statements

Pursuant to the Companies Act and Article 26 of the Japan Bank for International Cooperation 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.

Pursuant to the Companies Act, JBIC prepares consolidated financial statements and pursuant to Article 5 of the Ordinance of the Ministry of Finance regarding Japan Bank for International Cooperation, JBIC submits the consolidated balance sheet and the consolidated statement of operations to the Minister of Finance.

■ Ordinary Operations

(1) Statement of Operations

In FY2017, JBIC recorded ¥336.7 billion in Interest Income and ¥389.5 billion in Ordinary Income. This was for various reasons including support to promote the acquisition of interests and development of natural resources and to expand the overseas operations of Japanese companies, such as infrastructure projects. On the other hand, JBIC recorded ¥327.3 billion in Ordinary Expenses as a result of posting ¥249.2 billion in funding costs, such as Interest expenses. Therefore, Ordinary Profit was ¥62.2 billion, and Net Income totaled ¥62.3 billion, which included Extraordinary Income and others.

(2) Balance Sheet

Total Assets amounted to ¥17,747.3 billion. This was due primarily to a decrease in Loans and Bills Discounted (decreased by ¥796.4 billion to ¥13,512.6 billion compared with FY2016) mainly because of a reduction in the yen value of loans in foreign currencies as a result of yen appreciation in the exchange rate as of March 2018. Total Liabilities amounted to ¥15,465.2 billion. This was mainly due to an increase in Bonds Payable (increased by ¥1,091.0 billion to ¥4,392.5 billion compared with FY2016) as the amount of new issuances exceeded redemptions while on the other hand, Borrowed Money decreased (decreased by ¥1,537.9 billion to ¥8,370.7 billion compared with FY2016) due to the repayment of borrowings from the Government Fund for Fiscal Investment and Loan Program (FILP) and borrowings from the Foreign Exchange Fund Special Account. Total Net Assets was ¥2,282.0 billion. This was due mainly to the capital increase and net income of ¥62.3 billion, despite the payment to national treasury through appropriation of retained earnings in FY2016.

■ Special Operations

(1) Statement of Operations

In FY2017, Ordinary Income was ¥2 million. This was due mainly to the receipt of interest and fees on loans. On the other hand, Ordinary Expenses of ¥207 million were recorded since general and administrative expenses such as personnel expenses were incurred. As a result, Ordinary Loss and Net Loss amounted to ¥204 million, respectively.

(2) Balance Sheet

Total Assets amounted to ¥251,110 million. This was due mainly to capital increase and the execution of new loans. Total Liabilities was ¥222 million. This was due mainly to the recognition of accepted collateral such as financial instruments. Total Net Assets was ¥250,888 million. This was due mainly to a capital increase and a Net Loss of ¥204 million.

The Sixth Term for JBIC (FY2017)

[Consolidated Financial Statements]
Consolidated Statement of Operations
(April 1, 2017–March 31, 2018; unit: millions of yen)

Accounts	Amounts
Ordinary Income	390,060
Interest Income	336,768
Fees and Commissions	23,914
Other Ordinary Income	128
Other Income	29,248
Ordinary Expenses	327,996
Interest Expenses	249,256
Fees and Commissions Payments	2,043
Other Ordinary Expenses	5,363
General and Administrative Expenses	19,660
Other Expenses	51,672
Ordinary Profit	62,063
Extraordinary Income	9
Extraordinary Loss	8
Net Income Before Income Taxes	62,065
Income Taxes – Current	0
Total Income Taxes	0
Net Income	62,064
Loss Attributable to Non-controlling Interests	(17)
Net Income Attributable to Owners of Parent	62,081

[Non-consolidated (JBIC only)]
Statement of Operations

(April 1, 2017–March 31, 2018; unit: millions of yen)

Accounts	Amounts
Ordinary Income	389,589
Interest Income	336,748
Fees and Commissions	23,722
Other Ordinary Income	128
Other Income	28,989
Ordinary Expenses	327,495
Interest Expenses	249,256
Fees and Commissions Payments	1,807
Other Ordinary Expenses	5,410
General and Administrative Expenses	19,429
Other Expenses	51,592
Ordinary Profit	62,094
Extraordinary Income	9
Extraordinary Loss	8
Net Income	62,095

Consolidated Balance Sheet

(As of March 31, 2018; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,751,287	Borrowed Money	8,370,758
Securities Note 6	351,605	Bonds Payable Note 8	4,392,597
Loans and Bills Discounted Notes 7	13,513,680	Other Liabilities	435,498
Other Assets Note 8	377,809	Provision for Bonuses	546
Property, Plant and Equipment Note 9	28,401	Provision for Directors' Bonuses	9
Intangible Assets	3,472	Net Defined Benefit Liability	6,785
Customers' Liabilities for Acceptances and Guarantees	2,259,369	Provision for Directors' Retirement Benefits	25
Allowance for Loan Losses	(273,564)	Acceptances and Guarantees	2,259,369
		Total Liabilities	15,465,589
		Capital Stock	1,765,200
		Retained Earnings	883,601
		Total Shareholders' Equity	2,648,801
		Valuation Difference on Available-for-sale Securities	(1,209)
		Deferred Gains or Losses on Hedges	(114,658)
		Foreign Currency Translation Adjustment	13,309
		Total Accumulated Other Comprehensive Income (Loss)	(102,558)
		Non-controlling Interests	227
		Total Net Assets	2,546,471
Total Assets	18,012,060	Total Liabilities and Net Assets	18,012,060

Note: See Notes 6 to 9 on pages 113 to 114 for details.

Balance Sheet

(As of March 31, 2018; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,750,821	Borrowed Money	8,370,758
Securities Note 3	338,928	Bonds Payable Note 5	4,392,597
Loans and Bills Discounted Note 4	13,513,680	Other Liabilities	435,385
Other Assets	377,370	Provision for Bonuses	546
Property, Plant and Equipment	28,355	Provision for Directors' Bonuses	9
Intangible Assets	3,464	Provision for Retirement Benefits	6,785
Customers' Liabilities for Acceptances and Guarantees	2,259,369	Provision for Directors' Retirement Benefits	25
Allowance for Loan Losses	(273,564)	Acceptances and Guarantees	2,259,369
		Total Liabilities	15,465,477
		Capital Stock	1,765,200
		Retained Earnings	883,615
		Total Shareholders' Equity	2,648,815
		Valuation Difference on Available-for-sale Securities	(1,209)
		Deferred Gains or Losses on Hedges	(114,658)
		Total Valuation and Translation Adjustments	(115,868)
		Total Net Assets	2,532,947
Total Assets	17,998,424	Total Liabilities and Net Assets	17,998,424

Note: See Notes 3 to 5 on pages 142 to 143 for details.

[Ordinary Operations Account]
Statement of Operations

(April 1, 2017–March 31, 2018; unit: millions of yen)

Accounts	Amounts
Ordinary Income	389,599
Interest Income	336,747
Fees and Commissions	23,722
Other Ordinary Income	128
Other Income	29,000
Ordinary Expenses	327,300
Interest Expenses	249,256
Fees and Commissions Payments	1,792
Other Ordinary Expenses	5,410
General and Administrative Expenses	19,272
Other Expenses	51,569
Ordinary Profit	62,298
Extraordinary Income	9
Extraordinary Loss	8
Net Income	62,300

[Special Operations Account]
Statement of Operations

(April 1, 2017–March 31, 2018; unit: millions of yen)

Accounts	Amounts
Ordinary Income	2
Interest Income	1
Other Income	1
Ordinary Expenses	207
Interest Expenses	0
Fees and Commissions Payments	14
General and Administrative Expenses	169
Other Expenses	22
Ordinary Loss	204
Net Loss	204

Balance Sheet

(As of March 31, 2018; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,500,902	Borrowed Money	8,370,758
Securities	338,928	Bonds Payable	4,392,597
Loans and Bills Discounted	13,512,657	Other Liabilities	435,186
Other Assets	377,190	Provision for Bonuses	541
Property, Plant and Equipment	28,355	Provision for Directors' Bonuses	9
Intangible Assets	3,464	Provision for Retirement Benefits	6,779
Customers' Liabilities for Acceptances and Guarantees	2,259,369	Provision for Directors' Retirement Benefits	25
Allowance for Loan Losses	(273,542)	Acceptances and Guarantees	2,259,369
		Total Liabilities	15,465,266
		Capital Stock	1,514,200
		Retained Earnings	883,901
		Total Shareholders' Equity	2,398,101
		Valuation Difference on Available-for-sale Securities	(1,209)
		Deferred Gains or Losses on Hedges	(114,833)
		Total Valuation and Translation Adjustments	(116,042)
		Total Net Assets	2,282,059
Total Assets	17,747,325	Total Liabilities and Net Assets	17,747,325

Balance Sheet

(As of March 31, 2018; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	249,919	Other Liabilities	210
Loans and Bills Discounted	1,023	Provision for Bonuses	4
Other Assets	190	Provision for Directors' Bonuses	0
Allowance for Loan Losses	(22)	Provision for Retirement Benefits	6
		Provision for Directors' Retirement Benefits	0
		Total Liabilities	222
		Capital Stock	251,000
		Retained Earnings	(286)
		Total Shareholders' Equity	250,713
		Deferred Gains or Losses on Hedges	174
		Total Valuation and Translation Adjustments	174
		Total Net Assets	250,888
Total Assets	251,110	Total Liabilities and Net Assets	251,110

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, Long-term Loans in Foreign Currency, FILP Agency Bond issuance, capital contributions from FILP Industrial Investment, 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, Government-guaranteed Long-term Loans in Foreign Currency, and Capital Contributions from FILP Industrial Investment, 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 FY2018 are shown in the table below.

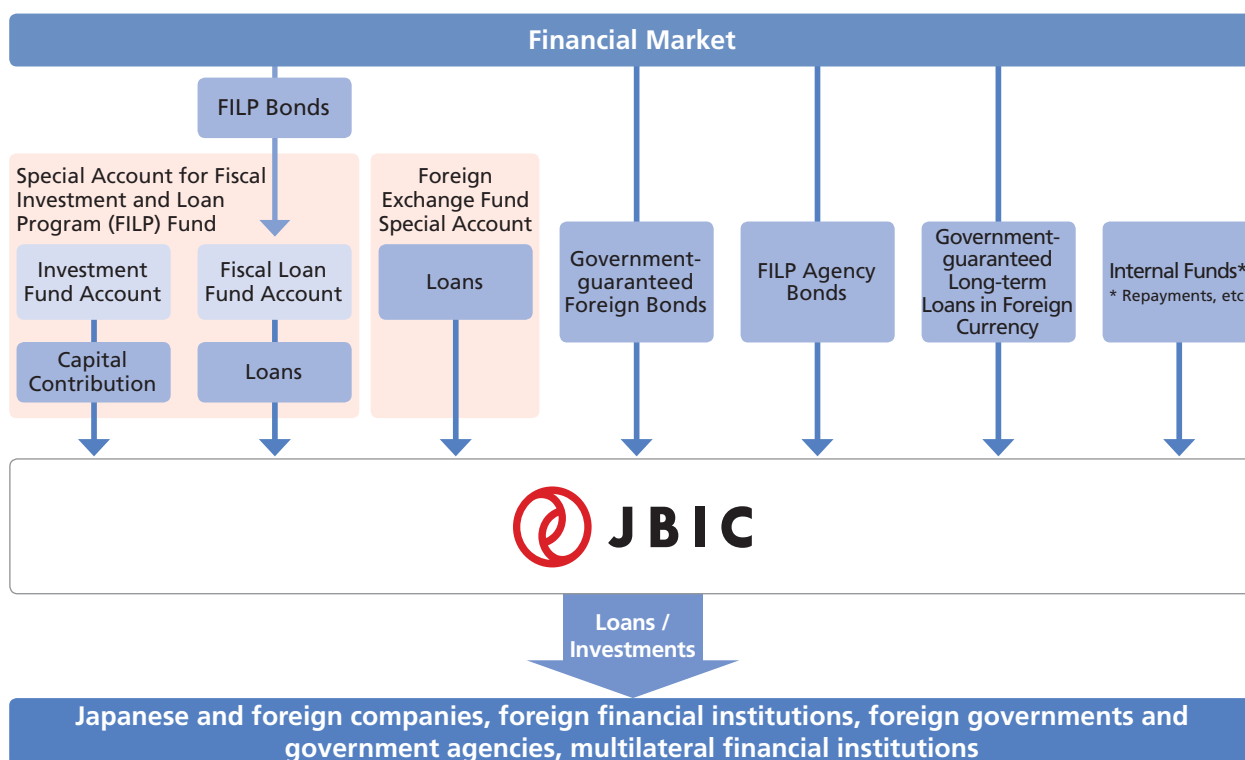
Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Planned
Capital Contribution from FILP Industrial Investment	31.0	—	142.0	82.2	62.4
Borrowing from FILP Fiscal Loan	239.7	244.9	530.5	209.5	290.0
Borrowing from Foreign Exchange Fund Special Account	1,273.2	1,595.8	1,142.7	854.4	800.0
Government-guaranteed Long-term Loans in Foreign Currency			—	—	40.0
Government-guaranteed Foreign Bonds*	374.8	419.0	1,106.2	1,629.7	1,680.0
FILP Agency Bonds*	10.0	—	—	60.0	60.0
Other Sources of Funds, Including Repayments	349.8	(155.9)	(721.0)	(1,108.9)	(675.5)
Total	2,278.6	2,103.8	2,200.4	1,726.9	2,256.9

* Figures for bonds are indicated at 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 FY2017 amounted to ¥4,211.9 billion at face value, which accounts for 32.98% 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 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 FY2018 budget, JBIC plans to issue in the total amount of up to ¥1,680.0 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 Japan K.K. (Moody's) and A+ from S&P Global Ratings Japan Inc. (S&P) as of July 31, 2018). 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 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. JBIC plans to issue up to ¥60.0 billion in FY2018.

FILP agency bonds that JBIC has already issued received the same ratings as the government of Japan (as of July 31, 2018) 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
S&P	A+

The Environment Surrounding **2** JBIC and Its Challenges

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● Message from the Global Head of the Group



As Japan depends on overseas sources for most of its natural resources, the stable procurement of energy resources, such as oil and natural gas and mineral resources from overseas is indispensable in order to maintain and strengthen the stable lives of Japanese citizens and the country's industrial infrastructure. The Energy and Natural Resources Finance Group is responsible for promoting the development and acquisition of overseas natural resources which are essential for Japan.

In the global environment surrounding energy and natural resources, JBIC is facing important challenges such as: i) development of financing schemes to respond to the turning point in the liquefied natural gas (LNG) market, for example, by diversifying LNG pricing structures and contracts, ii) establishment of an energy value chain especially in Asia, and iii) securing of strategic natural resources to be used for innovation and of new energy sources to facilitate the transition to a low-carbon society.

JBIC focuses on creating an environment which enables the smooth implementation of projects through active engagement in dialogues with the governments of resource countries and major resource companies in the world. JBIC will continue to contribute to securing a stable supply of natural resources essential for Japan by providing long-term funds, while supplementing private-sector funds.

Masaaki Yamada

Managing Executive Officer

Global Head of Energy and Natural Resources Finance Group

Business Environment and Key Challenges

Global energy supply and demand balance is affected by macroeconomic trends and various other factors. In recent years, the global energy supply and demand balance has temporarily loosened due to increased shale oil production in the U.S. However, the OPEC's production cut agreement and regional conflicts have pushed oil prices higher, increasing uncertainty over energy supply in the world. On the other hand, energy demand in Asia continues to grow steadily. In particular, Indonesia—one of the leading oil and gas producers in Asia—is exporting less energy resources due to its increasing domestic demand for energy as a result of rapid economic growth. As demonstrated by this, demand for oil and natural gas is increasing across the entire Asian region. There is growing concern about global warming, as evidenced by the adoption of the Paris Agreement at the 21st annual session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change. Under this agreement on climate change, all participating countries are required to submit greenhouse gas reduction targets. Against this backdrop, there has been increased attention to the use of natural gas, which produces less CO₂ compared with other thermal power-generating fuels.

Over 80% of Japan's crude oil imports come from the Middle East and such imports remain highly exposed to geopolitical risks in the region. Therefore, from the perspective of Japan's energy security, it is important to diversify its crude oil procurement sources to areas other than the Middle East, while maintaining and strengthening

its relationship with oil-producing countries in the region.

The LNG market will continue to have an excess supply over the short and medium terms as the large-scale LNG projects, which have started in the U.S. and Australia, are expected to boost production of LNG. In contrast, on the demand side, China and India are increasing their imports of LNG, and other Asian countries are also moving to commence or increase LNG imports. In view of this, Japan is required to create its strategic initiatives which are aligned with global trends in LNG supply and demand, including the trends in Asia, in order to ensure Japan's medium- and long-term LNG supply security.

As for mineral resources, which are used for various purposes in Japanese industries, it is increasingly needed to secure a stable supply of the resources amid growing demand in emerging countries such as China and India and increasing new needs for the transition to a low-carbon society and next-generation industries. With regards to iron ore, along with securing the required quantities of iron ore, it is important to secure high-quality iron ore amid the deteriorating quality of that obtained from existing mines. Furthermore, it is an important challenge to mine high-quality copper ore under current worsening mining conditions such as the development of mining areas which are located in remote, high altitude ranges and deeper underground. While the global supply and demand balance in energy and mineral resources is changing, there is growing uncertainty about the environment surrounding energy supply such as intensifying trade frictions and

increasing geopolitical risks. Under such circumstances, in order to secure a stable supply of resources to Japan, it is highly necessary to support Japanese companies not only in acquiring interests in and long-term off-take

agreements of energy and mineral resources, but also in making additional investments including infrastructure for resource development, with aim of eliminating major bottlenecks in existing mine operations.

JBIC's Activities

In FY2017, JBIC made the following efforts to secure a stable supply of energy and mineral resources from overseas.

Oil and Natural Gas

The Japanese government set a goal of increasing its self-development ratio of oil and natural gas to 40% or more by 2030 in the Basic Energy Plan approved by the Cabinet on July 3, 2018. To this end, JBIC is providing financial support for securing Japan's stable energy supply.

For example, in the Emirate of Abu Dhabi (Abu Dhabi), the United Arab Emirates (UAE), which is a vital country in Japan's resource strategy, JBIC provided a loan to finance necessary funds for the acquisition of interests in onshore oilfields by a Japanese company. These oilfields, in which the Japanese company acquired a 40-year concession (5% participating interest) in April 2015, produce about 1.6 million barrels a day, making it one of the world's largest oilfields. Additionally, JBIC agreed to provide a credit facility to Abu Dhabi National Oil Company (ADNOC), with the aim of providing support for a Japanese company with plans to renew existing concessions in offshore oilfields in the UAE that were scheduled to expire in March 2018. This facility is cofinanced by private-sector banks, bringing the total cofinancing amount to \$3 billion. In addition to international major oil companies, Chinese and Indian companies were also interested in this renewal of concessions, which intensify global competition to secure concessions. Thanks to collaborative public-private resource diplomacy including financing from JBIC, Japanese company INPEX CORPORATION successfully renewed existing concessions and acquired additional concessions in the oilfield in Abu Dhabi.

Turning to the LNG field, at the LNG Producer-Consumer Conference, which is held annually to bring together both LNG producers and consumers, JBIC gave a presentation to LNG consumers in Asia about the following three main points regarding the establishment of a natural gas and LNG value chain in Asia. These points consisted of "L: Logistics: provide financing for logistics development

and raise bankability in cooperation with private-sector financial institutions and international organizations"; "N: New Entrants: promote the participation of new LNG consumers in LNG projects under JBIC's Special Operations which enables it to assume risk in projects with relatively high risk profiles"; and "G: Government Policy and Commitment: support governments of countries planning to use LNG." During the conference, JBIC also expressed its intention to utilize the knowledge and experience gained through its activities in the area of resources and infrastructure development.

Mineral Resources

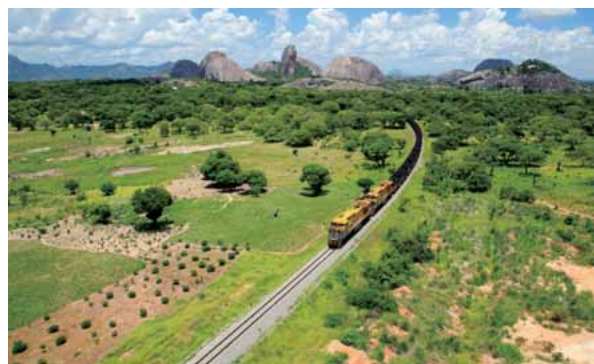
The Japanese government formulated the Strategy for Securing Natural Resources in June 2012 based on the Guidelines for Securing Natural Resources (approved by the Cabinet on March 28, 2008). This strategy aims to make strategic efforts to secure mineral resources by maximizing the use of public-private resources based on the recognition that securing the stable supply of low-cost mineral resources is necessary for Japan's high added-value and sophisticated manufacturing technology that is expected to create national wealth.

JBIC provided project finance for construction and maintenance of the Nacala railway and port infrastructure in Mozambique and Malawi as the project is expected to contribute to the diversification of the supply of coking coal needed for the production of steel. This project finance will support this natural resource infrastructure project undertaken by a Japanese company and Vale S.A. (VALE), a Brazilian major resource company. The aim of this project is to secure a stable supply of high-quality coking coal produced at the Moatize coal mine in Mozambique. This is JBIC's largest-ever financial commitment to Africa.

Furthermore, JBIC provided a loan for the Escondida copper mine expansion project in Chile to maintain the production of high-quality copper concentrate at the Escondida copper mine, where Japanese companies hold interests. Copper is required in Japanese industries because it can be used for various products including



Signing ceremony with ADNOC



Mozambique/Malawi Nacala railway and port infrastructure project (provided by Vale S.A.)

electric cables and automobile equipment. Meanwhile, on a global basis, the number of projects for the development of new high-quality copper mines is decreasing and the quality of copper extracted from existing mines is further deteriorating. Under such circumstances, JBIC's financing to expanding the Escondida copper mine, the world's largest copper mine, will help Japan to secure its long-term, stable supply of copper concentrate.

JBIC also provided a loan to finance the zinc and silver mine development project called Los Gatos in Mexico undertaken by DOWA METALS & MINING CO., LTD. This loan is intended to provide finance for securing a long-term, stable supply of zinc and silver, which are important metallic resources for Japan. Zinc is used for various purposes, including corrosion-resistant galvanization of automobile steel sheets, construction materials, and household electric appliances, as well as for corrosion-resistant parts of ships and bridges.



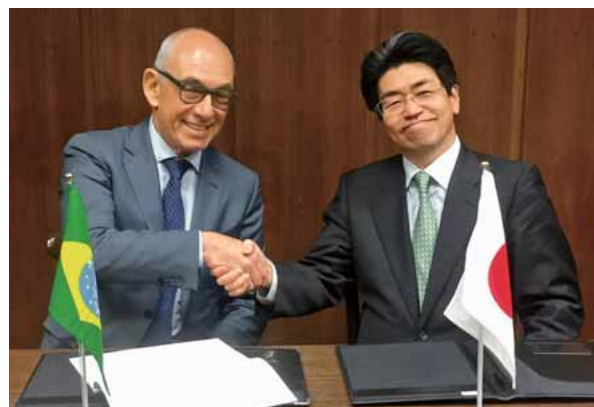
Escondida copper mine expansion project in Chile (provided by Minera Escondida Limitada)

■ Strengthening Ties with Resource Countries and Major Global Resource Companies

JBIC continues to hold consultations and dialogues with the governments and agencies of resource countries as well as with major global resource companies in order to encourage Japanese companies to acquire interests in and develop resources in those countries.

As one of its efforts to strengthen bilateral ties with important resource countries for Japan, JBIC signed memoranda of understanding (MOUs) with the governmental institutions of Russia and Russian oil and gas companies in an effort to support the initiatives for the "eight-point cooperation plan"¹ proposed by Japanese Prime Minister Shinzo Abe to Russian President Vladimir Putin during the Japan-Russia Summit in May 2016. The purpose of these MOUs is to reinforce the relationships with the Russian government and companies, with a view to creating future projects which are expected to accelerate business between Japan and Russia.

Regarding financing to ADNOC which is mentioned earlier, JBIC and ADNOC signed an MOU for business cooperation prior to concluding a loan agreement. This MOU aims at strengthening the strategic cooperation between Japan and Abu Dhabi. Under the MOU, JBIC and ADNOC have built a mutual understanding of the significance of expanding such cooperation to projects in the midstream and downstream oil sector. Abu Dhabi shows its interest in adding value to products and services in the oil sector. Through dialogue with the Abu Dhabi government, JBIC also engaged in discussions about the possibility of participating in high-quality infrastructure



Signing of MOU for business cooperation with Vale S.A.

projects, which is Japan's strength, in sectors other than natural resources and energy, with the intention of further enhancing its relationship between Japan and Abu Dhabi.

In Argentina, JBIC provided a buyer's credit to finance the purchase of a set of railway signal systems from Japanese companies in order for State Company of Administration of Railway Infrastructure (Administración de Infraestructuras Ferroviarias Sociedad del Estado) to carry out the installation of automatic railway stop systems for eight Buenos Aires suburban rail lines. In the future, Argentina is expected to make large-scale investments in the resource and infrastructure sectors. Furthermore, this financing from JBIC was mentioned at the Japan-Argentina Summit Meeting held in May 2017, which is expected to further enhance the relationship between the two countries.

JBIC signed an MOU for business cooperation with VALE, a Brazilian company, in April 2018. VALE is a world-leading supplier of mineral resources such as high-quality iron ore, nickel, and cobalt. VALE has also established excellent and long-standing business relationships with Japanese companies. JBIC has so far provided several loans for projects involving VALE, including the previously mentioned Nacala railway and port infrastructure project in Africa. JBIC has regular discussions with VALE to exchange opinions about their projects. VALE continues to develop iron ore and non-ferrous metal mines, and promotes business in the field of infrastructure development in the mineral resources and rail freight transportation sectors. In light of such continued development, Japanese companies are expected to expand and diversify opportunities to collaborate with VALE in those business areas. With the signing of this MOU, JBIC will further develop a closer relationship and alliance with VALE. Furthermore, JBIC will contribute to a stable supply of mineral resources to Japan, as well as create opportunities for Japanese companies to make overseas investments or export infrastructure from Japan.

1. This is a bilateral economic cooperation plan between Japan and Russia, aimed at: (1) extending healthy life expectancies, (2) developing comfortable and clean cities easy to reside and live in, (3) fundamentally expanding medium-sized and small companies exchange and cooperation, (4) energy, (5) promoting industrial diversification and enhancing productivity in Russia, (6) developing industries and export bases in the Far East, (7) cooperation on cutting-edge technologies, and (8) fundamentally expanding people-to-people interaction.

■ Future Business Strategy

In the natural resources sector, which is approaching a turning point, there is concern about a tightening supply and demand balance of resources in the medium to long term. As resource countries are faced with national financial difficulties, they expect foreign companies to make investment in resources. On the other hand, there is rising uncertainty such as an increase in geopolitical risk. Under these circumstances, capitalizing on its status as Japan's policy-based financial institution, JBIC will contribute to the stable supply of natural resources by proactively supporting Japanese companies which plan to acquire interests in and develop resources overseas.

Structuring Financing Schemes to Respond to the Changing LNG Market

Global supply and demand balance of LNG is forecast to remain loosened for the time being. Also, there is uncertainty over the outlook for LNG demand due to the mix of energy sources in the future and the deregulation of electricity and gas markets. In light of these situations, Japanese electric power and gas companies are seeking flexibility in the process to secure the supply of LNG and also liquidity in the LNG market, such as by diversifying LNG supply sources and the pricing structures, as well as by removing destination clauses from LNG contracts.

Under these conditions, the Japanese government released the Strategy for LNG Market Development in May 2016, highlighting the creation of the LNG market with high liquidity. The Basic Energy Plan approved by the Cabinet on July 3, 2018 also emphasizes the continuing effort to create high liquidity in the LNG market. Against these backdrops, Japan's electric power and gas companies have started new businesses to spur LNG demand in Asian countries. JBIC will consider providing financial support to not only upstream investments and LNG projects by Japanese companies, but also their new businesses to boost LNG demand in Asia.

Building an Energy Value Chain and Securing New Resources and Energy Sources

To promote resource projects in response to the new market environment, it is important to make investment in growth areas and new fields. In particular, JBIC will support infrastructure development projects, including construction of Gas-to-Power and LNG terminals in order to ensure energy security mainly for the entire Asian region. In addition to conventional resources such as oil,

natural gas, and mineral resources, JBIC will also support the activities of Japanese companies for securing strategic natural resources to be used for innovation, as well as new energy sources to transform into a low-carbon society. Looking ahead, the Fourth Industrial Revolution driven by robotics and AI, as well as innovation derived from next-generation vehicles, are expected to spur a realignment of the global manufacturing industry and a transformation of the industrial structure. Under such circumstances, JBIC will consider financing projects which can increase productivity through the use of cloud services for data and automated in mining operations, or which can secure new strategic resources to support innovation.

Strengthening Strategies on Economic Frontiers

To diversify resource supply sources, JBIC will proactively provide financial support to natural resource development projects particularly in Africa, with the participation of Japanese companies, which is viewed as "The Last Frontier" for foreign exploration as the region is expected to be a source of extraction of oil, natural gas, and minerals, while there are countries which have started investing in resource development projects in Africa. Resource development projects in Africa play an important role not only in contributing to job creation and acquisition of foreign currencies in African countries where those projects are implemented, but also in advancing the initiatives to promote infrastructure and industrial development in Africa, to which the Japanese government expressed its commitment at the 6th Tokyo International Conference on African Development (TICAD VI). In light of the discussions at TICAD VI, JBIC will support resource projects in Africa by proactively assuming risk in projects as well as in collaboration with international organizations and third countries.

The key to strengthening the relationship with resource countries lies not only in the cooperation in resource development projects, but also in the establishment of comprehensive and sustained cooperative relationships that meet the needs of these countries in various fields, including infrastructure development, industrial advances, employment creation, technology transfer, and reduced environmental burden through the use of renewable energy and energy saving. JBIC will maintain and strengthen the multi-layered and positive relationships with the governments of resource countries through its comprehensive efforts to support projects in the areas of infrastructure development and manufacturing in the resource countries.



TICAD VI (Provided by Cabinet Public Relations Office, Cabinet Secretariat)

2 Infrastructure and Environment Finance Group

● Message from the Global Head of the Group



There is still a significant gap between global supply and demand in infrastructure investment. In order to reduce the gap in global infrastructure investment, it is essential to provide a stable and efficient supply of long-term funds. To this end, JBIC strives to proactively offer long-term financing to infrastructure projects, while further mobilizing private-sector funds. It is expected to develop high-quality projects, especially in a public-private partnership (PPP) framework, that attract private-sector investors to participate. JBIC will make efforts to be involved in such projects from the early stage of the project development process in cooperation with the governments of countries where those projects will be implemented, as well as public financial institutions around the world.

Under its Third Medium-term Business Plan (FY2018–2020), JBIC will further strengthen its efforts in the area of infrastructure development, focusing particularly on support for projects to establish social infrastructure and an energy value chain such as Gas to Power, as well as to help protect the global environment such as low-carbon infrastructure. Regionally, JBIC will proactively work toward formulating projects in frontier countries, such as in Africa.

Kazuhisa Yumikura

Managing Executive Officer

Global Head of Infrastructure and Environment Finance Group

Business Environment and Key Challenges

■ Toward Enhancing International Competitiveness of Japanese Companies

Having formulated existing policies aimed at promoting quality infrastructure, the Japanese government announced in May 2016 an additional initiative called the “Expanded Partnership for Quality Infrastructure” ahead of the G7 Ise-Shima Summit meeting. The G7 leaders expressed, in the G7 Ise-Shima Leaders’ Declaration, their agreement to align infrastructure investment with the G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment (see table below). Also, at the 51st Asian Development Bank (ADB) Annual Meeting, Japanese Deputy Prime Minister and Finance Minister Taro Aso announced the government’s intention to support various infrastructure projects that contribute to global environmental protection, including

renewable energy projects, amid increasing environmental, social, and governance (ESG) investment across the world.

In line with these Japanese government policies, JBIC will continue its efforts to maintain and increase the international competitiveness of Japanese companies by promoting the export of high-quality infrastructure contributing to global environmental protection backed by Japan’s advanced technology. Furthermore, JBIC will strive to address the challenges, as discussed more in detail below, in supporting Japanese companies to find more opportunities to invest in overseas infrastructure business and to participate in infrastructure development projects amid increasingly fierce international competition in the infrastructure field.

G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment

Principle 1: Ensuring effective governance, reliable operation and economic efficiency in view of life-cycle cost as well as safety and resilience against natural disaster, terrorism and cyber-attack risks

Principle 2: Ensuring job creation, capacity building and transfer of expertise and know-how for local communities

Principle 3: Addressing social and environmental impacts

Principle 4: Ensuring alignment with economic and development strategies including aspect of climate change and environment at the national and regional levels

Principle 5: Enhancing effective resource mobilization including through PPP

Source: Prepared by JBIC based on MOFA’s G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment

(1) Responding to various risks

Infrastructure projects are considered to be exposed to various risks as the projects are, in general, large in size and also require a long time span from the planning and bidding phases of the project to construction and the recovery of invested funds. For example, if the counter party risk of the national or local governments of developing countries with low credit ratings is high due to the risk of failure to perform their contractual obligations, or if the future demand or sales of products or services to be delivered by the infrastructure operators are uncertain, the investment appetite of parties who are interested in the project might decline, or long-term funds enough to implement the project might not be available from financial institutions. Profits generated by infrastructure projects are, in principle, denominated in local currencies. On the other hand, while there is a need especially by developing countries to import leading-edge technologies and management know-how from overseas, those developing countries might need to depend on private-sector funds from overseas sources in foreign currencies due to the immature domestic financial systems. Given these situations, it is also important to find a solution to how currency risks are shared among parties involved in infrastructure projects, including the governments of projects' host countries.

(2) Promoting to develop bankable projects¹

When it comes to the development of public-private collaboration such as PPP projects and the Build-Operate-Transfer (BOT) model, especially in developing countries, there are cases where risks associated with those PPP projects might not be properly assessed and shared among project participants, including the government of a project's host country. This results in private-sector participants being exposed to excessive risk. This situation occurs due to: i) a lack of integrity and clarity in the legal system in the project's host country, ii) a lack of ability and experience in the government agencies or organizations of the project's host country to organize a PPP project, or iii) an absence of proper feasibility studies on the project. Under these circumstances, PPP projects face difficulty in obtaining investment from the private sector, and those projects do not progress in the way the host country's government expects. It is pointed out that it is important to share risks among all parties involved in PPP projects in a way that enables them to manage and control those risks on their own.

(3) Mobilizing a wide range of private-sector funds

Global demand for infrastructure is expected to continue growing at a faster pace than actual investments amid

economic and population growth and rapid urbanization, especially in emerging countries. To reduce the global demand-supply gap in infrastructure investment, it is indispensable not only to address the above-mentioned challenges, but also to mobilize a wide range of private-sector funds, such as from life insurance companies, pension funds, or investment funds. This is because financing by Multilateral Development Banks (MDBs) and public financial institutions alone in each country such as JBIC is not sufficient to meet the global demand for infrastructure investment in terms of quantity.

■ Commitment to Low-Carbonization and Protecting the Global Environment

Economic development while protecting the global environment is now recognized as an international common issue, as highlighted by the adoption of the Paris Agreement in 2015. Against this backdrop, there is a global hope for implementation of projects that will contribute to protecting and improving the global environment. In this area, JBIC provides support to environment projects through its operations called "Global action for Reconciling Economic growth and ENvironmental preservation (GREEN)" (refer to page 57 for details). JBIC has established these GREEN operations in line with "Actions for Cool Earth: ACE 2.0," an initiative announced by the Japanese government in November 2015, aimed at supporting action in developing countries and the advancement of innovative technologies to address climate change. Following the announcement by Japanese Deputy Prime Minister and Finance Minister Taro Aso at the ADB Annual Meeting, JBIC launched its new global financing facility called "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)" in July 2018. The aim of this facility is to provide a wide range of financing support for infrastructure development which is expected to help to preserve the global environment by utilizing the knowledge and technologies of Japanese companies.

Under these operations, JBIC will contribute to promote economic growth in developing countries and tackle various global environmental issues that affect the global economy by implementing measures for greenhouse gas reduction and climate change.

1. Projects in which the feasibility, economic performance, and the risk burden of involved parties in the relevant project have been confirmed and assured, and the project participation of private-sector companies and long-term funding by financial institutions can be expected

JBIC's Activities

■ Toward Enhancing International Competitiveness of Japanese Companies

In FY2017, the Infrastructure and Environment Finance Group approved nine financial commitments particularly in the field of electric power, totaling ¥209.0 billion. JBIC provided its first project finance for a solar power generation project in India. Additionally, JBIC provided project finance

for an onshore wind power generation project in Egypt, which is also JBIC's first project finance for a wind power generation project in Africa. In Indonesia, JBIC financed a geothermal power project, the third geothermal project in the country funded by JBIC.

In regards to international competitive bidding on investment projects, JBIC supported Japanese companies

in bidding for the projects and acquiring operation rights in the projects. During business negotiations with related parties not only in Asia, but also in the Middle East and North Africa, JBIC explained its capability to assume risk in projects and its various financial instruments for structuring projects.

Our activities to address the three key challenges mentioned earlier are as follows.

(1) Responding to various risks

As part of efforts to strengthen risk-taking capabilities, JBIC established its new financing operation called the “Special Operations” in accordance with the enactment of the Amendment Act of the JBIC Act in May 2016. This enabled JBIC to take further risk in projects in foreign countries. The scope of sectors in developed countries which are eligible for financing from JBIC has also been expanded through amendment of the cabinet order.

JBIC is also promoting consultations with local governments and companies in order to coordinate risk sharing in various projects. JBIC intends to proactively draw on its financial tools, such as acquisition of project bonds and Islamic finance, that have become diverse through the implementation of the Amendment Act of the JBIC Act.

(2) Promoting the formulation of bankable projects

JBIC works toward the formulation of bankable projects through policy dialogues, consultations, and negotiations with the projects’ host country governments, their related parties, and project operators, and also through collaboration with MDBs.

In the policy dialogues, JBIC discusses various aspects, including: i) the macroeconomic conditions and investment environment, and financial systems in projects’ host countries, which are crucial for the stable operations of infrastructure projects, and ii) regulations for infrastructure business, PPP schemes, and project formulation in infrastructure development in key sectors and major identified issues. In addition to regular discussions with

the governments of Indonesia, Mexico, and Vietnam, JBIC responds to individual business negotiations and engages in discussions with a variety of countries considering various aspects such as the host country’s legal system and risk sharing of involved parties for business concession contracts.

Furthermore, JBIC utilizes the knowledge of outside experts in implementing feasibility studies which are essential for realizing individual projects that will help maintain and improve the international competitiveness of Japanese industry.

In addition, JBIC cooperates with MDBs for promoting the formulation of bankable projects by participating as an Advisory Partner in the Global Infrastructure Facility (GIF)² led by the World Bank and joining the Business 20³ task force for the infrastructure field.

(3) Mobilizing a wide range of private-sector funds

JBIC makes various efforts to execute its functions as a catalyst for further mobilizing private sector finance.

In FY2017, JBIC acquired part of privately placed Samurai bonds issued by the government of Turkey under JBIC’s financing facility called “Guarantee and Acquisition toward Tokyo market Enhancement (GATE).” JBIC’s support for the issuance of Samurai bonds in the Tokyo market helped provide broader investment opportunities for Japanese investors.

JBIC provides guarantees to private-sector financial institutions which support infrastructure projects in the form of cofinancing with JBIC, depending on the requirements of individual projects. For example, JBIC encourages private-sector financial institutions to participate in long-term financing, by providing risk guarantees to projects where the private-sector financial institutions might face high political and counterparty risk of host country governments and their agencies.

JBIC also holds seminars about project finance and GREEN projects for Japanese regional banks and life insurance companies. In recent years, JBIC has been



Scenes from the policy dialogue with the government of Indonesia

expanding the base of financial institutions which intend to offer financing in collaboration with JBIC. JBIC also promotes credit securitization of its loan portfolio with the aim of mobilizing private sector finance.

■ Commitment to Protecting the Global Environment

Under the GREEN operations, JBIC provides financing to environmental projects, in the form of loans, equity participations, and guarantees, while mobilizing private-sector funds. The environmental projects in which JBIC considers participating include: i) projects for solar power plants and energy-efficient power plants that utilize advanced environmental technologies, and ii) projects that ensure significant environmental preservation effects by introducing energy-efficient equipment. JBIC has so far made 31 financial commitments⁴ particularly for projects aimed at renewable energy and energy efficiency.

Going forward, under its new global financing facility for QI-ESG established in July 2018, JBIC will also promote the use of the advanced environmental technologies of Japanese companies while supporting projects that will help protect the global environment.



Geothermal power project in Iceland in which Japanese companies are participating

2. A platform set up and led by the World Bank Group aimed at the formulation of infrastructure projects utilizing PPPs
 3. Business 20 (B20) is the official G20 dialogue with the global business community.
 4. As of March 2018

3 Industry Finance Group

● Message from the Global Head of the Group



The Industry Finance Group (the Group) is composed of four departments and offices namely the Corporate Finance Department, Finance Office for SMEs, Marine and Aerospace Finance Department, and West Japan Office. The Group makes efforts to maintain and increase the international competitiveness of Japanese industries by capitalizing on various financial instruments for financing projects overseas.

Foreign investment by Japanese companies continues to remain stable. In FY2017, the Group made 102 financial commitments in loans, equity participations, and guarantees, amounting to ¥468.1 billion.

Under JBIC's Third Medium-term Business Plan (FY2018–2020) commenced in FY2018, the Group will strive to support Japanese companies including mid-tier enterprises and SMEs in expanding overseas, and to maintain and increase the international competitiveness of Japanese industries through its efforts to: i) take strategic action to promote innovation, ii) support Japanese companies in expanding into frontier markets, iii) support overseas M&As, and iv) enhance its risk-taking capability for financing various projects.

Kazuhiko Tanaka

Managing Executive Officer
Global Head of Industry Finance Group

Business Environment and Key Challenges

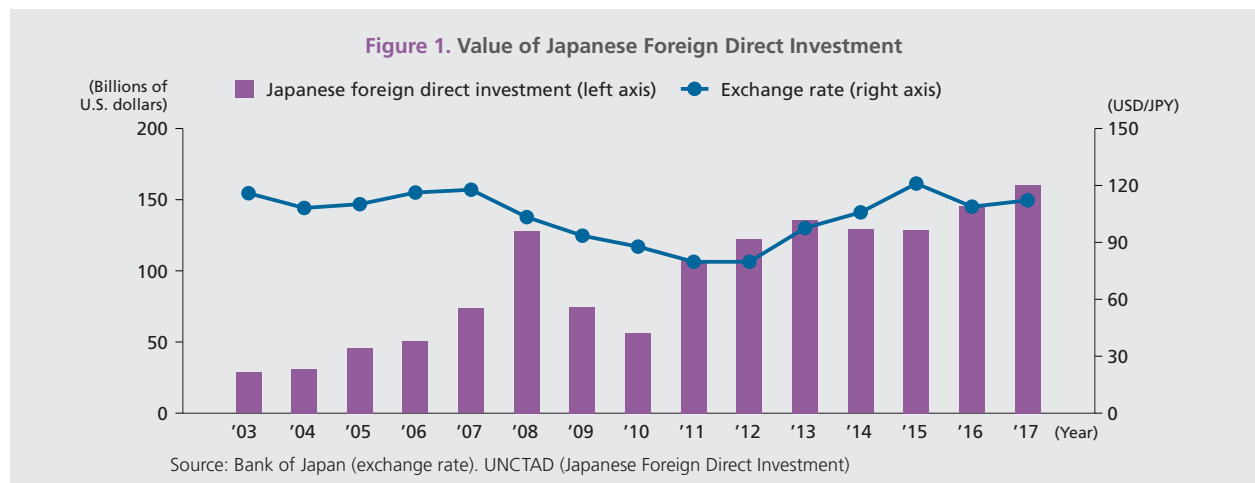
■ Overseas Business Deployment of Diverse Industries

Despite the slowdown sparked by the global financial crisis in 2008, foreign direct investment by Japanese companies returned to growth at a level exceeding \$100 billion in 2011 thanks in part to a rapidly appreciating yen. Subsequently, the yen depreciated but foreign direct investment by Japanese companies remained stable, reaching \$160.4 billion in 2017 (Figure 1).

Amid favorable growth in foreign direct investment by Japanese companies, it should be particularly noted that foreign direct investment by non-manufacturers has been on an upward trend in recent years, while the growth in

investment by manufacturers has remained flat (Figure 2). Moreover, it has recently been observed that Japanese companies moved to expand business to the industries in which overseas investment has not been made so far, such as the healthcare services industry, which is the key focus area in the Japanese government's Future Investment Strategy 2018 (Cabinet decision in June, 2018).

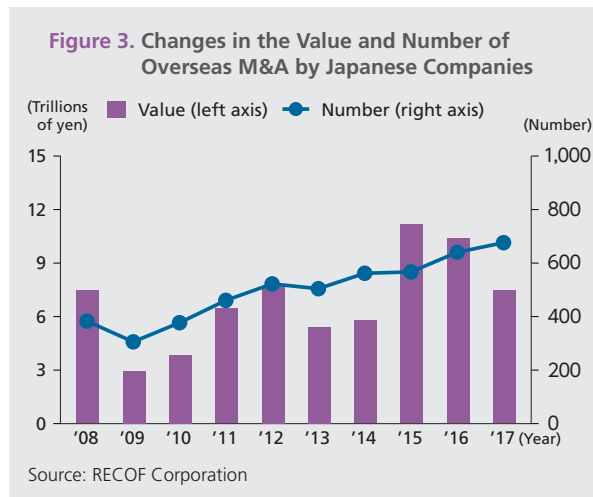
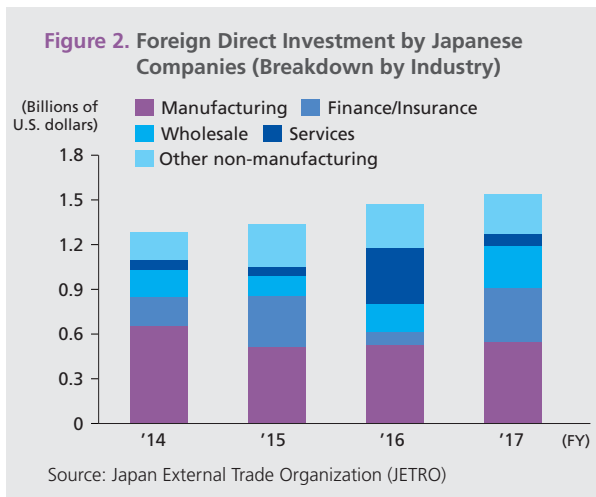
Looking at overseas M&A activities by Japanese companies, the value of M&A deals declined in 2017, falling below ¥8 trillion, compared with the levels of 2015 and 2016 when values exceeded ¥10 trillion on the back of large-scale M&A transactions. On the other hand, the number of M&A deals continues to grow steadily,



increasing from 636 in 2016 to 672 in 2017 (Figure 3). This suggests that Japanese companies emphasize overseas M&A activities as their important business strategy for acquiring new markets replacing the shrinking domestic market and for expanding the scale of their business to prevail in global competition.

In order to put the Japanese economy back on a

growth trajectory amid structural issues such as a shrinking population and an aging society with a falling birthrate and to create a much more affluent society, it is indispensable to increase the productivity of the entire economy and strengthen earning power. To this end, it is increasingly necessary to proactively encourage Japanese companies to enter overseas markets for new businesses.

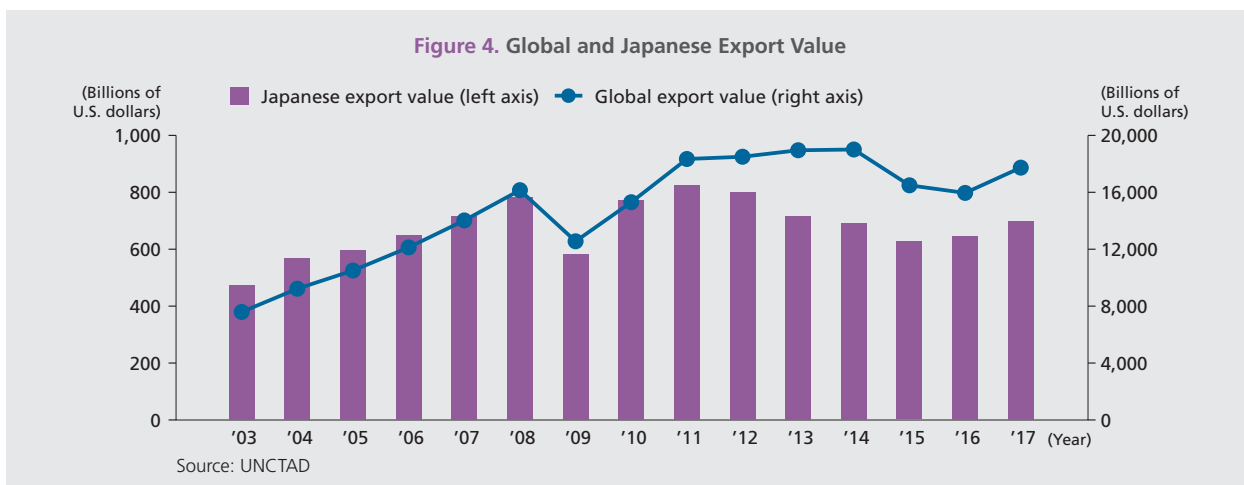


Value of Japan's Exports in a Recovery Trend

Although the value of global export transactions declined in 2015 and 2016, reflecting stagnant demand in emerging markets and weak natural resource prices, global export transactions in 2017 rebounded to \$17.7 trillion, up from \$16.0 trillion in 2016, marking the first year-on-year increase in three years. This increase was due in part to economic expansions driven by monetary easing policies in developed countries. The value of Japan's export transactions declined from 2012 to 2015 despite the progressing yen depreciation. This is because the establishment of local production systems by Japanese companies and the development of their own supply chain systems abroad placed downward pressure on export growth. Nonetheless, Japan's export transactions recovered to \$644.9 billion in 2016 thanks to increased demand for automobile-related goods in developed countries and for information-related products in Asian emerging countries.

The value of exports in 2017 remained stable, rising 8.3% year-on-year to \$698.1 billion (Figure 4).

On the other hand, Asian emerging countries particularly China increased their global export share while that of Japanese industries declined. Amid growing diversification of Japanese companies' sales destinations, evaluation of creditworthiness of importers in foreign countries and uncertainties about their business transactions are becoming major concerns for Japanese companies which plan to expand into overseas markets. To ensure that Japanese companies can cope with increasing business risk in an appropriate manner, JBIC is increasingly required to participate in projects from the early project stage and to supply funding for projects with relatively high risk profiles by capitalizing on its diverse financial instruments.



■ Overseas Business Deployment of Mid-tier Enterprises and SMEs

Mid-tier enterprises and SMEs are accelerating their move to expand business opportunities by capturing demand in overseas markets in addition to responding to local procurement needs of major Japanese companies. According to the *Survey Report on Overseas Business Operations by Japanese Manufacturing Companies*, implemented by JBIC annually as a survey of medium-term prospects for overseas operations, a majority of mid-tier enterprises and SMEs continued to respond that they will “strengthen/expand” their overseas business operations. This suggests they continue to have a strong desire to roll out overseas operations (Figure 5). By region, a high proportion of responses indicated they will “strengthen/expand” business in the Mekong region countries excluding Thailand (refer to the frontier countries defined in JBIC’s Third Medium-term Business Plan (FY2018–2020)¹⁾, due to the growth potential of local markets and a low-cost workforce (Figure 6).

Diversification has been seen in the fields of business invested by Japanese mid-tier enterprises and SMEs, their investment destinations, and funding needs. Meanwhile, compared with larger companies, the mid-tier enterprises and SMEs might face greater constraints on various

fronts, such as fund procurement and the collection of information about overseas investment. Due to this, it is important to provide detailed support to those companies.

1. The frontier countries in the Mekong region which are used in JBIC’s Third Medium-term Business Plan (FY2018–2020) refer to the following four countries: Laos, Cambodia, Myanmar, and Vietnam.

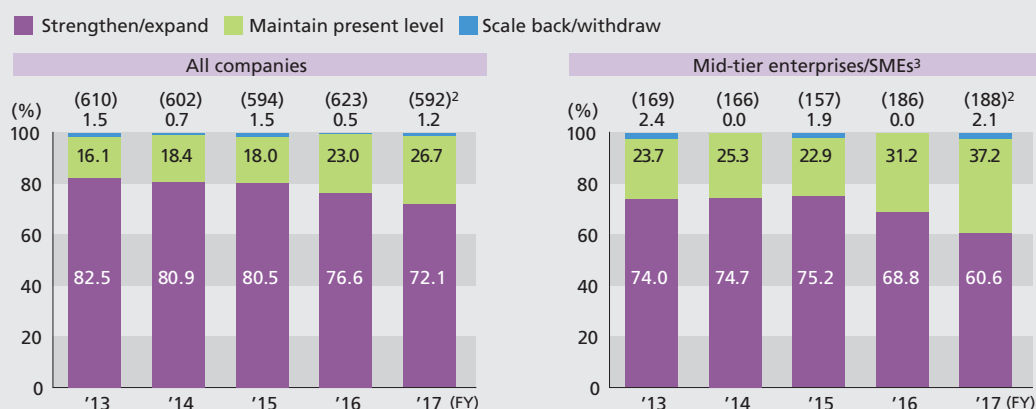
Figure 6.
Business Prospects (in the Mekong Region) of Mid-tier Enterprises and SMEs (in the manufacturing sector)
Proportion of response indicating “strengthen/expand” overseas business

	Mid-tier enterprises and SMEs
Laos (4)	75.0%
Cambodia (11)	81.8%
Myanmar (13)	84.6%
Vietnam (45)	77.8%

Note: FY2017 response rate. The numbers in parentheses on the right side of country names are the number of mid-tier enterprises and SMEs which responded to the question.

Source: Results of the JBIC FY2017 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Figure 5. Medium-term Prospects (Next Three Years, or So) for Overseas Operations¹



Notes 1. “Overseas Operations” is defined as production, sales, and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.

2. The numbers in the parentheses above the bar graphs indicate the numbers of responses.

3. Mid-tier enterprises/SMEs are companies whose paid-in capital is less than ¥1 billion.

Source: Results of the JBIC FY2017 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC’s Activities

■ Supporting Overseas Business Expansion Using Various Financial Instruments

JBIC worked to support the overseas business deployment of Japanese companies by providing long-term funding for overseas M&A activities, overseas infrastructure, and natural resource-related sectors. Led by the Industry Finance Group, JBIC continues to provide support for meeting the high needs for overseas M&A. JBIC provides a flexible form of long-term funding required for the M&A activities of Japanese companies in various fields, including the financial, automotive parts, precision equipment parts, real estate, apparel, mining machinery, and food industries.

This funding is provided through direct financing from JBIC or indirect financing (two-step loans (TSLs)) utilizing M&A credit lines (credit facilities) established with Japanese private financial institutions. In FY2017, JBIC approved financial commitments totaling ¥361.1 billion for overseas M&A transactions. In addition to this, JBIC provided support through project finance for long-term FPSO (floating production, storage, and offloading) vessel chartering services for developing an offshore oilfield. This also helped strengthen the international competitiveness of Japanese companies in offshore resource development.

As an effort to assist Japanese companies in



FPSO project

infrastructure export, which is also promoted by the Japanese government's Future Investment Strategy 2017 and the Healthcare Policy, JBIC provided project finance and a political risk guarantee for the largest hospital

project in Turkey involving a Japanese trading company. In this project, JBIC took the lead in structuring a project on a Public-Private Partnership (PPP) basis by engaging in numerous discussions and negotiations with the government of Turkey and making proposals for financial instruments.

JBIC also supported Japanese companies in acquiring local currencies through loans denominated in Russian rubles and Indian rupees.



Hospital PPP project in Turkey

■ Supporting Ship Exports of Japanese Companies

JBIC actively supported the ship exports of Japanese companies. The shipbuilding industry, which situates its main shipyards in Japan, plays a significant role in creating business for regional economies and mid-tier enterprises and SMEs, including industries related to the manufacturing of materials and components for ships. In supporting ship exports, JBIC provides funds usually through a buyer's credit on a corporate finance basis depending on the creditworthiness of a foreign importer of the ship built by a Japanese company. On the other hand, JBIC supported the Japanese shipbuilding industry by assuming risk that varies according to the creditworthiness of a foreign importer. This financial support includes the first project finance for a bulk carrier and a bank loan via a local financial institution.

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

Since FY2012, JBIC has enhanced its capability to support Japanese mid-tier enterprises and SMEs in expanding abroad through business units dedicated to this purpose at its Head Office and West Japan Office. In FY2017, the number of financial commitments to mid-tier enterprises and SMEs totaled 74. By region, 42 commitments were made to the Mekong region, where mid-tier enterprises and SMEs indicate they will expand operations as cited in JBIC's annual survey of medium-term prospects for overseas operations. Commitments to the Mekong region accounted for more than half of total commitments to the regions invested by mid-tier enterprises and SMEs, reflecting their willingness to expand into the region.

To facilitate the support of mid-tier enterprises and SMEs, JBIC has strengthened cooperation with Japanese regional financial institutions and overseas subsidiaries of lease companies by establishing investment credit lines through private financial institutions. In addition to seamless funding in the form of loans denominated in hard currencies (U.S. dollars and Euros), JBIC responded to the local currency needs of overseas subsidiaries of mid-

tier enterprises and SMEs by providing loans denominated in local currencies such as the Mexican peso and Thai baht.

Besides support in raising funds, JBIC held the High-level Workshop on International Finance for Regional Financial Institutions in April 2017, inviting the presidents and executive officers of over 60 regional financial institutions. The Workshop was organized with the aim of further enhancing mutual cooperative relationships between Japanese regional financial institutions and JBIC. Additional efforts to support mid-tier enterprises and SMEs included holding meetings for exchanging views to strengthen collaboration between: i) governments and local financial institutions of developing countries with which JBIC signed memoranda of understanding (MOUs) to support the overseas advancement of mid-tier enterprises and SMEs and ii) Japanese regional financial institutions participating in the MOUs. JBIC encouraged mid-tier enterprises and SMEs to expand their sales channels by utilizing its broad network of contacts around the world, for example, providing business matching opportunities to automotive parts manufacturers and overseas automotive parts suppliers in cooperation with Japanese regional financial institutions and foreign embassies in Japan.

■ Meeting the Needs of Japanese Companies

The international economic conditions surrounding Japan, such as political conditions in each country and economic trends in emerging countries, are constantly changing. JBIC continues to provide support to maintain and increase the international competitiveness of Japanese industries, while considering the directions of Japanese government's policies.

JBIC offers various financing instruments such as project finance, subordinated loans, and loans denominated in local currencies.

Capitalizing on these financial instruments, the Industry Finance Group will provide further support to Japanese companies which plan to expand overseas. On top of this, the Group will strive to explore and create new business opportunities that can lead to Japan's sustainable growth particularly in growth areas and new fields, as defined by JBIC's Third Medium-term Business Plan (FY2018–2020), and will continue to play a role in connecting Japan to the world by enhancing its risk-taking capability for financing various projects and responding to the needs of customers in a timely and accurate manner.



JBIC held business matchings for mid-tier enterprises and SMEs.

4 Equity Finance Group

● Message from the Global Head of the Group



FY2017 was the first full year of operations for the Equity Finance Group since its establishment in October 2016. One of the growth strategies of the Japanese government aims to benefit from overseas growth markets. To achieve the government's growth strategy, it is becoming increasingly significant to supply funding through strengthening risk-taking capability. For this purpose, JBIC enhanced the JBIC Group's capability in the area of equity financing, for example, by establishing JBIC IG Partners (JBIC IG) to provide advisory services regarding overseas investment funds. The first investment fund where JBIC IG provides investment advisory services was established in September 2017. JBIC also financed overseas M&A by a Japanese company in the form of an equity participation. As demonstrated by this, FY2017 was a year in which the Equity Finance Group built the foundations for supporting Japanese companies in expanding overseas by utilizing its various financial methods. Under its Third Medium-term Business Plan (FY2018–FY2020), JBIC will continue to provide proactive support to Japanese companies which plan to expand their business to overseas markets, while considering new trends in Japanese industries such as the adoption of innovation and creation of new businesses.

Shinji Fujino

Managing Executive Officer
Global Head of Equity Finance Group

Business Environment and Key Challenges

■ Overseas M&A and Technology Innovation

JBIC has encouraged Japanese companies to expand their business overseas by supplying funding under its equity financing operations. Through these operations, JBIC strives to help Japanese companies further expand their business activities to overseas countries and enable Japan to benefit from the growth potential of the global economy.

For Japan, which is facing structural problems such as a declining birthrate, an aging population, and a shrinking labor force, it is increasingly important to acquire rapidly growing markets in overseas countries, especially emerging countries. Amid intense competition for acquiring foreign markets, overseas M&A activities are firmly positioned as a key option for Japanese companies as a means of accelerating growth. Against this backdrop, overseas M&A activities by Japanese companies became more vigorous in 2017, marking a record high of 672 deals.

One of the major characteristics of recent overseas M&A activities by Japanese companies is their intention to acquire new markets and meet demand in foreign countries amid a decreasing birthrate and an aging population in Japan. In addition, there has been a pronounced move by Japanese companies to emphasize the use of open innovation in their growth strategy and push forward overseas M&A activity as a way to obtain new technologies and technical know-how. Japanese industries are going through a major structural shift to the Fourth Industrial Revolution which is driven by technological innovation

such as AI, IoT, and other new technologies. The Japanese government's Future Investment Strategy 2018 (Cabinet decision on June 15, 2018) also states that it is indispensable for Japan's future growth to promote social change through open innovation such as collaboration in the use of technologies, human resources, and data across different organizations and industries. Looking at overseas markets, as evidenced by the emergence of IT platformers in the U.S. and China, competition across different industries and for access to new innovative technologies is expected to intensify further. Under such circumstances, Japanese industries are also required to make strategic efforts towards promoting innovation.

In light of these changes in the external environment, JBIC will assist Japanese companies in expanding into overseas markets by increasing the supply of funding through its risk-taking capability.

JBIC's Activities

■ Strengthening JBIC's Capability of Equity Financing

In an effort to enhance its capability in the area of equity financing, JBIC established JBIC IG in June 2017 in collaboration with Industrial Growth Platform, Inc. (IGPI) to provide investment advisory services regarding overseas investment funds. The purpose of JBIC IG is to provide these investment advisory services by applying the respective strengths of JBIC and IGPI. JBIC executes business in international financial markets as Japan's policy-based financial institution. In addition to the knowledge of investment business, IGPI has significant experience in providing companies with hands-on support for long-term, sustainable growth in corporate and business value.

■ Promoting Open Innovation and Acquiring Overseas Technologies by Japanese Companies

JBIC signed an agreement in March 2018 to make an equity investment in the Geodesic Capital Fund I-S, L.P., which invests in advanced IT companies mainly in the U.S. Japanese companies are responding to the Fourth Industrial Revolution by creating new added value through open innovation, in which they can combine external resources and companies' own internal strengths in technology and experience. The aim of the fund, in which Japanese companies participate as strategic investors, is not only to invest in advanced IT companies, mainly in the U.S., but also to provide those Japanese investors with strategic services, such as offering opportunities to invest in or form business alliances with advanced IT companies. This fund is expected to promote the growth of Japanese companies through open innovation.

JBIC also supported an overseas M&A transaction by a Japanese company, specifically, the acquisition of Germany-based H.C. Starck Tantalum and Niobium GmbH (HCS TaNb) by JX Nippon Mining & Metals Corporation (JXNMM). JBIC supported JXNMM in purchasing all shares in HCS TaNb from H.C. Starck GmbH of Germany. JBIC's equity participation was undertaken through JX Metals Deutschland GmbH (JXMD), a special-purpose company of JXNMM. HCS TaNb is one of the world's leading companies in the development, production, and distribution of tantalum and niobium products (high-purity metal powder), which are widely used in the Japanese electronics industry. HCS TaNb has a strong product lineup backed by its technological and marketing capabilities. Through this financing, JBIC supports JXNMM in strengthening its revenue base and creating synergy effects by bringing together the management resources of JXNMM Group and HCS TaNb.

■ Future Business Strategy

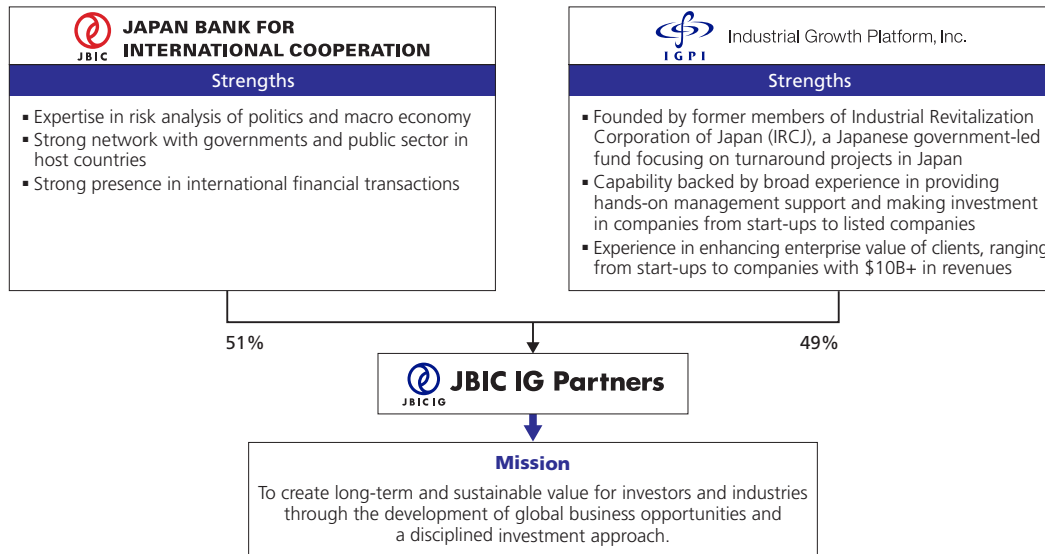
Japanese industries are urgently required to boost productivity across sectors, obtain advanced technologies, and promote innovation. Japanese industries also continue and accelerate their move to benefit from growing overseas markets, while coping with increasing business risk. Recognizing such circumstances in Japan and abroad, JBIC's Third Medium-term Business Plan (FY2018–2020) strives to provide support that responds to needs in growth fields and new areas of industry. As Japan's policy-based financial institution, JBIC will continue to support Japanese companies in expanding overseas by drawing on its diverse financial instruments, including equity financing, and by enhancing its risk-taking capability. As part of these efforts, the Equity Finance Group will actively provide support across the entire JBIC Group, including JBIC IG, to Japanese companies which plan to conduct M&As overseas with the intention of promoting open innovation and creating new businesses.

Establishment of JBIC IG Partners (JBIC IG)

JBIC IG is an investment advisory services company established by JBIC and IGPI in June 2017. JBIC IG applies the respective strengths of JBIC and IGPI as follows: JBIC has knowledge and experience of financing international projects as Japan's policy-based financial institution; IGPI has the knowledge of investment business and

broad experience in providing companies with hands-on support for long-term, sustainable growth in corporate and business value. JBIC IG aims to create long-term, sustainable value for Japanese investors and industries through the development of global business opportunities and a disciplined investment approach.

About JBIC IG Partners



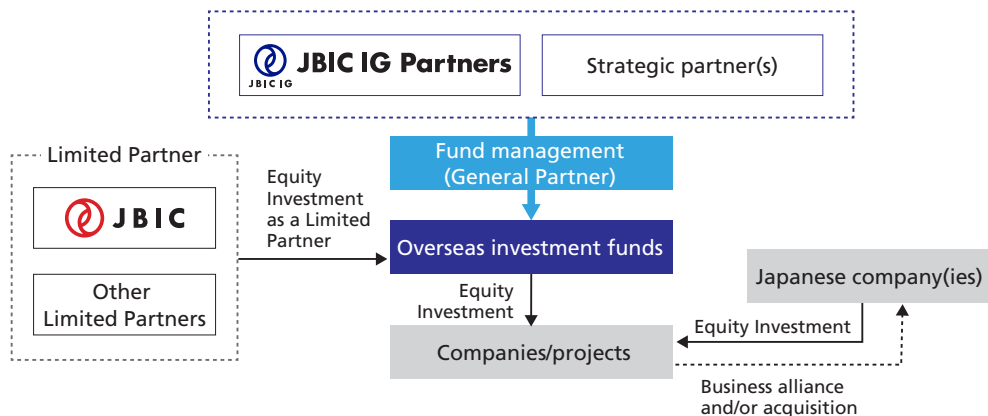
Business Model of JBIC IG

JBIC IG composes overseas funds by partnering with foreign sovereign wealth funds (SWF) and international investors, through investment advisory services to overseas funds. Through investment advice to overseas funds, JBIC IG aims to catalyze co-investments in overseas

companies to share risks with Japanese companies, as well as to expand transactions with overseas companies and Japanese companies.

Going forward, JBIC IG will continue to provide added value to Japanese industry through the creation of new funds.

Overview of JBIC IG Partners' Investment Structure



Examples of Business Outcomes in FY2017

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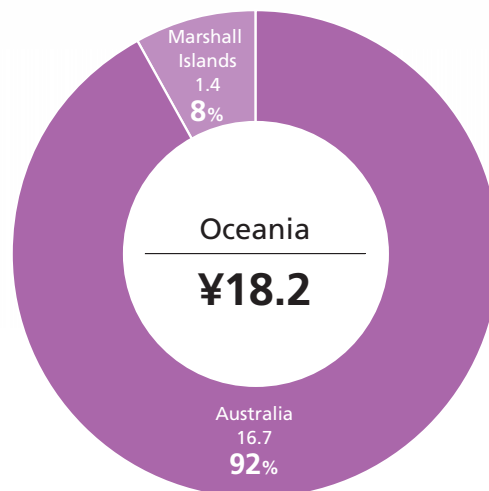
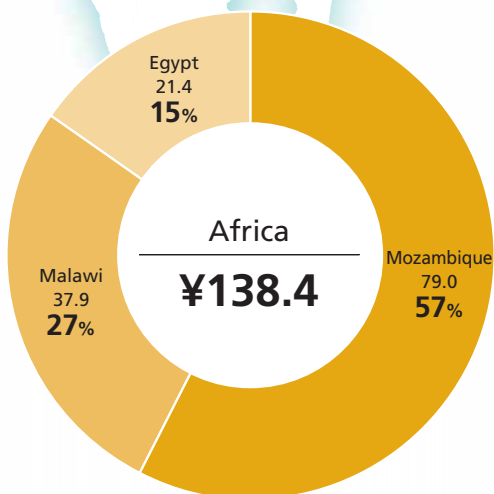
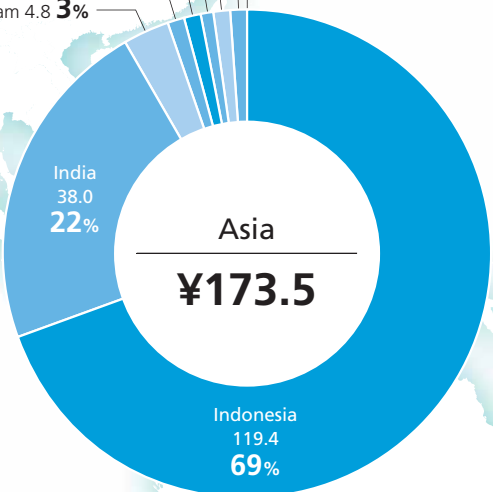
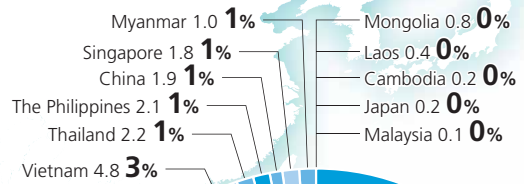
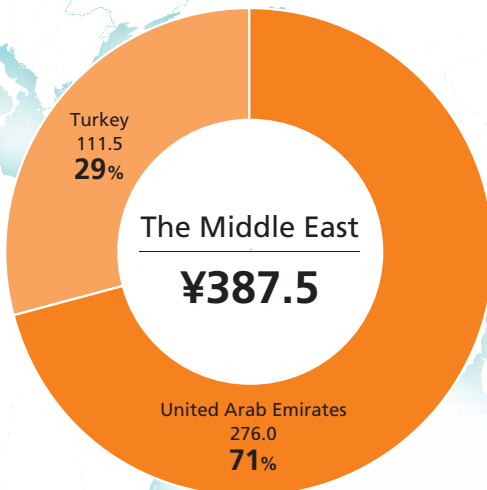
Overview of Business Outcomes by Region

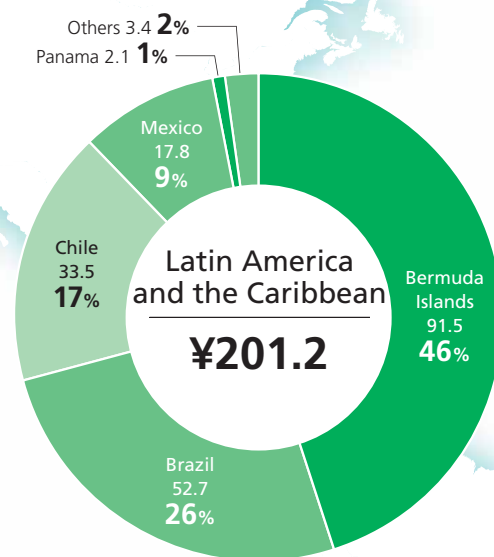
Geographical Distribution of Loan and Equity Participation Commitments

(FY2017; unit: billions of yen)

3 Examples of Business Outcomes in FY2017

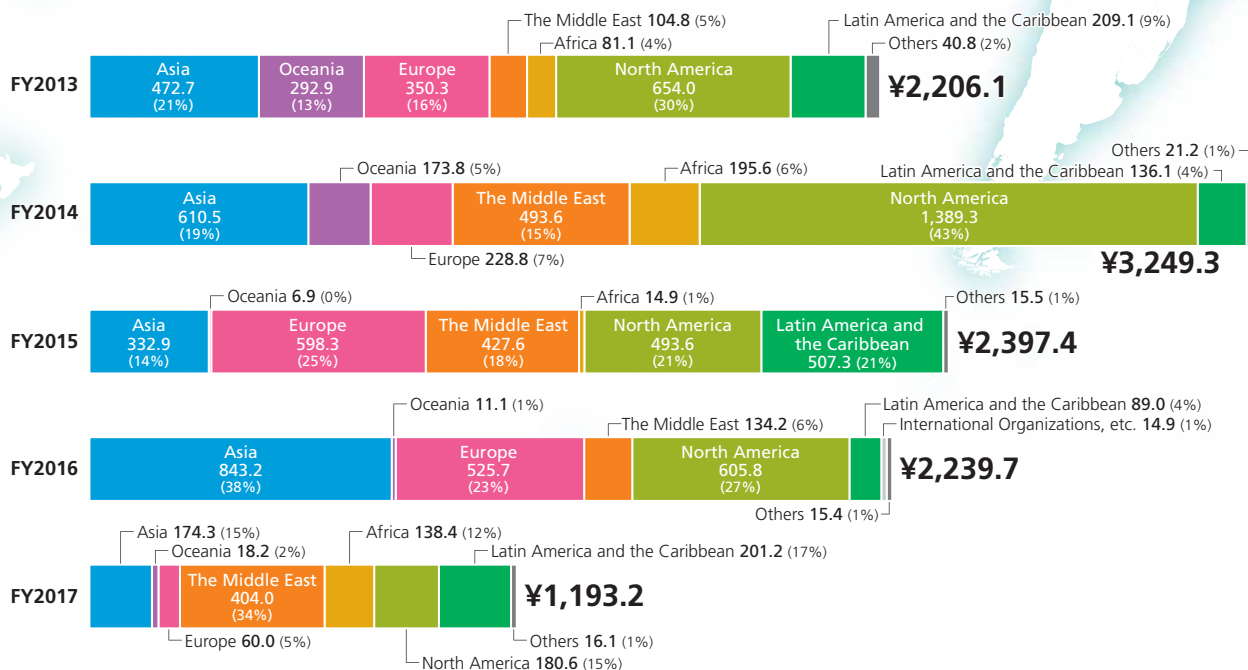
1 Overview of Business Outcomes by Region





Transition in Composition of Commitments by Region (Loans, Equity Participations, and Guarantees) over the Last 5 Years

(Unit: billions of yen)



Asia



Mongolia

Supporting the Export of ATMs by Japanese Companies Using Export Credit Line

Promoting trade and economic partnership between Japan and Mongolia

JBIC concluded an individual loan agreement based on an export credit line¹ extended to the Government of Mongolia in June 2013. The loan is intended to provide, through the Ministry of Finance of Mongolia, the necessary funds for Khan Bank LLC, a Mongolian financial institution, to purchase automated teller machines (ATMs) from Hitachi-Omron Terminal Solutions, Corp.

The enactment of the "Agreement between Japan and Mongolia for an Economic Partnership (EPA)" by the governments of Japan and Mongolia in June 2016 is expected to further enhance reciprocal economic cooperation and vitalize the two countries' economies in a wide range of fields, along with the liberalization and facilitation of trade and investment between the two countries. In March 2017, the "Japan-Mongolia Mid-term Action Plan for a Strategic Partnership,"² was agreed on by the two countries, resolving to promote financing utilizing this credit line effectively. This loan is in line with such measures of the two countries.



Cambodia

Loan for the Manufacturing and Wholesales Business of Cosmetic Accessories

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

JBIC concluded two loan agreements with Shinohara Co., Ltd. These loans are intended to provide the necessary funds for the establishment of a plant to manufacture cosmetic accessories in Phnom Penh, Cambodia by SHINOHARA (PHNOM PENH) CO., LTD (SPP).

Shinohara is an SME engaged in the manufacture and wholesale of cosmetic accessories. In July 2017, SPP was established as a manufacturing and wholesale base in Cambodia. Shinohara seeks to expand production capacity and strengthen global sales through SPP based on the recent growth in demand for cosmetic accessories. These loans contribute to maintaining and strengthening the international competitiveness of Japanese industry through support for the overseas business deployment of Shinohara.



Indonesia

Guarantee for Loan by Private Financial Institution for the Manufacturing and Sales Business of Automobile Parts

Supporting overseas business deployment of Indonesian subsidiary of Japanese mid-tier enterprises and SMEs by guaranteeing

JBIC concluded a guarantee agreement with the Hamamatsu Shinkin Bank for loans the bank has extended to UNICRAFT NAGURA CORPORATION's Indonesian subsidiary PT. UNICRAFT NAGURA INDONESIA (UCNI). JBIC supports UCNI by guaranteeing its cross-border borrowing from private financial institutions needed for the manufacture and sale of automobile parts in West Java of Indonesia.

UNICRAFT NAGURA is an SME engaged in the manufacture and sale of precision automotive parts and other products. With the economic growth in Indonesia and neighboring Southeast Asian countries, UNICRAFT NAGURA established UCNI in 2012 to expand overseas production through UCNI.

This guarantee supports the overseas business deployment of UNICRAFT NAGURA and contributes to maintaining and strengthening the international competitiveness of Japanese industry.



1. An export credit line is a form of export financing in which JBIC makes a commitment to provide a maximum amount of credit to be extended to the borrower (foreign banks or other entities) to finance exports of machinery, equipment, and services from Japan.

2. The mid-term action plan was agreed on by both governments upon Mr. Enkhbold, Chairman of the State Great Hural (Parliament) of Mongolia, and Foreign Minister Munkh-Orgil's visit to Japan in March 2017, as a roadmap for Japan-Mongolia relations for the next five years (2017-2021).



Laos

Loans for the Manufacturing and Sales Business of Concrete Products

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

JBIC concluded a loan agreement with SANKO LAO Co., Ltd. (SALC), a Laotian subsidiary of Sanko Construction Co., Ltd. The loan provides SALC with the funds necessary for the manufacture and sale of concrete products carried out in the special economic zone dedicated to Japanese mid-tier enterprises and SMEs in Champasak Province in southern Laos.

Sanko Construction is an SME engaged in the civil engineering and construction business based in Okayama Prefecture. In 2016, Sanko Construction established SALC with the technical cooperation of business partners to promote concrete products in Laos. In Laos, the development of infrastructure such as roads is expected to continue, and Sanko Construction seeks to promote high-quality concrete products through SALC.

This loan will contribute to maintaining and strengthening the international competitiveness of Japanese industry by supporting the overseas business deployment of Sanko Construction.



India

Export Credit Line for JSW Steel Limited in India

Providing support for export of steel-manufacturing facilities

JBIC concluded an export credit line agreement with JSW Steel Limited (JSW Steel) of India. JSW Steel is a leading Indian steel-manufacturing company, and Japanese steel manufacturer JFE Steel Corporation has a 15% stake in JSW Steel. This credit line is intended to provide funds to purchase steel-manufacturing facilities and technical services from Japanese companies.³

In India, demand for steel is expected to expand in the medium to long term, particularly in the infrastructure and automobile sectors driven by economic growth, and interest in Japanese high-quality steel-manufacturing facilities is growing. This loan is intended to help further expand exports of machinery and equipment from Japan by meeting the investment needs of JSW Steel in a timely, flexible manner. This will also contribute to maintaining and strengthening the international competitiveness of Japanese industries.



India

Loan for Japanese Motorcycle and Automobile Parts Manufacturer in India

Providing local currency loan to support Japanese company with overseas operations

JBIC concluded a loan agreement with Mikuni India Private Limited (MID), an Indian subsidiary of MIKUNI CORPORATION. The loan is intended to provide the funds necessary for MID to manufacture and sell fuel injection systems and other parts of both motorcycles and automobiles in the Neemrana Industrial Park, Rajasthan State, India. India is the largest motorcycle market and the fourth largest automobile market in the world, and both markets are expected to see further economic growth. This loan will be used to expand MID's production capacity of plants to meet the increasing demand.

MID conducts environmentally friendly manufacturing, as evidenced by its cooperation with Japan's New Energy Development Organization (NEDO) on demonstrating a microgrid system for solar photovoltaic energy power supply in the Neemrana Industrial Park. The loan is intended to support Japanese companies in making regional investments under the Delhi-Mumbai Industrial Corridor Project, a joint India-Japan regional development project.



3. This is the second export credit line agreement between JBIC and JSW Steel, following the first one signed in May 2014.

Asia



India

Loan for Concrete Products Manufacturing and Sales Business

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

JBIC concluded a loan agreement with Fuji Silvertch Concrete Private Limited¹ (FSC), an Indian company jointly owned by Fuji Concrete Industry Co., Ltd. and Toyota Kohki Co., Ltd. The loan is intended to finance the concrete products manufacture and sale by FSC in the State of Gujarat, India, and will be used to construct a second plant and expand facilities.

Fuji Concrete Industry is an SME engaged in the manufacture and sale of concrete products, and Toyota Kohki is an SME engaged in manufacturing and selling concrete forms for concrete products. In India, with demand for infrastructure investments increasing against the backdrop of economic growth, the two companies jointly established FSC in India, where demand for pre-casted concrete products² such as roadside drains and exterior walls surrounding industrial parks for various infrastructure development projects is expected to increase.



Malaysia

Loan for the Manufacturing and Sales Business of Mass Flow Controllers

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

JBIC concluded a loan agreement with JPLINTEC INSTRUMENTS SDN. BHD. (JPLI), a Malaysian subsidiary of LINTEC CO., LTD. The loan provides the necessary funds for the manufacture and sales of mass flow controllers³ in the State of Penang, Malaysia by JPLI, and for the expansion of production facilities.

LINTEC is an SME engaged primarily in the manufacture and sales of mass flow controllers used in semiconductor manufacturing. In Southeast Asia, the need for semiconductors has increased against the backdrop of economic growth, and demand for mass flow controllers, a key device for semiconductor manufacturing, is expected to grow. Therefore, LINTEC seeks to expand business through JPLI. The loan will contribute to maintaining and strengthening the international competitiveness of Japanese industry by supporting LINTEC's overseas business deployment.



Thailand

Individual Loan Agreements Concluded Based on an Investment Credit Line for Thai Subsidiary

Supporting overseas business deployment for mid-tier enterprises and SMEs utilizing finance leases

JBIC concluded five loan agreements with Bangkok Mitsubishi UFJ Lease Co., Ltd. (BMUL), a Thai subsidiary of Mitsubishi UFJ Lease & Finance Co., Ltd. These individual agreements were concluded with BMUL based on an investment credit line to support overseas business deployment of Japan's mid-tier enterprises and SMEs. These loans are intended to provide the necessary funds for procuring equipment needed for the manufacture and sales of automobile parts by HAL ALUMINUM (THAILAND) CO., LTD., a Thai subsidiary of HIROSHIMA ALUMINUM INDUSTRY CO., LTD., through a finance lease from BMUL.

In recent years, interest and demand for the use of finance leases for the capital investment of mid-tier enterprises and SMEs in Thailand have increased. The loan will support the overseas deployment of business by Japanese mid-tier enterprises and SMEs by flexibly supplying long-term foreign currency funds needed for finance leases based on the credit line already concluded with BMUL.



1. Fuji Concrete and Toyota Kohki holds FSC through Fuji-Toyota Precast Technology Japan Co., Ltd. (Headquarters: Tokyo), a Japanese company which is jointly invested by the two companies.

2. The concrete products are produced with highly and in large quantities at a factory, not at a construction site.

3. A device that accurately measures and controls masses of various air and liquids and is used in semiconductor manufacturing and the LCD panel manufacturing process



Thailand

Individual Loan Agreement Concluded Based on an Investment Credit Line for Hachijuni Bank Supporting overseas business deployment of Japanese mid-tier enterprises and SMEs by collaborating with regional banks

JBIC concluded an individual loan agreement with the Hachijuni Bank, Ltd. This individual agreement is based on an investment credit line to support the overseas business deployment of Japanese mid-tier enterprises and SMEs concluded with the Hachijuni Bank in November 2016. The individual loan agreement concluded under the credit line provides the funds necessary for the manufacture and sales of die casting mold parts by Kikuchi Kanagata (Thailand) Co., Ltd., a Thai subsidiary of KIKUCHI KANAGATA.

This loan, under the credit line, will support the overseas business deployment of Japanese mid-tier enterprises and SMEs and contribute to maintaining and strengthening the international competitiveness of Japanese industry by flexibly supplying long-term foreign currency funds needed for businesses operated by mid-tier enterprises and SMEs in developing regions via Japanese financial institutions.



Vietnam

Individual Loan Agreement Concluded Based on an Investment Credit Line for Shizuoka Bank Supporting overseas business deployment of Japanese mid-tier enterprises and SMEs by collaborating with regional banks

JBIC concluded a loan agreement with the Shizuoka Bank, Ltd. This individual loan agreement is based on an investment credit line concluded with the Shizuoka Bank in December 2016 to support the overseas business deployment of Japanese mid-tier enterprises and SMEs. The individual loan concluded under the credit line provides the necessary funds for the manufacture and sales of plastic molded products by SAHARA INDUSTRY VIETNAM CO., LTD., a Vietnamese subsidiary of SAHARA INDUSTRY CO., LTD.

This loan, under the credit line, will support the overseas business deployment of Japanese mid-tier enterprises and SMEs and contribute to maintaining and strengthening the international competitiveness of Japanese industry by flexibly supplying long-term foreign currency funds needed for businesses operated by mid-tier enterprises and SMEs in developing regions via Japanese financial institutions.



Vietnam

Loan for Wharf Development and Operation Supporting the overseas expansion of Japanese steel industry

JBIC concluded a loan agreement with Thi Vai International Port Co., Ltd. (TVP), a Vietnamese subsidiary of KYOEI STEEL LTD. KYOEI STEEL is a major electric-furnace steelmaker whose mainstay business is the manufacture and sale of steel products, particularly steel materials for civil engineering and construction. This loan provides the funds needed by TVP to develop and operate the wharf facilities in Cai Mep-Thi Vai Port in Vietnam's Ba Ria-Vung Tau Province. The fund will be applied to the capital investment required to develop these wharf facilities to provide logistics services mainly for Vina Kyoei Steel Limited (VKS), a Vietnamese subsidiary of KYOEI STEEL, and other steel industries located neighborhood.



Europe



Russia

Conclusion of Formation and Corporate Agreement to Establish Japanese Project Promotion Vehicle in the Russian Far Eastern Region

Facilitating and enhancing investment by Japanese companies in the Russian Far Eastern Region

JBIC concluded a Formation and Corporate Agreement with The Far East Investment and Export Agency¹ (FEIA) and JSC The Far East and Baikal Region Development Fund² (FEDF) to establish a joint venture company named the Japanese Project Promotion Vehicle in the Far East Limited Liability Company ("Far East JPPV") that will promote Advanced Special Economic Zones³ ("ASEZs") and Free Ports.⁴

The purpose of Far East JPPV is to enhance Japanese companies' investment in Advanced Special Economic Zones and Free Ports in the Russian Far East Region, by mitigating the concerns of Japanese companies involved in project formation through its coordination with Russian governmental authorities and providing tailored advisory services. The establishment of Far East JPPV is in line with the policy of the Russian government, which seeks to develop and expand the Far East region and will contribute to further deepening of economic relations between Russia and Japan.



Russia

MOU Concluded with Public Joint Stock Company Gazprom

Strengthening cooperation with the Russian Federation's largest natural gas producer

JBIC concluded a memorandum of understanding (MOU) with Public Joint Stock Company Gazprom (Gazprom) at the Eastern Economic Forum in Vladivostok. Gazprom is a global energy company focused on geological exploration, production, transportation, storage, processing, and marketing of gas (including as a vehicle fuel), gas condensate, and oil, as well as electricity and heat production and distribution. This MOU aims to strengthen mutual cooperation based on the earlier MOU signed in December 2016 in order to enhance business relations between Russia and Japan.

JBIC continues to build relationships with important partners in the areas of oil and gas development and LNG procurement and provide financial support to secure stable sources of energy for Japan through efforts to create business opportunities for Japanese companies.

1. FEIA, established in 2016 under the Ministry for the Development of the Russian Far East, conducts public relations and other activities to attract investment into the Russian Far Eastern Region.
2. FEDF, established in 2011 by Bank for Development and Foreign Economic Affairs (Vnesheconombank), aims at promoting development in the Russian Far Eastern Region.
3. ASEZ is a region where preferential tax treatment and deregulation have been introduced with a purpose of promoting private-sector investment. Currently, 13 areas in the Russian Far Eastern region are designated as ASEZs, including Khabarovsk.
4. Free Port is also a region where preferential tax treatment and deregulation have been introduced with a purpose of promoting private-sector investment as is the case with ASEZ. Currently, five areas in the Russian Far Eastern region are designated as Free Ports, including Vladivostok.

The Middle East



Turkey

Project Finance and Political Risk Guarantee for Hospital PPP Project

Supporting the first case of Japanese company's participation in a hospital PPP project

JBIC concluded a loan agreement for project finance⁵ with Istanbul PPP Saglik Yatirim A.S. (IPSY), a Turkish corporation in which Sojitz Corporation, a Japanese company, and Ronisans Holding A.S., a Turkish company, jointly hold stakes. The loan will be used for the Istanbul Ikitelli Integrated Health Campus (Ikitelli IHC) public-private partnership (PPP) project. In this project, IPSY will build Ikitelli IHC in Istanbul, which will be one of the largest hospital complexes in Turkey. The Ministry of Health of Turkey will provide medical services, while IPSY will operate and administer the facilities under a PPP scheme.

In Turkey, demand for medical services is increasing due to a rising population and economic growth, and the Turkish government is promoting hospital development projects through PPP. This loan agreement will support large hospital PPP projects in Turkey, which plans to introduce the operational and administrative know-how of Japanese hospitals. This is the first case of supporting a hospital PPP project for Japanese company as well as for JBIC.



Turkey

MOU with Türk Eximbank

Supporting joint business between Japan and Turkey in third countries

JBIC concluded an MOU with Export Credit Bank of Turkey (Türk Eximbank) in Turkey with the aim of supporting businesses in third countries undertaken by Japanese and Turkish companies.

Türk Eximbank is a fully state-owned export credit agency which provides loans, insurance, and guarantees for exports of goods and services from Turkey. The aim of this MOU is to support Japanese and Turkish companies' collaboration, through cofinancing by JBIC and Türk Eximbank, which is anticipated to develop businesses in the infrastructure and manufacturing sectors in third countries surrounding Turkey such as Africa, the Middle East, and Central Asia. Based on this MOU, Japanese companies, which develop quality infrastructure, are expected to further expand into third countries in collaboration with Turkish companies, which have a strong presence, especially in the fields of construction and civil engineering, in third countries.



United Arab Emirates

Loan for Acquisition of Interest in Onshore Oilfields in Abu Dhabi

Contributing to stable supply of energy resources for Japan

JBIC concluded a loan agreement with INPEX CORPORATION (INPEX) to provide the funds necessary for INPEX to acquire, through its subsidiary, interests in ADCO oilfields⁶, which are onshore oilfields in the Emirate of Abu Dhabi (Abu Dhabi). The ADCO oilfields, in which INPEX acquired a 40-year concession (5% participating interest) from the Supreme Petroleum Council in April 2015, is one of the world's largest oilfields.

In the "Basic Energy Plan," the Japanese government set forth the target of increasing Japan's self-development ratio⁷ of oil and natural gas to 40% or more by 2030. Abu Dhabi is vital to Japan's resource strategy as the Emirate allows the entry of foreign companies on the basis of concession agreements. JBIC has also indirectly supported Japanese companies' interest acquisitions such as by the signing of MOUs with Abu Dhabi National Oil Company (ADNOC). This loan is also in line with these efforts and is expected to contribute to the enhancement of Japan's self-development ratio of oil and gas.



Provided by INPEX CORPORATION

5. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.

6. The ADCO oilfields produce about 1.6 million barrels of crude oil a day.

7. The proportion of oil and natural gas purchased from those granted to Japanese entities to the total sum of imported and domestically produced oil and natural gas

Africa



Mozambique/Malawi

Project Finance for Construction of Nacala Railway and Port Infrastructure

Supporting the securing a stable supply of mineral resources for Japan

JBIC concluded a loan agreement in project financing with two corporations in Mozambique¹ and two corporations in Malawi², in which Mitsui & Co., Ltd. and Vale S.A., a Brazil corporation, jointly hold equity stakes. The aim of this project is to construct the railway (a part of which passes through Malawi) and port infrastructure which is needed to transport and export coal produced from the Moatize coal mine in Mozambique. The project is expected to boost the quantity of coal exported to Japan from the Moatize coal mine.

Japan is totally dependent on the import of coking coal from abroad. It is important for Japan to secure a stable supply of high-quality coking coal from new sources over the long term and diversify its supply sources. The coking coal obtained from the Moatize coal mine is of high-quality and suitable for using in producing iron and steel. This project will contribute to securing a stable and long-term supply of mineral resources to Japan.

This project is the first natural resources-related infrastructure project financed by JBIC under FAITH^{2,3} and JBIC's largest financial commitment in Africa.



Tanzania

Approval of Individual Loan Based on Export Credit Line for Eastern and Southern African Trade and Development Bank

Supporting exports of construction machinery by Japanese company to Tanzania

JBIC approved an individual loan based on an export credit line extended to the Eastern and Southern African Trade and Development Bank (TDB) in August 2016.

The loan is intended to provide, through TDB, the necessary funds for Vehicle and Equipment Leasing (Tanzania) Limited, a Tanzanian company, to purchase construction machinery from Komatsu Ltd. This is the first loan approved under the credit line extended to TDB which was set on the occasion of the 6th Tokyo International Conference on African Development (TICAD VI) held in Nairobi, Kenya.

This loan will financially support the export of machinery and equipment and the overseas business deployment of Japanese companies in the Sub-Saharan African countries, which are covered by TDB's financing.

1. The two Mozambique corporations are Corredor Logístico Integrado De Nacala SA and Corredor De Desenvolvimento Do Norte SA.

2. The two Malawi corporations are Vale Logistics Limited and The Central East African Railways Company PLC.

3. The promotion of economic structural reform in Africa through economic diversification and industrialization was raised as an important topic of discussion at the 6th Tokyo International Conference on African Development (TICAD VI). In response, JBIC launched the JBIC's Facility for African Investment and Trade Enhancement (FAITH2), expanding the previous FAITH launched in June 2013.

North America



United States

MOC with Washington State Government in the U.S.

Supporting development of Japanese companies' businesses in Washington State

JBIC concluded a memorandum of cooperation (MOC) with the Washington State Government in the U.S. with the aim of contributing to the sustainable economic development of Washington State through supporting projects related to Washington State in sectors such as infrastructure. The conclusion of the MOC aims to establish a business cooperation relationship between JBIC and the Washington State Government for the purpose of further promoting business development through investments by Japanese companies in projects, including infrastructure projects, associated with Washington State.

Washington State has a high economic and population growth rate and numerous infrastructure projects are being planned in the State. Furthermore, being located on the Pacific coast, Washington is very important in terms of logistics connecting the inland areas of the U.S. with the Asia-Pacific region, including Japan, and many Japanese companies are operating businesses in the State. Under these circumstances, it is expected that this MOC between JBIC and the Washington State Government will create further opportunities for promoting the business activities of Japanese companies in Washington State.



United States

MOU with OPIC of the U.S.

Promoting projects in third countries in cooperation between Japan and the U.S.

JBIC concluded an MOU with Overseas Private Investment Corporation (OPIC) of the U.S.

OPIC is an agency of the U.S. government established to mobilize and facilitate the investment of U.S. private capital in the economic and social development of emerging market countries, by offering financing and political risk insurance for certain projects. Under the MOU, it is intended that JBIC and OPIC, as public financial institutions promoting the policies of their respective governments, support potential projects in the sectors, such as infrastructure, energy, and natural resources in the regions of Asia, the Indo Pacific, the Middle East, and Africa. In this way, the MOU will also contribute to strengthening the economic ties between Japan and the U.S. It is expected that the implementation of cooperative projects in which Japanese and U.S. companies participate will be promoted through cooperation between JBIC and OPIC under the MOU.



Latin America and the Caribbean



Panama

Project Finance for Ship Exports

Supporting export of ore carriers built by Japanese shipbuilders

JBIC concluded a buyer's credit agreement on a project finance basis with MaLin Sunny Maritime S.A., a subsidiary in Panama owned by the Ta Tong Marine Co., Ltd. (TTM) Group, a Taiwanese corporation, for financing the purchase of an ore carrier.

The TTM Group is based in Taiwan and is a ship owner and operator of bulk carriers. This loan is provided to finance the TTM Group to purchase a 241,000 DWT¹ ore carrier manufactured by Japanese shipbuilder IMABARI SHIPBUILDING CO., LTD.

The aim of this loan is to support the export of ships built by Japanese shipbuilders which play a major role in the regional economy and associated industries, including mid-tier enterprises and SMEs. The loan is also intended to contribute to maintaining and increasing the international competitiveness of the Japanese shipbuilding industry.



(Reference photo) A ship of approximately the same size as the ship to be financed



Brazil

Project Financing for FPSO Operation Project

Supporting offshore resource development and strengthening international competitiveness of Japanese companies

JBIC concluded a loan agreement with Dutch company Sepia MV30 B.V. (SEPMV30) incorporated by MODEC, Inc. (MODEC), Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd., Marubeni Corporation, and Mitsui E&S Holdings Co., Ltd. The loan, provided as project finance, is to finance long-term FPSO² vessel chartering services to be provided to Petróleo Brasileiro S.A. (Petrobras), a state-owned oil company in Brazil, for developing the Sepia oilfield³ located off the coast of Brazil in which Petrobras holds an interest.

MODEC views Brazil as a promising market for the FPSO business. This project is the 10th FPSO vessel chartering service to be provided to Petrobras by MODEC.

This loan is expected to maintain and increase the international competitiveness of the Japanese companies in offshore resource development and contribute to the securing of access to resources and their stable supply of natural resources to Japan.



The same model as the FPSO that is to receive financing (Provided by MODEC, Inc.)



Mexico

Loan for Los Gatos Zinc and Silver Mine Project

Supporting Japanese companies' long-term and stable procurement of zinc concentrates

JBIC concluded a loan agreement with DOWA METALS & MINING CO., LTD. The loan is intended to finance a zinc and silver mine development project called Los Gatos, located in Mexico, which is undertaken by Minera Plata Real, S. de R.L. de C.V, a Mexican joint venture company owned by DOWA METALS & MINING and the U.S. based company Sunshine Silver Mining & Refining Corporation.

Zinc is used for corrosion-resistant galvanization and for corrosion-resistant parts. Japan is totally dependent on imports of zinc concentrates which are used to produce zinc bullion. In response to expanding global demand for zinc concentrates in the infrastructure and automobile sectors due to the economic development of developing countries, it is increasingly important to ensure supplies of those zinc concentrates. This loan is intended to provide financial support for securing a long-term stable supply of zinc, which is an important metallic resource for Japan.



1. DWT stands for Dead Weight Tonnage and refers to the total carrying capacity of a vessel, including freight, fuel, food, drinking water, the crew, and their personal effects.

2. A floating production, storage and offloading (FPSO) system is a floating vessel for the first stage processing of crude oil produced at the oil well, which separates associated gas and water, and for the storage and offloading of oil.

3. This oilfield is located in the pre-salt layer of the Santos Basin, which is about 250 kilometers off the southeast coast of the state of Rio de Janeiro.



Mexico

Loan for Japanese Automobile Parts Manufacturer

Providing local currency loan to support Japanese company with overseas operations

JBIC concluded a loan agreement with Ashimori Industria de Mexico, S.A. de C.V. (AIM), a Mexican subsidiary of Ashimori Industry Co., Ltd. The purpose of the loan is to provide the funds necessary for AIM to manufacture and sell automobile parts in the State of Guanajuato, Mexico. The loan funds will be used to build a second factory within the existing factory site of AIM for enhancing the production facility.

Ashimori Industry specializes in manufacturing not only automobile safety system products such as seat belts and air bags, but also materials used for trenchless rehabilitation of buried pipelines, industrial materials, as well as disaster prevention materials and equipment, etc. In recent years, Ashimori Industry has been proactively expanding its business to overseas markets. Ashimori Industry established AIM in 2012 and has supplied automobile seat belts, air bags, as well as other automobile interior parts, but it now plans to expand sales in North America and Europe by building a second factory. This local currency loan is to support the company in expanding its overseas business.



3 Examples of Business Outcomes Relating to Support for Mid-tier Enterprises and SMEs

JBIC supports mid-tier enterprises and SMEs in a wide range of industries with their overseas business deployment.

China

Fujix Co., Ltd.

Electric Parts Manufacturing and Sales Business

Fujix is engaged in the manufacture and sale of wire harnesses, aluminum die-casted products, and other products used in servomotors, inverters, and industrial robots. With demand for electric parts required for industrial robots and other products growing due to rising demand for factory automation, Fujix established Fuhai Precision Electronic Industry (Nantong) Co., Ltd., a Chinese subsidiary, in August 2017. Fujix seeks to secure new production bases and further expand business. JBIC provided Fujix with the funds necessary to establish an electric parts manufacturing and sales base operated by its Chinese subsidiary.



Indonesia

Ondo Metal Co., Ltd.

Construction Machinery and Parts Manufacturing and Sales Business

Since its establishment in 1968, Ondo Metal has been engaged in the manufacture and sale of counterweights¹ for construction machinery. With demand for construction machinery parts expected to grow on the back of economic growth in ASEAN countries, Ondo Metal established PT. ONDO METAL INDONESIA (OMI), an Indonesian subsidiary, in 2011 with the aim of expanding overseas production. JBIC provided the funds necessary for the manufacture and sales of construction machinery parts by OMI and assisted by guaranteeing the borrowings with a cross-border loan through the Chiba Bank, Ltd.

1. A large weight attached to the rear of the machine to ensure the balance and safety of construction machinery (hydraulic excavator, cranes, forklifts, etc.)



Malaysia

Okumura Engineering Corporation

Valves Manufacturing and Sales Business

Okumura Engineering is a century-year-old company founded in 1902 that is primarily engaged in the manufacture and sale of valves. In light of the expected growth in demand for valves on the back of increasing demand for the water business and infrastructure development in Southeast Asia, Okumura Engineering established OKM VALVE (M) SDN. BHD (OKM Malaysia), a Malaysian subsidiary, with the aim of expanding its business. JBIC provided the funds necessary for the expansion of the production facilities of the valve manufacturing and sales business operated by OKM Malaysia in the State of Selangor, Malaysia.



Myanmar

EBISU SHOJI Co., Ltd.

Broiler Meat Processing and Sales Business

Established in 1969, Ebisu Shoji is engaged in the processing and sale of broiler meat by leveraging its strength of being able to supply a high-quality product on a stable basis thanks to its integrated system, from egg production to processing and distribution, all within the Group. Ebisu Shoji seeks to enter the Southeast Asian market and gain market share by establishing the subsidiary TTSN Ebisu Co., Ltd. as a production base in Myanmar, where stable economic growth continues. JBIC provided the funds necessary for Ebisu Shoji to establish the local subsidiary.



Myanmar**OKAMURA TRADING CO., LTD.****Processed Seafood Products Manufacturing and Sales Business**

OKAMURA TRADING is engaged in the import and sale of processed seafood products. OKAMURA TRADING established the subsidiary OKAMURA TRADING MYANMAR CO., LTD (OTM) as a manufacturing base in Myanmar in September 2017 in anticipation of growth in demand, especially in Asia, for processed seafood products such as sushi ingredients. JBIC, through its first cofinancing with the Aomori Bank, Ltd., provided OKAMURA TRADING with the funds necessary for establishing a new production factory for the manufacture and sale of processed seafood products performed locally by OTM.

**The Philippines****BANDAI CO., LTD.****Wire Harness Manufacturing and Sales Business**

BANDAI is engaged in the manufacture and sale of wire harnesses for automobiles. With steady overseas demand for wire harnesses anticipated, in March 2017, BANDAI established the local subsidiary BANDAI WIREHARNES PHILIPPINES, INC. (BWP) as a manufacturing and sales base in the Philippines. BANDAI seeks to expand production in the Philippines. JBIC provided the funds necessary for the manufacture and sale of wire harnesses by BWP.

**Thailand****FORTH Inc.****Automotive Parts Sheet-Metal Processing Business**

FORTH is primarily engaged in the business of sheet-metal processing of auto parts. With the growth of the automobile market in ASEAN countries, FORTH established the subsidiary THAI FORTH CO., LTD. (TFC) in Thailand where demand for automotive parts is expected to grow. FORTH seeks to expand sales channels, especially among Japanese companies that are entering the market, with its advantage of being able to handle prototype sheet-metal processing of precision auto parts locally. JBIC provided the Thai baht-denominated funds necessary to expand the production facilities for the business of sheet-metal processing of auto parts.

**Thailand****IME (HD) Co., Ltd.****In-Vehicle Electronic Parts Manufacturing and Sales Business**

IME (HD) is the holding company of a corporate group built around IM ELECTRONICS Co., Ltd., which is primarily engaged, as a group, in the manufacture and sale of various in-vehicle electronic parts. In 2011, IME (HD) established the subsidiary IM Electronics (Thailand) Co., Ltd. in Thailand, where automobile industry demand is expected to grow. It seeks to increase sales to automotive parts manufacturers who are expanding globally by boosting its production capacity. JBIC provided IME (HD) with the funds necessary to expand the production facilities of its local subsidiary.



Thailand

NIHON SHINKAN Co., Ltd.

Aluminum Products Manufacturing and Sales Business

NIHON SHINKAN is engaged in the manufacture and sale of aluminum products for a wide range of applications including office automation (OA) equipment and automotive parts. It seeks to expand business in economically growing ASEAN countries by enhancing the production capacity of NIHON SHINKAN (THAILAND) CO., LTD., its subsidiary in Thailand, where OA equipment and automobile industry demand is growing. JBIC provided Thai baht-denominated funds necessary for plant expansion to support the aluminum product manufacturing and sales business conducted by the subsidiary in Ayutthaya Province in central Thailand.



Vietnam

Koden Co., Ltd.

Manufacturing and Sales of Household Electric Heating Appliances

Koden is engaged in the manufacture and sale of household electric heating appliances (electric carpets, electric blankets, etc.). Koden seeks to expand its sales activities for household electric heating appliances throughout Japan and abroad and to further expand business by increasing the production capacity of its subsidiary KODEN VIETNAM CO., LTD. in Vietnam. JBIC provided Koden with the funds necessary for the manufacture and sale of household electric heating appliances by its subsidiary in Vietnam.



Vietnam

Toyota Corolla Nankai Co., Ltd.

Automobile Maintenance and Sales Business

Since its founding in 1961, Toyota Corolla Nankai has engaged in the automobile maintenance and sales business. In 2017, Toyota Corolla Nankai established TOYOTA NANKAI HAIPHONG WEST CO., LTD., a subsidiary in Vietnam, where demand for automobiles is expected to grow. Toyota Corolla Nankai seeks to further expand business through automobile sales and an associated maintenance and service business in Vietnam. JBIC provided Toyota Corolla Nankai with the funds necessary to establish a maintenance and service shop and install a maintenance line to be operated by its local subsidiary.



Vietnam

Tombow Pencil Co., Ltd.

Stationery Supplies Manufacturing and Sales Business

Tombow Pencil is engaged in the manufacture and sale of stationery supplies including pencils, erasers, and glue. In June 2017, it established the subsidiary TOMBOW MANUFACTURING ASIA CO., LTD. in Vietnam as a manufacturing and sales base in anticipation of steady worldwide demand for stationery supplies. Tombow Pencil seeks to further expand business by securing a new production base. JBIC provided Tombow Pencil with the funds necessary for the manufacture and sale of stationery supplies by its local subsidiary. The funds covered the establishment of a new production factory in Vietnam.



Turkey

Sango Co., Ltd.

Automotive Parts Manufacturing and Sales Business

Since its founding in 1928, Sango has engaged in the manufacture and sale of automotive exhaust system parts for major automakers by leveraging its strength in metal processing technologies for various metal stamping and pipe products. In 2002, Sango established the subsidiary SANGO OTOMOTIV URUNLERI SANAYI VE TICARET ANONIM SIRKETI (STI) in Turkey as a base serving automobile exports to the EU. Sango seeks to strengthen STI's production system in Turkey with the aim of further expanding its market share. JBIC provided the funds necessary for the manufacture and sale of automotive parts carried out by STI in Kocaeli Province, Turkey. The funds covered the expansion of production facilities.

Mexico

SAMTECH Corporation

Automotive Parts Manufacturing and Sales Business

SAMTECH, founded in 1913, is engaged primarily in the manufacture and sale of automotive parts. With the growth of North American and European automotive markets, SAMTECH seeks to further expand business by boosting the production capacity of its subsidiary in Mexico, SAMTECH AUTOMOTIVE MEXICO, S.A. de C.V (STAM), which continues to grow as a production base for automotive parts. JBIC provided the funds necessary for the manufacture and sales of automotive parts by STAM in the Mexican State of Guanajuato. The funds covered the establishment of a new production site.



Mexico

Okawa Screw Manufacturing Co., Ltd.

Automobile Parts Manufacturing and Sales Business

Okawa Screw is engaged in the manufacture and sale of automobile parts with a focus on precision cold forging technology¹. In 2012, Okawa Screw established OKAWA MEXICANA, S.A. DE C.V. in Mexico to strengthen its global production system. Against a backdrop of expanding economic growth in North America and a growing automobile market, Okawa Screw seeks to expand business in Mexico, which continues to grow as a production base for automotive parts. JBIC provided Mexican peso-denominated funds necessary for the manufacture and sale of automobile parts by Okawa Screw's local subsidiary in the Mexican State of Guanajuato.

1. A metal shaping technology that enables forging of a malleable metal by compressing it into a die at or near room temperature with a precision equivalent to that of cutting



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 (CO₂) 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.

Supporting Onshore Wind Power Generation Project in Egypt

JBIC concluded a loan agreement for project finance with Ras Ghareb Wind Energy SAE (Ras Ghareb), a corporation in Egypt in which Toyota Tsusho Corporation and Eurus Energy Holdings Corporation hold equity stakes. Under this project, Ras Ghareb will build, own, and operate an onshore wind power generation plant with a total generation capacity of approximately 262.5 MW on the Gulf of Suez. Ras Ghareb will sell the generated electricity to the Egyptian Electricity Transmission Company for 20 years.

This is the first project finance that JBIC has provided for a project in Egypt since the Arab Spring and also the first for a wind power generation project in Africa. JBIC supports renewable energy projects in Africa, in which Japanese companies have less experience, and this is the first renewable energy project that JBIC has approved under FAITH²¹.

In addition, this financial support is in line with Japanese government's policy initiatives such as "export strategy for infrastructure systems" and "Actions for Cool Earth: ACE2.0"².



Supporting Geothermal Power Project in Indonesia

JBIC concluded a loan agreement for project finance with PT Supreme Energy Rantau Dedap (SERD), an Indonesian company invested by Marubeni Corporation, Tohoku Electric Power Co., Ltd., and other sponsors for the Rantau Dedap Geothermal Power Project. In this project, SERD will construct, own, and operate a geothermal power plant with a gross capacity of 98.4 MW in South Sumatra, Indonesia. The electricity generated from this plant will be sold to PT PLN (Persero), a state-owned power utility in Indonesia, for a period of 30 years.

In Indonesia, demand for electricity is surging due to economic growth. The Indonesian government has committed to promoting its 35 GW power plant development plans, and this project is positioned as a part of those plans. The Government has been actively promoting geothermal power generation, which taps into the country's rich geothermal resources, including the issuing of a new law for geothermal power production in 2014. By generating a steady power supply, which contributes to climate change mitigation, this loan is also expected to support Indonesia's economic development as well.

Moreover, this project is in line with the Japanese government's "export strategy for infrastructure systems" and "Actions for Cool Earth: ACE2.0" initiatives.



1. Reinforced version of the JBIC Facility for African Investment and Trade Enhancement (FAITH), launched in June 2013. FAITH2 started in August 2016.
2. An initiative announced by the Japanese government in November 2015, aimed at supporting action in developing countries to address climate change

Supporting Solar Power Generation Project in India

JBIC concluded a loan agreement for project finance with an Indian subsidiary (the company) of SoftBank Group Corp. (SBG), for a solar power generation project in India. Under this project, the company has constructed, owns, and is operating a solar power generation plant with a total generation capacity of 350 MW at the solar park built in Kurnool district, the state of Andhra Pradesh in the south of India. The company also sells the generated electricity to NTPC Limited, India's state-owned power generation company, for the contracted period of 25 years.



The government of India launched the Jawaharlal Nehru National Solar Mission, a major initiative to promote solar power generation, for developing 100 GW solar power capacity by 2022, and this power plant is a part of this initiative. This is SBG's first overseas solar power generation project in India.

This project, which is also in line with the Japan-India Investment Promotion Partnership that was announced by the Prime Ministers of Japan and India in 2014, is the first project that has been realized through discussions aimed at promoting investment in India's power generation project between the government of India and JBIC.

Partnerships and Knowledge Sharing in the Environmental Sector

Amid growing expectations for the implementation of environment-related projects toward 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.

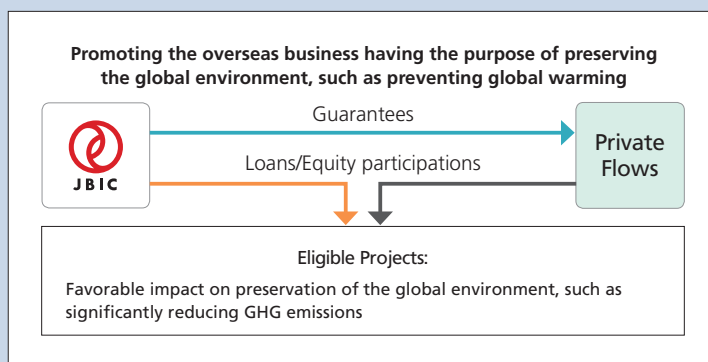
GREEN Operations

Since April 1, 2010, JBIC has conducted environmental operations under the name Global action for Reconciling Economic growth and ENvironmental preservation ("GREEN"). Under GREEN operations, JBIC has provided support for projects that have a high global environmental conservation effect in the form of loans, guarantees and equity participations, while mobilizing private-sector funds. GREEN's main focus has been providing support for preserving the global environment, mainly for projects that are expected to sharply reduce greenhouse gases (GHG), while paying attention to potential dissemination of Japanese advanced technologies that are highly regarded

around the world.

In light of the launch of the Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (see page 72) on July 1, 2018, "Overseas Investment Loans" were added to the available GREEN support tools in order to more actively assist projects that preserve the global environment.

JBIC will promote overseas infrastructure development that contributes to preserving the global environment while widely utilizing the know-how and technologies of Japanese companies.

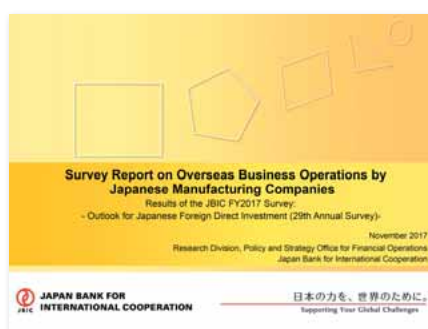


5 Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Governmental Organizations and International Organizations

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

■ Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC conducted the 29th Survey Report on Overseas Business Operations by Japanese Manufacturing Companies. Conducted since 1989, this survey attempts to identify the strategies and challenges of Japanese manufacturing companies expanding overseas, and appeals to a broad audience for its originality and continuity.



The FY2017 survey reported on the regularly covered topics such as "evaluations of overseas business performance," "overseas business prospects," and "promising countries or regions for overseas business operations." In addition, it examined themes such as "services provided and received by Japanese manufacturing companies outside Japan," and "business management of overseas affiliates." JBIC publishes its survey results and widely disseminates related information, such as by holding seminars in cooperation with local chambers of commerce and regional banks. JBIC also hosts explanatory meetings for Japanese chambers of commerce located overseas, as well as for foreign governments, and the survey's results have been effectively utilized in policy recommendations to foreign governments.

■ Public-Private Partnership (PPP) Initiatives

In May 2017, the 50th Asian Development Bank (ADB) Annual Meeting was held in Yokohama, Japan. Taking advantage of the opportunity presented by ADB's annual meeting, held in Japan for the first time in 10 years, JBIC and ADB co-sponsored a seminar titled "Future Prospects of Quality Infrastructure Projects in Asia through Public-Private Partnership." The seminar aimed to develop shared awareness of challenges and future courses among stakeholders, and featured keynote speeches and panel discussions on the best ways that the private and public sectors can cooperate and on what roles each should take in addressing the growth in infrastructure demand in Asia. More than 200 people participated in the seminar, showing a keen interest in infrastructure development projects under PPP among stakeholders from many countries, institutions, and corporations.

In June 2017, JBIC and the Japan Institute for

Overseas Investment (JOI) co-sponsored a seminar titled "Sustainability & Economics of Public-Private Partnerships" and invited as a speaker Professor Alexander Galetovic, who conducts studies and research on PPP at the Universidad de Los Andes in Santiago, Chile. Professor Galetovic explained from an economic viewpoint based on various empirical research conducted abroad the conditions under which PPP properly functions, the relationship between government budget constraints and PPP, the best way for the public and private sectors to share risk, issues related to demand risk, and contract design issues concerning projects which include that risk, renegotiation of concession contracts, and other issues. In a panel discussion featuring Professor Galetovic, several JBIC officials pointed out the practical and political aspects of PPP projects, contributing to an animated discussion.



Seminar on the "Future Prospects of Quality Infrastructure Projects in Asia through Public-Private Partnership"

■ Collaboration with Overseas Governmental Organizations and International Organizations

In December 2017, JBIC and the Export-Import Bank of India (EXIM Bank) jointly held a conference titled "JBIC and EXIM Bank Support for Japan-India International Collaboration Projects." In September 2014, JBIC signed an MOU for business cooperation with EXIM Bank. The purpose of this MOU is to explore the possibilities of Japan-India cooperation in financing businesses and projects in India and its neighboring countries, such as infrastructure development projects aimed at strengthening connectivity between India and its neighboring countries or business in third countries where Japanese companies collaborate with Indian companies. Both banks have cooperated on various occasions based on this MOU. As a part of this cooperation, this conference focused on the roles and functions of the two banks for business partners in India, as well as on cooperation between the Export Credit Agencies (ECAs) of Japan and India for exports to and investments in third countries.

JBIC held the Seventh Annual Meeting for Financial Policy Dialogue with the Government of Indonesia in October 2017. Since it was first held in August 2010, this annual meeting has aimed to have comprehensive, high-level discussions on issues related to infrastructure projects supported by JBIC, as well as on macroeconomic policies, in order to deepen the cooperative relationship between Indonesia and Japan. During the meeting, the participants from Indonesia expressed their expectations

for infrastructure development support outside of Java, which is a current focus for the Government of Indonesia including for the isolated islands, and the sharing of JBIC's knowledge on structuring PPP projects in the infrastructure field. JBIC described infrastructure development projects which had led to economic growth in Indonesia. JBIC also explained its plan to further strengthen its efforts in social infrastructure sectors other than the power sector. JBIC will continue to hold discussions with the ministries and state-owned companies of Indonesia under the framework of policy dialogue, for providing support not only to Japanese companies that plan to expand their businesses in Indonesia, but also to a wide range of sectors for the country's economic growth.



Seventh Annual Meeting for Financial Policy Dialogue between JBIC and the Government of Indonesia

In May 2017, JBIC held the Sixth Annual Meeting for Policy Dialogue with the Government of Mexico. The annual meeting was based on the framework agreed upon in the MOU signed in February 2011 with the Secretariat of Finance and Public Credit of Mexico and ProMéxico.

In the meeting, the Government of Mexico explained the impact of U.S. trade and immigration policies and the Mexican government's policy and strategy to deal with such circumstances. They stated that both Japan and Japanese companies are essential partners for Mexico and expressed their hope that Japan will continue to invest in Mexico. They also voiced their expectations for the cooperation of Japanese companies in the energy reform that is currently being carried forward by the Mexican government. JBIC responded by raising a discussion on the possibility of Mexico functioning as the gateway for production and export to the Inter-American region. Furthermore, JBIC presented concerns held by Japanese companies operating in Mexico and the issues which must be addressed in order for Mexico to become an export hub, and expressed that JBIC will provide support in the resolution.

In May 2017, Dr. Etsuaki Yoshida, Director and Senior Economist, Country Credit Department, JBIC, delivered a speech at the 2nd CIBAFI Global Forum in Jordan. CIBAFI, the General Council for Islamic Banks and Financial Institutions, was established in 2001 by the Islamic Development Bank and other private financial institutions, which amount to 120 organizations from 31 countries. It aims to enhance cross-border communication and coordination among institutions within the Islamic financial industry on a global scale. The forum was intended to contribute to sound and comprehensive development of the industry. In the opening panel discussion titled "Macroeconomic Outlook

and Global Regulatory Developments," Dr. Yoshida gave his insights by mentioning business strategy on Islamic finance under oil price fluctuations, and potential influence of regulatory trends in the U.K. and U.S. which limit banks' business domain upon institutions that offer Islamic financial services.

■ Cooperation with Regional Financial Institutions

In April 2017, JBIC held the "High-level Workshop on International Finance for Regional Financial Institutions" with the cooperation of Kinzai Institute for Financial Affairs, Inc., inviting executive managers of regional financial institutions. The workshop was held with the aim of serving as a venue for an exchange of views to further enhance cooperative relationships between regional financial institutions and JBIC in term of supporting overseas business development by mid-tier enterprises and SMEs. A total of approximately 100 audience members including presidents and executive officers from over 60 regional financial institutions and Japanese branches of overseas banks participated.

At the workshop, JBIC explained its efforts for supporting mid-tier enterprises and SMEs in general as well as the securitization of loans. Furthermore, Mr. Toshihide Endo, then Director-General of Supervisory Bureau, Financial Services Agency, made a speech on the "Roles of Regional Financial Institutions in Terms of Supporting Mid-tier Enterprises and SMEs in Overseas Business Development," followed by a speech made by Mr. Kazuo Kubota, Executive Officer, The Bank of Yokohama, Ltd., titled "Measures of The Bank of Yokohama for Supporting Overseas Business Development," and another speech by Dr. Shinobu Nakagawa, then Deputy Director-General, Financial System and Bank Examination Department, Bank of Japan, titled "Trend of Management in European Banks under the Negative Interest Rates."

The Singapore representative office of JBIC held a workshop in August 2017 for Japanese regional banks in Singapore. This workshop was intended to share JBIC's knowledge and information about the macro-economic trends and recent topics of interest in the Asia and Pacific region, with Japanese regional banks in Singapore who manage their overall operations in the region.



High-level Workshop on International Finance for Regional Financial Institutions

4 Financial Instruments

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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 significant amount of advanced technology, and their export will be instrumental in enhancing the technological base of Japanese industries. Furthermore, Japanese shipbuilding and plant facilities industries have a broad range of supporting industries, including mid-tier enterprises and SMEs producing parts and components, and thus the loans are expected to positively contribute to the business of these Japanese companies. Export loans in specific sectors are also available to developed countries (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 the down payment. Local costs may be covered provided that the amount is within the scope prescribed by the OECD Arrangement.

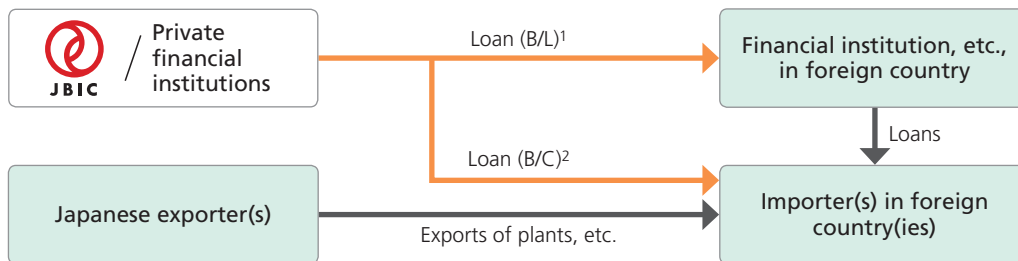
Note: Eligible Sectors of Export Loans in Developed Countries (as of July 31, 2017)

[Integrated Infrastructure System Projects]

Railways (high-speed, inter-city projects and projects in major cities), road business, 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, petrochemical production, waste incineration and waste to energy, smart grid

[Other Export Transactions]

Ships, satellites, aircraft, 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 Exports of Construction Machinery by Japanese Companies to Mongolia



Provided by SUMITOMO CORPORATION

JBIC concluded an individual loan agreement based on an export credit line¹ extended to the Government of Mongolia in June 2013. The loan is intended to provide, through the Ministry of Finance of Mongolia and Trade and Development Bank of Mongolia LLC, the necessary funds for Khishig Arvin Industrial LLC, a Mongolian company, to purchase construction machinery made by Komatsu Ltd. from SUMITOMO CORPORATION.

The enactment of the Agreement between Japan and Mongolia for an Economic Partnership (EPA) in June 2016 is expected to liberalize and facilitate trade and investment between the two countries and enhance reciprocal economic cooperation. This loan will contribute to the development of the Mongolian economy through the promotion of Japanese exports while maintaining and strengthening the international competitiveness of Japanese industries.

1. An export credit line is a form of export financing in which JBIC makes a commitment to provide a maximum amount of credit to be extended to the borrower (foreign banks or other entities) to finance exports of machinery, equipment, and services from Japan.

Supporting Export of Bulk Carriers Built by Japanese Shipbuilders



JBIC concluded two buyer's credit agreements with a Singapore-based ship-holding subsidiary of the Ultrabulk A/S Group, a Denmark-based bulk carrier operator under Chile-based ship owner Naviera Ultrana Limitada Group. These loans are intended to finance the Ultrabulk A/S Group to purchase through the exporter MITSUI & CO., LTD. two bulk carriers to be built by IMABARI

SHIPBUILDING CO., LTD.

These loans are intended to support the export of ships built by Japanese shipbuilders which perform a significant role in the regional economy and associated industries. These loans will therefore contribute to maintaining and strengthening the international competitiveness of the Japanese shipbuilding industry.

Import Loans

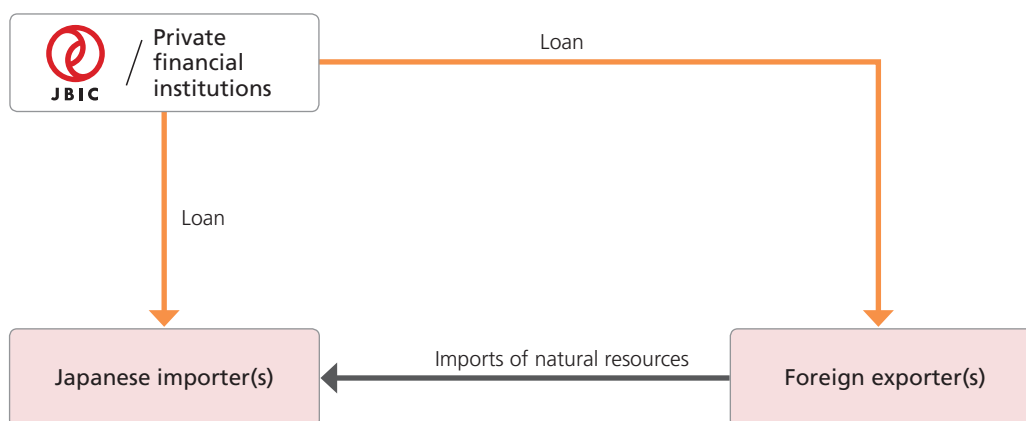
Import loans support imports of strategically important goods including natural resources. They are extended to Japanese importers or foreign exporters. As Japan is poorly endowed with natural resources, stable imports of natural resources over the long term are one of the key factors underpinning domestic economic activity. Import loans finance the development and import of energy resources, including oil and 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. (See page 67 for the scheme of guarantees for imports of manufactured products.)

■ Products Eligible for Import Loans (Natural Resources)

Oil, petroleum gas, LNG, coal, uranium, metallic ores, metals, mineral phosphate, fluorite, salt, lumber, wood chips, pulp, and other materials



Securing Long-term Supply of Crude Oil and Strengthening Strategic Partnership with UAE



JBIC concluded a facility agreement with Abu Dhabi National Oil Company (ADNOC), a state-run oil company wholly owned by the government in the Emirate of Abu Dhabi (Abu Dhabi) in the UAE. This is the fifth loan that JBIC has provided for ADNOC with an aim to securing a long-term oil supply for Japan.

Abu Dhabi is vital to Japan's energy resource strategy as it has been a stable source of crude oil for more than 30 years.

Additionally, Abu Dhabi allows foreign oil companies to conduct business based on oil concession agreements. This facility aims to support Japanese companies in renewing their existing concessions in the offshore oilfields in Abu Dhabi as well as acquiring new concessions. This facility will also help the strengthening of Japan's relationships with ADNOC as well as the UAE, which is an important country in terms of Japan's energy resource strategy.

Overseas Investment Loans

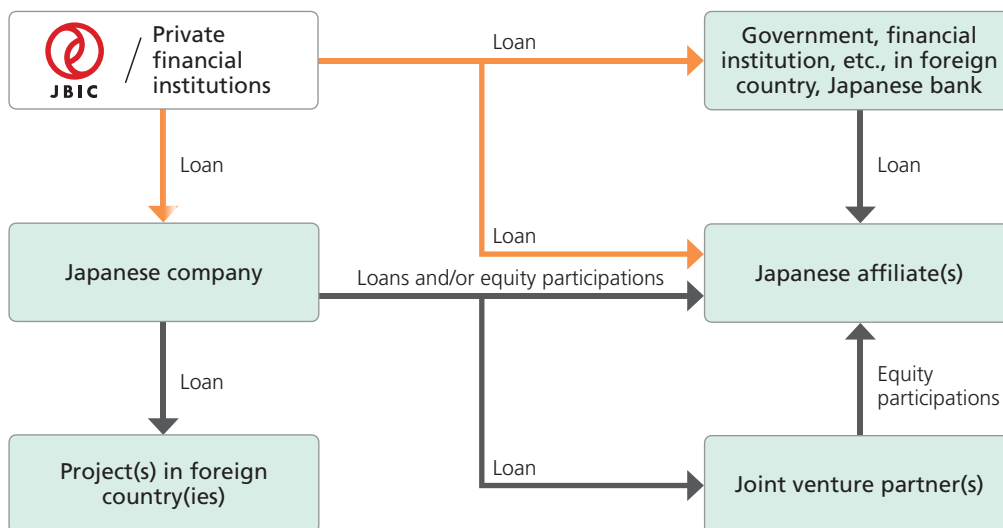
Overseas investment loans support Japanese foreign direct investments. The loans can be provided to Japanese companies (investors), overseas Japanese affiliates (including joint ventures), and foreign governments or financial institutions that have equity participations in or provide loans to such overseas affiliates.

Direct loans to Japanese companies are intended for mid-tier enterprises and SMEs, as well as to projects aimed at developing or securing interests in overseas resources that are strategically important to Japan, and projects that support merger and acquisition (M&A) activities (these projects include those of large companies). Moreover, JBIC provides two-step loans (TSL) to support the overseas business deployment of Japanese companies, including mid-tier enterprises and SMEs, as well as TSL intended to support M&A activities by Japanese companies. JBIC is also able to provide short-term loans for overseas business operations

when bridge loans are required to fill the financing gaps before that offers long-term loans. Moreover, JBIC is empowered to provide investment loans for projects in developed countries for specific sectors (see note).

Note: Eligible Sectors of Overseas Investment Loans in Developed Countries (as of July 31, 2017)

Railways (high-speed, inter-city projects and projects in major cities), road business, 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, CCS, highly efficient gas-fired power generation, smart grid, development of telecommunications network, shipbuilding and marine transport, satellite launching and operation, aircraft maintenance and sales, medical business (related to positron beam therapy facility), petrochemical production, waste incineration and waste to energy, M&A activities, etc.



Supporting Japanese Companies' Long-term and Stable Procurement of Copper Concentrate



JBIC concluded a loan agreement with Chilean company Minera Escondida Limitada (MEL), in which Mitsubishi Corporation, JX Nippon Mining & Metals Corporation, Mitsubishi Materials Corporation, and others have stakes. This loan is provided to the expansion project of the Escondida Copper Mine in Región de Antofagasta, Chile, the world's largest copper mine. The loan is expected to maintain the production capacity of

copper concentrate impacted by the lower head grade.

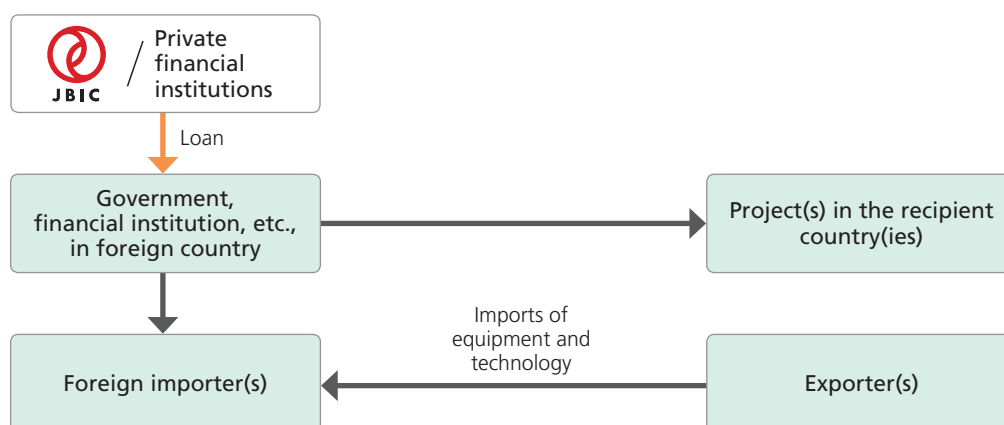
MEL is supplying a significant proportion of copper concentrate production to Japanese smelters. The loan contributes to the continuity of supply over the long term for a grade of product that is strategically important in the Japanese market because of its low level impurities and high copper content.

Untied Loans

Untied loans are intended to finance projects and the import of goods by developing countries, or for such countries to achieve equilibrium in their international balance of payments, or to stabilize their currencies. Loans are not conditional on investments or procurement of equipment and materials from Japan.

Capital procured from untied loans is used to: secure

stable supplies of energy and mineral resources for Japan; promote business activities of Japanese companies; maintain and expand trade and direct investment from Japan; finance projects having significant effects on global environmental preservation; and finance projects maintaining order in international financing.



Supporting Diversification of Turkey's Funding Sources and Vitalization of Samurai Bond Market

JBIC made a partial acquisition of a yen-denominated bond issued in the Japanese bond market (Samurai bonds)¹ by the Government of Turkey (GOT) under JBIC's facility of the Guarantee and Acquisition toward Tokyo market Enhancement (GATE)². This acquisition follows three previous Samurai bonds issued by GOT that JBIC has provided support to. At this time,

the issuance of Samurai bonds without JBIC's guarantee was successful. JBIC's support in encouraging foreign issuers to issue Samurai bonds in the Tokyo market is expected to provide broader investment opportunities for Japanese investors and stimulate the Samurai bond market.

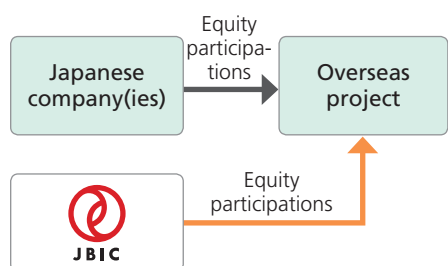
1. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Tokyo bond market.
2. GATE facility supports the issuance of Samurai bonds through partial guarantees or partial acquisition by JBIC.

Equity Participations

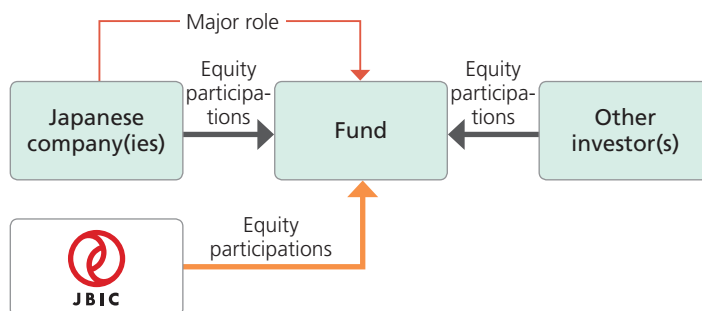
Equity participations are capital contributions to companies where Japanese companies have equity stakes to undertake overseas projects, as well as funds where Japanese

companies perform significant roles. In principle, equity participations take the following forms.

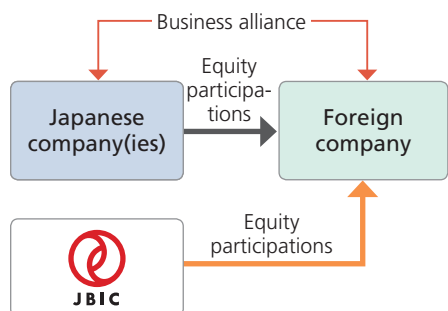
■ Japanese companies make equity participations in an overseas project



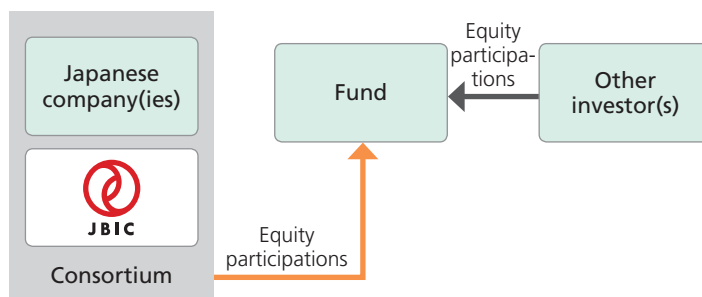
■ Japanese companies participate in a fund (and perform such a major role as general partner in their management and investment decisions)



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



■ Japanese companies form a consortium and participate in an international fund



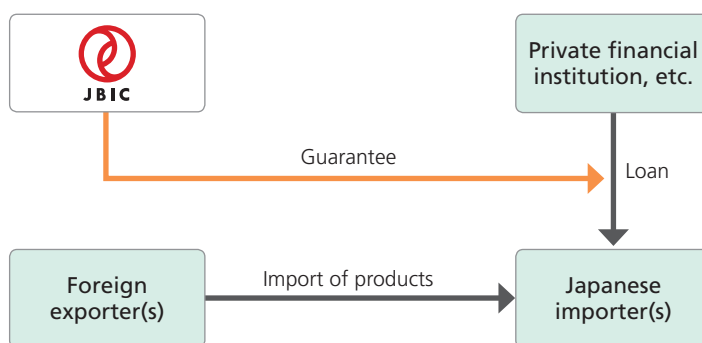
Guarantees

In addition to loans and equity participations, JBIC 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, as well as for currency swap transactions. JBIC also issues reinsurance for guarantees from export credit agencies in other countries.

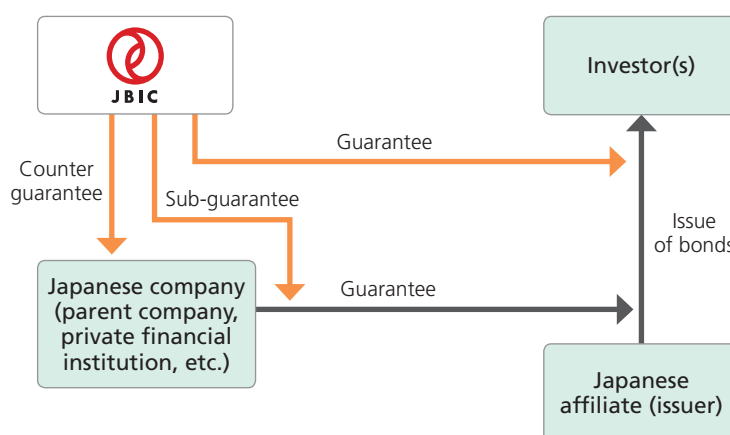
Guarantees for Imports of Manufactured Products

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



Guarantee for Loan by Private Financial Institutions for Aircraft Import



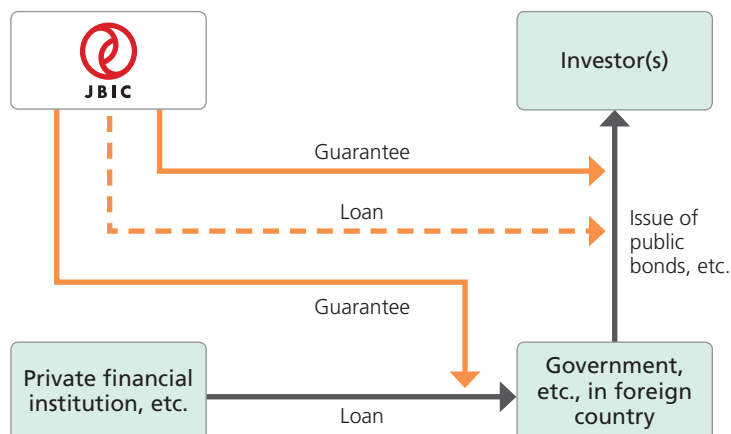
JBIC concluded a guarantee agreement with two private financial institutions for the principal and interest of private financial institution loans related to the import of aircraft by ANA HOLDINGS INC. (ANAHD). This guarantee will assist TLC Citron Co., Ltd. and FK Utopia Leasing Ltd. in borrowing from private financial institutions the funds necessary to import aircraft from the Boeing Company in the U.S. that will be operated by the ANA Group. The imported aircraft will then be leased to ANAHD.

JBIC also concluded a guarantee agreement with private financial institutions (16 banks) for the principal and interest of a loan to Japan Airlines Co., Ltd. (JAL). This guarantee is intended to support JAL in obtain financing from private financial institutions to import aircraft from the Boeing Company.

JBIC will contribute to maintaining and strengthening the international competitiveness of the Japanese aviation industry and continue to provide financial support for the import of aircraft that are indispensable for the lives of Japanese citizens.

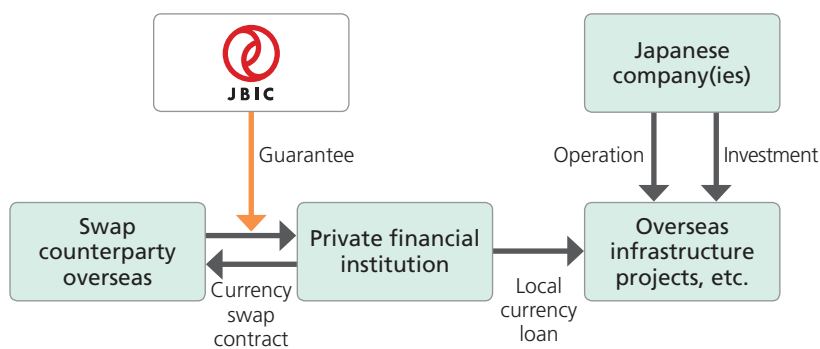
Guarantees for Cofinancing, Overseas Syndicated Loans, and Public Sector Bonds

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



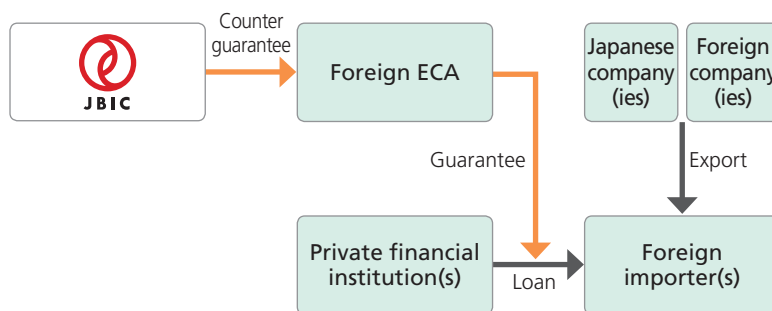
Guarantees for Currency Swaps

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



Counter Guarantees for Export Credits

In the cases where Japanese companies export machinery and equipment jointly with companies of another country, JBIC provides a counter guarantee for the guarantee provided by that country's export credit agency (ECA). This function enables JBIC to flexibly support export projects by Japanese companies collaborating with foreign companies through multilateral mutual guarantee schemes.



Supporting Japanese Companies' Funding of Local Currency through Collaboration with Japanese and Indonesian Private Financial Institutions



JBIC concluded contracts with the MUFG Bank, Ltd. (MUFG) and PT Bank CIMB Niaga Tbk (CIMB Niaga) of Indonesia concerning a currency swap guarantee arrangement under which JBIC will guarantee currency swap transactions executed for providing funds in Indonesian rupiah (Rupiah) to Japanese companies in Indonesia.

In Indonesia, which is undergoing continued economic growth, Japanese companies' needs for long-term Rupiah funds are rising due to the obligation to

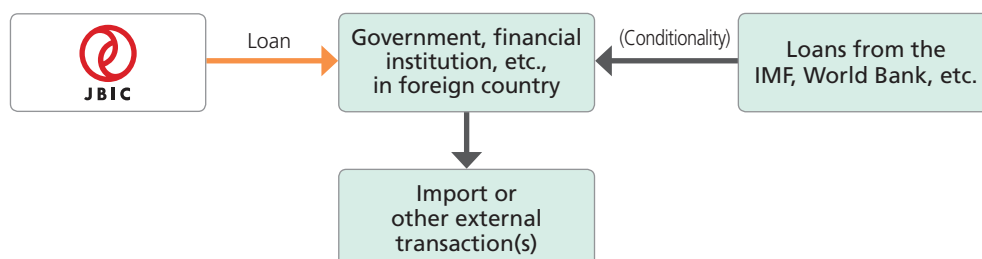
use Rupiah in fund settlements in the country. These contracts enable MUFG's smooth procurement of long-term Rupiah funds. JBIC will provide MUFG with a guarantee for the payment of early termination amount by CIMB Niaga, the counterparty of MUFG's currency swap transactions in case of cancellation of swap transactions. This currency swap guarantee arrangement will facilitate long-term funding in Rupiah by Japanese companies.

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 the clearance of 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* 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.

* 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 those focused on specific regions or industry sectors that may be conducive to specific projects. This is an effective means of identifying potentially quality projects, and is expected to lead to increasing exports of materials and services from Japan, as well as expand opportunities to participate in projects by Japanese companies. Research and studies are conducted at each stage necessary for realization of the project, including preparation 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 conducive 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 sequence.

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 and Other Financial Instruments

JBIC provides support for securitization and an increase in liquidity in order to complement and encourage the activities of private financial institutions.

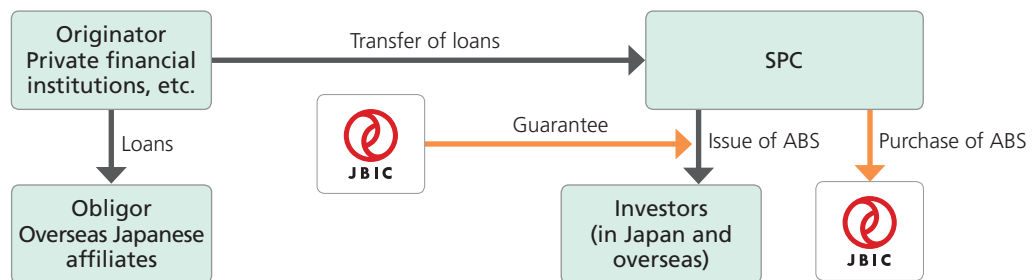
1. Securitization (Guarantees)

In cases where special purpose companies (SPC) or trust companies issue asset-backed securities (ABS) or other financial products with loans or other assets as collateral, JBIC guarantees the payment of such ABS 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 ABS issued by SPC or trust companies with loans or other assets as collateral. JBIC's acquisition will support the securitization needs of the originators* and is expected to help invigorate the bond market by circulating the acquired bonds back into the market when market conditions allow.

* An originator is the original owner of assets to be securitized and obtain funding through securitization.

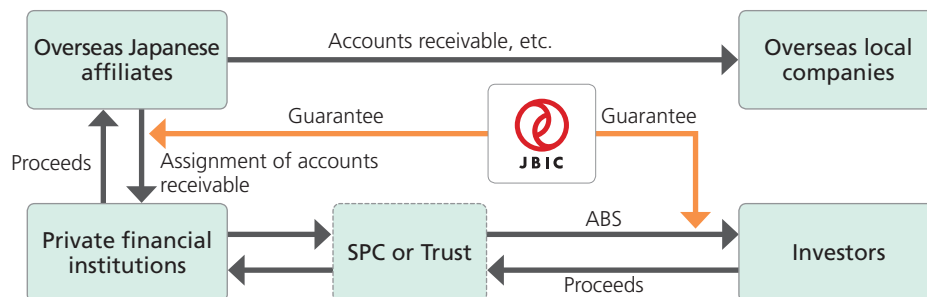


* The above diagram depicts a scheme where SPC are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

3. Securitization and Liquidation of Receivables

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 receivables by banks (an increase in their liquidity). JBIC

is also able to provide guarantees for securities issued by SPC or trust companies in cases where these securities have monetary claims acquired from overseas Japanese subsidiaries on collateral.



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” (Environmental Guidelines).

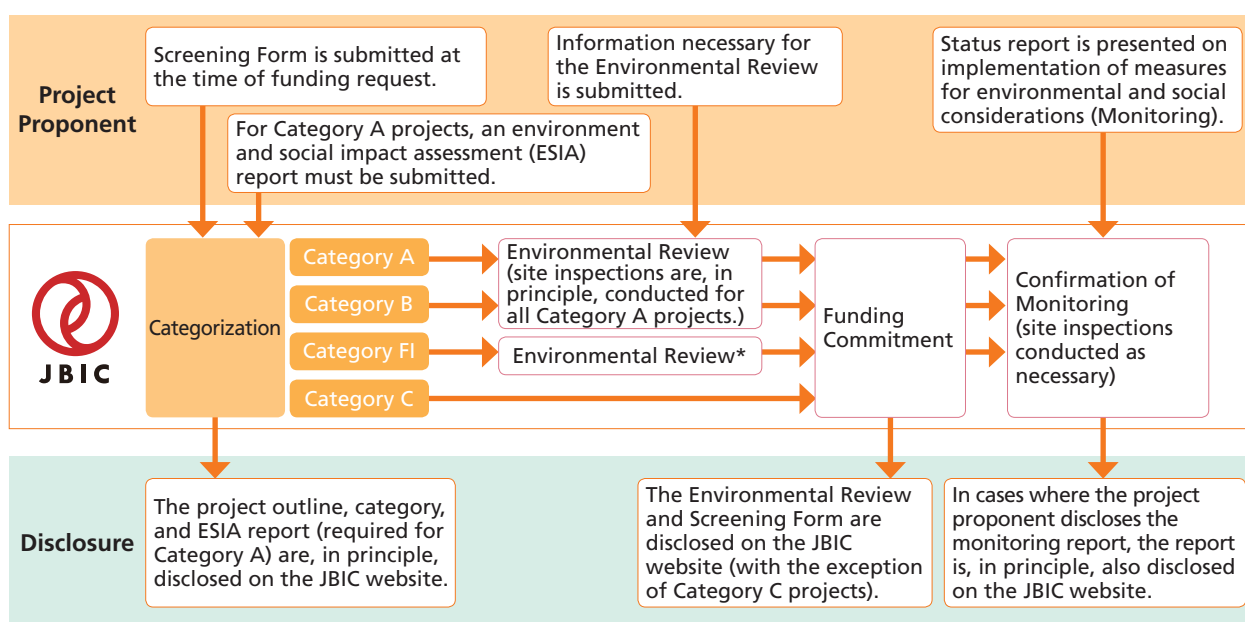
The Environmental Guidelines set out the procedures, criteria, and requirements that JBIC-financed projects must

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.

In addition, JBIC established and made public the “Japan Bank for International Cooperation Guidelines for Confirmation of Information Disclosure Considerations for Nuclear Sector Projects” (Information Disclosure Guidelines) in December 2017. Based on the Information Disclosure Guidelines, JBIC confirms that appropriate measures are carried out by project proponents and other relevant parties to ensure information disclosure and public participation for issues specific to each project.

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

Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth

JBIC launched the new Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG), and started it on July 1, 2018.

Japanese Deputy Prime Minister and Minister of Finance Taro Aso announced the launch of QI-ESG at the Annual Meeting of the Asian Development Bank held

in May 2018 in Manila, Philippines. Amid the increasing global trend for environmental, social and governance (ESG) investment across the world, JBIC's new facility, QI-ESG, aims to provide a wide range of financing support for infrastructure development which is expected to help to preserve the global environment.

■ Financing Conditions of QI-ESG

Eligible projects	Projects that are expected to reduce greenhouse gas (GHG) or contribute to protecting the global environment, including those related to renewable energy, energy savings, green mobility solutions (such as a modal shift in transportation and electric vehicles), air pollution prevention, water supply, water pollution prevention and waste disposal, etc.
Available currencies	Japanese yen, U.S. dollar, and the Euro (other currencies to be decided separately)
Financing amount available from JBIC	Up to 60% of the total cofinancing amount
Deadline for signing a financing agreement	Until the end of June 2021

■ Major Features of QI-ESG

Expanded scope of eligible projects: The new facility will provide various financial assistance to infrastructure development projects that are expected to contribute to global environmental protection, including those connected with air pollution prevention, water supply, water pollution prevention and waste disposal, in addition to the sectors that JBIC has supported under its GREEN Operations.

Energy supply (Power generation/Heat supply)	Renewable energy	<ul style="list-style-type: none"> Solar energy, wind energy, geothermal energy, biomass energy, hydro energy, etc. Essential equipment/machinery, etc.
	Other energy saving	<ul style="list-style-type: none"> High-efficiency coal-fired power generation, gas-fired thermal power generation, cogeneration, power generation from waste, fuel cells, etc. Essential equipment/machinery, etc.
Energy demand	Energy-saving equipment/machinery in each industrial field	<ul style="list-style-type: none"> High-efficiency equipment/technology, etc. Use of waste heat and exhaust gas
Green innovation	Smart energy	<ul style="list-style-type: none"> Smart grid, etc. Storage batteries, etc.
	Green mobility	<ul style="list-style-type: none"> Modal shift (including intercity traffic) Next-generation mobility (electric vehicles, electric ships, etc.)
	Smart cities	<ul style="list-style-type: none"> Regional energy management system, energy-saving consumer electronics
Other global environmental preservation activities		<ul style="list-style-type: none"> Recovery of methane, fluorocarbon, etc. Air pollution prevention (Desulfurization/Denitrification equipment) Water supply/Water pollution prevention Carbon dioxide absorption Waste treatment (including recycling)

More diversified financial support tools: Previously, JBIC provided financing support only in the form of untied loans and equity participation under its GREEN Operations. Under QI-ESG, to enhance the support for environmental projects through various financial tools, JBIC will offer overseas investment loans under its GREEN Operations, in addition to the above-mentioned financial instruments, for infrastructure projects that are expected to help protect the global environment. The new facility will enable JBIC to consider providing overseas investment loans to projects involving Japanese companies from the perspective of not only maintaining and increasing the international competitiveness of Japanese industries, but also of contributing to global environmental protection.

JBIC will promote QI-ESG in collaboration with multilateral development banks and other financial institutions.

More streamlined and efficient operation procedures: Projects approved under the GREEN Operations have been required to quantify GHG emission reductions under the Guidelines for Measurement, Reporting and Verification of GHG Emission Reductions in JBIC's GREEN. Under QI-ESG, to further promote the implementation of projects, the quantitative measurement process of GHG emission reductions applied to GREEN projects will be simplified by only evaluating an estimate of emission reductions made through projects when JBIC determines commitment of a loan, equity participation, or guarantee. Furthermore, if it is obvious that a project will help to protect the global environment based on a qualitative evaluation, the evaluation process of calculated emission reductions can be omitted for the purpose of implementing more simplified and efficient operation procedures. This will ease the burden of clients applying for JBIC's financing supports.

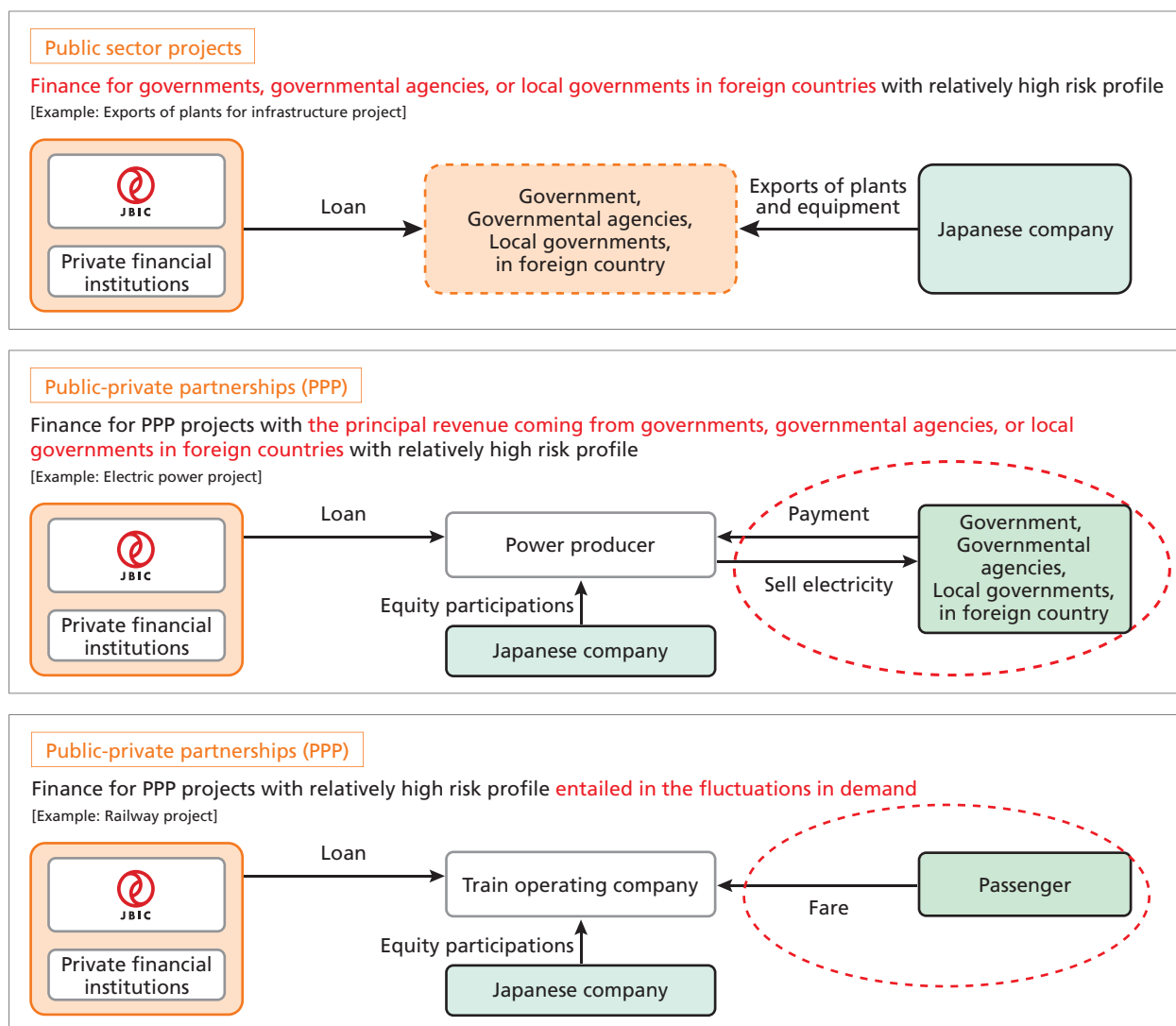
Launch of Special Operations for Overseas Infrastructure Projects

As part of the enhancement of JBIC functions based on the Act for Partial Amendment of the Japan Bank for International Cooperation Act, on October 1, 2016, JBIC launched the Special Operations, enabling JBIC to take further risks regarding overseas infrastructure projects,

with the aim of providing more support toward Japanese companies' overseas infrastructure businesses.

In fiscal 2017, JBIC supported the export of an automatic train stop system to Argentina as the second project of the Special Operations.

Examples of Projects under the Special Operations



Supporting Export of Automatic Train Stop System by Japanese Companies to Argentina

JBIC concluded a loan agreement on buyer's credit (export loan) with the Government of Argentina. The loan is intended to finance the purchase of a set of a railway signal system (manufactured by NIPPON SIGNAL CO., LTD.) from Marubeni Corporation in order for State Company of Administration of Railway Infrastructure to carry out installation of an automatic railway stop system for Buenos Aires' suburban rail lines.

The Argentine government announced that an infrastructure

development plan, which includes foreign investment and renewal of facilities, in infrastructure sectors, such as railway, is being considered. Japanese companies aim to capture the opportunities to export their products to the Argentine infrastructure industry. This loan will contribute to improving the safety of the Argentine railway sector by introducing high-quality infrastructure, as well as contribute to maintaining and strengthening the international competitiveness of Japanese industries.



3 Framework for Supporting Globalization Efforts of Mid-tier Enterprises and SMEs

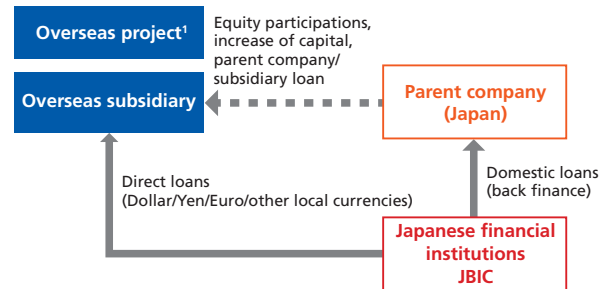
With the economic growth of emerging market countries, especially in Asia, an increasing number of mid-tier enterprises and SMEs seek not only to meet the procurement needs of major Japanese companies with overseas production operations, but also to expand their own business in emerging markets. With such change in the purpose of overseas expansion of mid-tier enterprises and SMEs, the need for funds among mid-tier enterprises and SMEs has grown more diverse.

To respond to the diversification of financial needs of mid-tier enterprises and SMEs for their overseas expansion, JBIC has further enhanced cooperation with Japanese private financial institutions. JBIC expanded its support from individual loan schemes based on cofinancing with private financial institutions to two-step loans through private financial institutions, foreign currency-denominated loans, and two-step loans for finance leases (see diagram on right for individual loan and two-step loan schemes).

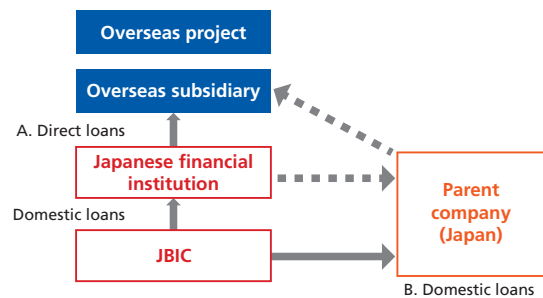
JBIC is also collaborating with local financial institutions overseas by signing memorandums to develop a support system for mid-tier enterprises and SMEs overseas business expansion that involves regional financial institutions in Japan.

Example of mid-tier enterprises and SMEs support schemes

1) Individual loan scheme



2) Two-step loan scheme (via Japanese financial institution)



1. In principle, intended to developing countries

* Definition of mid-tier enterprises and SMEs: Companies capitalized at less than ¥1 billion or with not more than 300 employees. Consolidated subsidiaries of large companies are excluded.

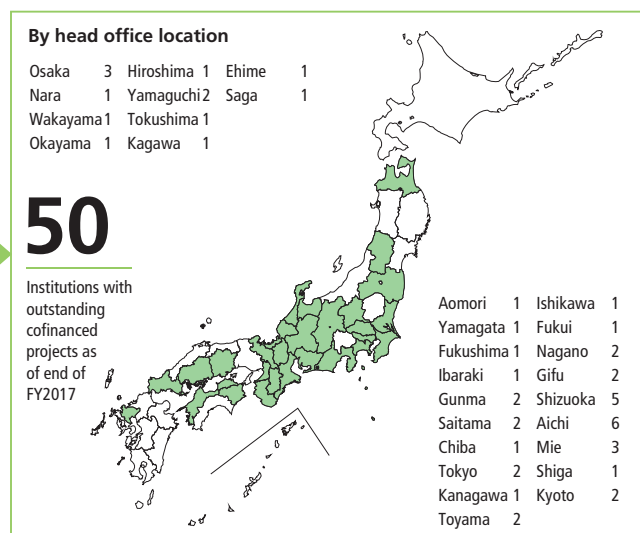
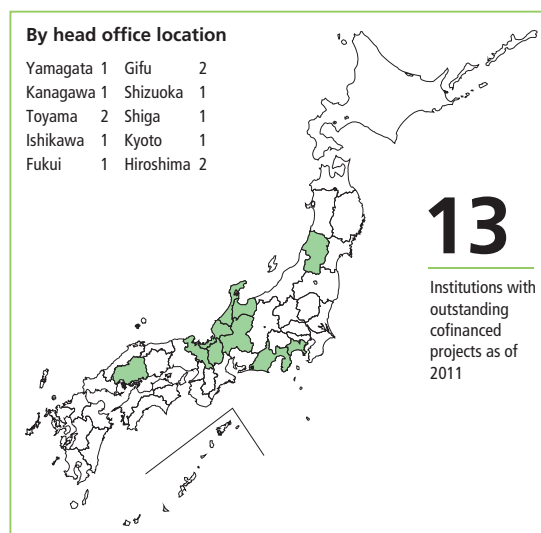
Five Measures to Support Overseas Business Deployment of Mid-tier Enterprises and SMEs

- (1) Response to small loans (several tens of millions of yen): Loans for replacement of machinery, in addition to new capital investment
- (2) U.S. dollar, Euro, and local currency-denominated loans: Financing of long-term with U.S. dollar, Euro, and local currency
- (3) Support for M&A overseas: Loans for acquisition funds required when entering overseas markets through M&A
- (4) Coordination and cooperation with private financial institutions (regional banks, *Shinkin* banks, mega banks): Support for the overseas business deployment needs of mid-tier enterprises and SMEs all through the country
- (5) Utilization of networks of JBIC overseas offices: Information service on overseas investment environment; support for solving issues with foreign governments

Support for the Overseas Deployment of Mid-tier Enterprises and SMEs

Utilizing the know-how and experience of overseas financing that it has accumulated over the years, JBIC provides long-term financing required by Japanese companies, including mid-tier enterprises and SMEs, for overseas investment, export of products, and other activities through cofinancing with private financial institutions in

Number of Local Financial Institutions That Cofinanced Projects for Mid-tier Enterprises and SMEs



the form of overseas investment loans, export loans, and other loans.

■ Cooperation with Japanese Regional Financial Institutions, etc.

Regional financial institutions that mid-tier enterprises and SMEs work with play an important role when mid-tier enterprises and SMEs seek to expand overseas.

JBIC has cooperated with regional financial institutions on cofinancing and financing of two-step loans. In FY2017, JBIC has cofinanced with the Bank of Saga Ltd., the Aomori Bank, Ltd., and the Musashino Bank, Ltd., in addition to regional financial institutions with which it has past transactions. Moreover, a general agreement to establish a credit line for the funds necessary to enable Japanese mid-tier enterprises and SMEs to promote their business in developing countries was concluded between the Nanto Bank, Ltd., the Chugoku Bank, Ltd., the Hokkoku Bank, Ltd., and the Nishi-Nippon City Bank, Ltd.

JBIC is strengthening cooperation beyond financing including cooperation in cofinancing and the financing of two-step loans. In April 2017, JBIC also invited executive officers including the presidents of more than 60 regional financial institutions to hold the High-level Workshop aimed at further enhancing cooperative relationships.



Meeting to exchange views with the State Bank of India

■ Cooperation with Local Financial Institutions in Developing Countries

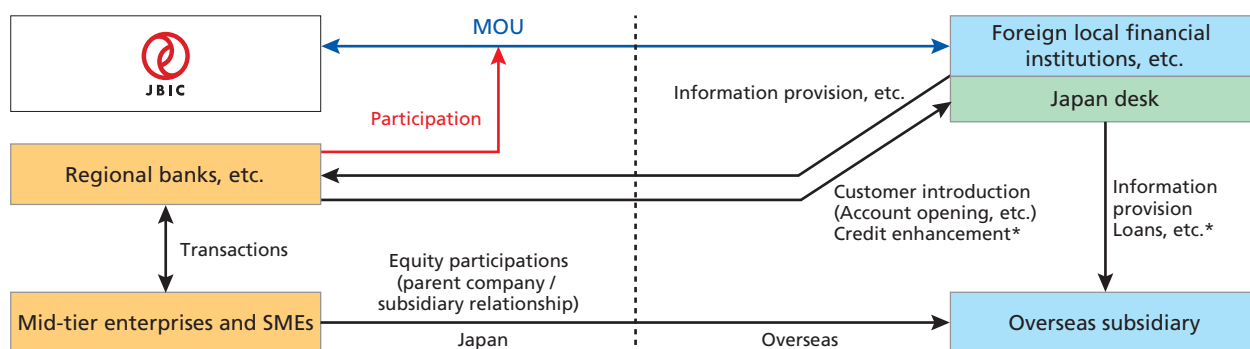
Securing the support of local financial institutions in developing countries well acquainted with the local area is also vital for mid-tier enterprises and SMEs.

JBIC has forged stronger relationships with local financial institutions in developing countries while it identifies the needs of mid-tier enterprises and SMEs to expand business overseas through Japan's regional financial institutions. As a part of those efforts, JBIC has concluded MOUs with local financial institutions to develop a support system for mid-tier enterprises and SMEs' overseas business expansion that involves regional financial institutions in Japan. 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 that have business relationships with the mid-tier enterprises and SMEs.

JBIC has concluded an MOU to establish Japan desks with seven local banks in five Asian countries (KASIKORNBANK Public Company Limited in Thailand, PT. Bank Negara Indonesia (Persero) Tbk in Indonesia, the State Bank of India, BDO Unibank, Inc., the Metropolitan Bank and Trust Company (Metrobank) in the Philippines, the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) and the Joint Stock Commercial Bank for Foreign Trade of Vietnam), as well as four local governments (the State of Aguascalientes, the State of Jalisco, the State of Guanajuato, and the State of Nuevo León) and one local bank, (BANCO NACIONAL DE MÉXICO, S.A., INTEGRANTE DEL GRUPO FINANCIERO BANAMEX (Banamex)) in Mexico.

JBIC invited Japan desk staff of participating Japanese regional financial institutions and foreign local financial institutions to regular follow-up seminars to deepen mutual understanding through discussions on Japan desk management issues and methods of collaboration. In FY2017, JBIC held a meeting to exchange views with the State Bank of India and the State of Aguascalientes, Mexico.

Diagram Outlining Collaboration with Foreign Local Financial Institutions



* For loans from an foreign local bank based on credit enhancement from each Japanese regional bank, individual business cooperation agreements between the foreign local financial institutions and the Japanese regional bank must be concluded separately.

■ Providing Local Currency-denominated Loans

JBIC provides loans in various local currencies, including the Thai baht and Mexican peso. Mid-tier enterprises and SMEs, when trying to procure local currency funds in developing countries, 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 and provides cofinancing with private financial institutions directly to the local subsidiaries of Japanese companies who are the clients of those financial institutions. The cofinancing sometimes involves JBIC providing local currency-denominated loans and the private financial institutions providing yen-denominated loans through the parent company in Japan.

■ Business Matching with Overseas Companies

JBIC assists Japanese mid-tier enterprises and SMEs to expand sales channels and co-production and helps them to enter foreign-affiliated global supply chains. Further, as a part of reinforcing collaboration with regional financial institutions that goes beyond financing, since FY2017 JBIC has been creating opportunities for business matching between overseas companies and Japanese mid-tier enterprises and SMEs. JBIC performed business matching with a French automotive parts manufacturer in June 2017, and with a Canadian automotive parts manufacturer with the cooperation of the Hiroshima Bank in March 2018.



Business matching with Canadian automotive parts manufacturer

■ Information Services and Seminars

In addition to individual consulting services for mid-tier enterprises and SMEs' overseas expansion, JBIC provides advisory services through experts concerning the legal, accounting, and currency regulations related to tax affairs, employment and labor issues, contracts, company establishment, and other issues for China, India, the 10 member states of ASEAN, North America, Latin America, and the Middle East.

JBIC also organizes seminars and consultations on overseas business deployment in cooperation with 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 their business. The findings of these studies are compiled into guidebooks, which are available in book form and on JBIC's website.

In FY2017, JBIC created guidebooks on the investment environments in India, Indonesia, Thailand, and Vietnam.

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 and or as-needed basis in Sendai City, Ota City, Tokyo, and Nagoya, offers advice on the overseas investment climate and how to obtain long-term financing, among other topics.

5 Operational and Administrative Policies

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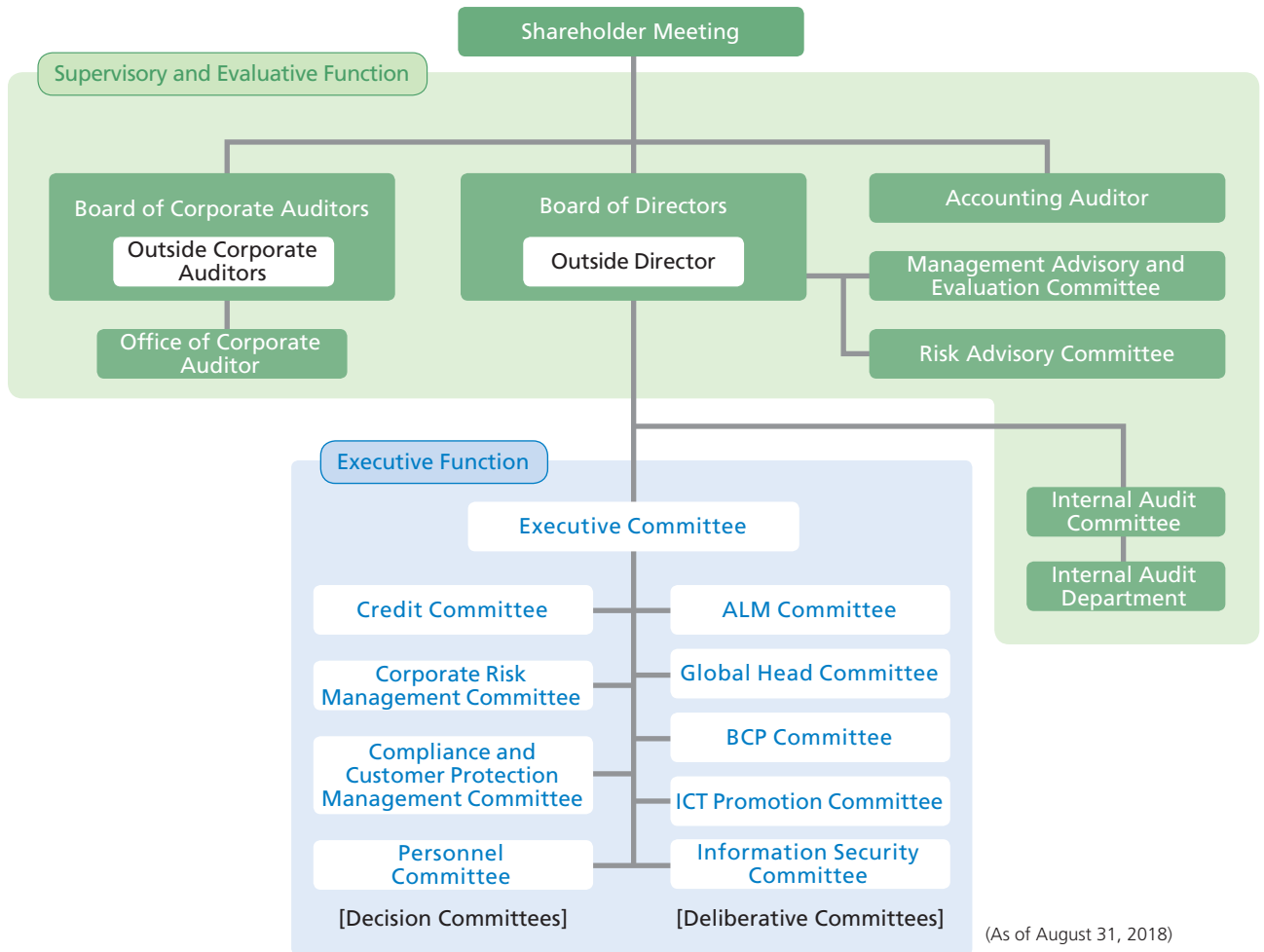


1 Corporate Governance

■ 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, 2011) and realize its corporate philosophy.



■ Involvement of Japanese Government

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 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 Evaluation 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 delegates specific tasks to them.

(1) Board of Directors

The Board of Directors consists of eight members, of which two members are outside directors as set forth in the Companies Act. The outside directors supervise the conduct of JBIC operations from the point of view of a corporate outsider, apart from representative directors of JBIC. In addition, the outside directors contribute 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 three 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 external experts, including 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.

(4) Risk Advisory Committee

The Risk Advisory Committee consists of external experts, including 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 obligors and risk exposure to large-scale projects.

(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 directors, 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 loans, equity participations, and guarantees 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) 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.

(vi) Global Head Committee

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

(vii) BCP Committee

The BCP Committee makes deliberations concerning enhancement of JBIC's business continuity plan (BCP) to be carried out, for example, upon the occurrence of large-scale disasters, as delegated by the Executive Committee.

(viii) ICT Promotion Committee

The ICT Promotion Committee makes deliberations concerning matters for achieving effective, efficient, and steady ICT (information and communication technology)

List of Members of the Management Advisory and Evaluation Committee
(As of July 31, 2018)

Name	Occupation
Shujiro Urata	Professor, Graduate School of Asia-Pacific Studies, Waseda University
Noriko Endo	Project Professor, Graduate School of Media and Governance, Keio University
Yoshinori Kawamura	JBIC Managing Director (Outside Director)
Shinichi Koizumi	JBIC Managing Director (Outside Director)
Yoshikatsu Suzuki	Journalist (formerly editor-in-chief <i>Diplomacy</i>)
Yuzo Takagi	Chairman & Representative of Audit Corporation GODAI, Certified Public Accountant
Takeshi Niinami	President & Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited

(Listed in the order of 50 character kana syllabary, name listed without honorifics)

List of Members of the Risk Advisory Committee
(As of July 31, 2018)

Name	Occupation
Shuheie Abe	President, CEO & CIO of SPARX Group Co., Ltd.
Eiji Ogawa	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Akihiko Kagawa	Partner, Deloitte Touche Tohmatsu LLC
Yoshinori Kawamura	JBIC Managing Director (Outside Director)
Shinichi Koizumi	JBIC Managing Director (Outside Director)
Toshiki Tomita	Guest Scholar, Nomura Institute of Capital Markets Research
Mikiko Fujiwara	CEO of Alpha Associates Co., Ltd.
Chieko Matsuda	Professor of Management, Graduate School of Social Sciences, Tokyo Metropolitan University
Keisuke Yokoo	Vice Chairman & President, Japan Association of Corporate Executives

(Listed in the order of 50 character kana syllabary, name listed without honorifics)

when carrying out various measures required for the ICT plans and policies which had been determined by the Board of Directors and Executive Committee, as delegated by the Executive Committee.

(ix) Information Security Committee

The Information Security Committee makes deliberations concerning important matters pertaining to the use and management of JBIC's information assets, as well as information security, as delegated by the Executive Committee.

■ Mission/Sector-Specific Group Structure

JBIC reconstituted its organization and adopted a mission/sector-specific group structure. 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, the Corporate Planning Group; Credit, Assessment and Risk Management Group; Treasury and Systems Group; Energy and Natural Resources Finance Group; Infrastructure and Environment Finance Group; Industry Finance Group; and Equity Finance 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 serves as the 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.

Members of Board of Directors

Governor	Tadashi Maeda
Deputy Governor	Nobumitsu Hayashi
Executive Managing Director	Kazuhiko Amakawa
Senior Managing Director	Yasushi Hasegawa
Senior Managing Director	Kuninori Kuroishi
Senior Managing Director	Tatsuhiko Takesada
Managing Director (Outside Director)	Shinichi Koizumi
Managing Director (Outside Director)	Yoshinori Kawamura

Managing Executive Officers

Global Head of Corporate Planning Group	Shigeto Hashiyama	Corporate Planning Group
Global Head of Credit, Assessment and Risk Management Group	Yutaka Funada	Credit, Assessment and Risk Management Group
Global Head of Treasury and Systems Group	Tsuyoshi Nishitani	Treasury and Systems Group
Global Head of Energy and Natural Resources Finance Group	Masaaki Yamada	Energy and Natural Resources Finance Group
Global Head of Infrastructure and Environment Finance Group	Kazuhisa Yumikura	Infrastructure and Environment Finance Group
Global Head of Industry Finance Group	Kazuhiko Tanaka	Industry Finance Group
Global Head of Equity Finance Group	Shinji Fujino	Equity Finance Group

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

■ Fundamental Policy on Internal Control

Pursuant to the Companies Act, JBIC has put in place an institutional structure, including internal regulations, to ensure the proper conduct of its operations and activities, based on the Basic Policy for the Internal Control System decided by the Board of Directors.

■ 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 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 efforts in compliance, such as fostering such awareness among JBIC employees.

To foster an 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, and follows up on the progress and completion.

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.

■ Internal Audit

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 the Corporate Auditors and an Accounting Auditor for executing efficient internal audit.

■ Maintenance and Control of Information Assets

JBIC sets forth its fundamental “Security Policy” concerning the use and management of information assets (see page 189) 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.

■ Protection of Private Information

JBIC has drawn up and disclosed its Privacy Policy (see page 191) 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.

■ Conflict of Interest Management Policy

In accordance with the Financial Instruments and Exchange Act, JBIC has formulated the Conflict of Interest Management Policy and disclosed the outline of its content (see page 190).

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 hold discussions and make 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.

JBIC has conducted risk management separated into the Ordinary Operations Account and Special Operations Account. 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 (collateral risk arising from political and economic situations of countries where debtor companies are located or projects are under way). Given the very nature of financial support JBIC provides for promotion of 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 referring to 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 long-term loans and loans

involving sovereign and country risks. Also to be taken into account are mechanisms for securing assets, such as the Paris Club¹, a unique framework for debt management by official creditor countries. The credit risk quantification model incorporating these factors measures credit risks and is utilized for internal control.

1. The Paris Club is 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, 2018.

Credit Risk of Derivatives, etc.

(As of March 31, 2018; unit: 100 million yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts
Interest Rate Swaps	50,074	586
Currency Swaps	32,744	3,349
Forward Exchange Contracts	948	8
Other Derivatives	—	—
Credit Risk Reductions through Netting		(2,359)
Total	83,767	1,585

"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 fair value of a derivative in conducting a transaction with each counterparty, credit risk exposure to it, and its creditworthiness. Such information is then used to assess the eligibility of the counterparty.

◆ 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, computer system, and information security 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 refers to the potential loss resulting 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 its 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.

■ Information Security Risk

Information security risk refers to the potential loss due to threats to the confidentiality, integrity, and availability of information assets. JBIC has taken all possible measures to maintain information security by establishing information security regulations and a structure encompassing information management as well as by providing comprehensive education to management and staff members.

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 produce 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 (<https://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, which is 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; *JBIC Profile: Role and Function*, a brochure describing JBIC operations; and pamphlets for project finance and other publications.



JBIC Today

■ Website

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

In January 2018, JBIC renewed its website to make it easier to read and use. Not only was the design wholly revamped but the website is now easily accessible from multiple devices such as smartphones.

JBIC aims to enhance the content to keep it up to date.



JBIC website PC site



Smartphone site

■ 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.

■ Disseminating Information from Overseas Representative Offices

JBIC's overseas representative offices are actively contributing reports and articles to the news media to provide information, such as political, economic, and business trends in overseas development, 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 690 to date.



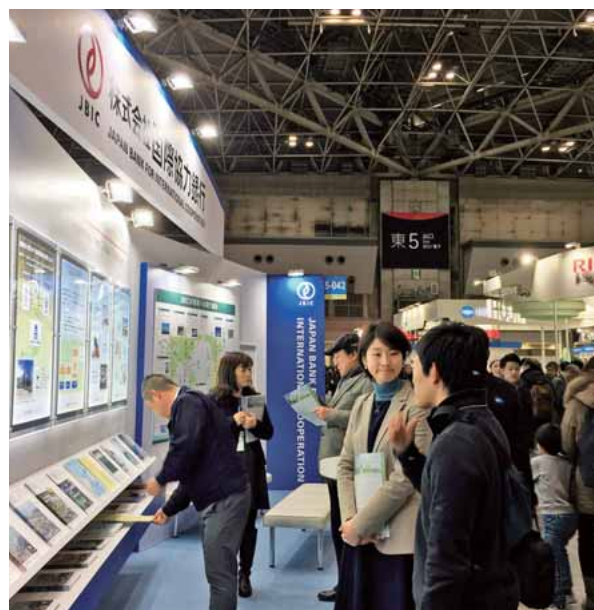
Participants at a JBIC Seminar

■ 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.

JBIC set up a JBIC Booth at the Asian Development Bank (ADB) Annual Meeting held in Yokohama in May 2017. In December 2017, JBIC exhibited at Eco-Products 2017, which was held at Tokyo Big Sight. Overseas, in

February 2018 JBIC participated in Mining Indaba in South Africa, one of the world's largest mining conferences.



Eco-Products 2017

■ Disclosure

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

Source of Information	Access
Report on Settlement of Accounts	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● On the internet Address: https://www.jbic.go.jp/en/

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1 Overview

1 Commitments

A. Commitments by Purpose of Financing

(Unit: billions of yen, %)

	FY2013			FY2014			FY2015			FY2016			FY2017		
	Number	Total	Share	Number	Total	Share	Number	Total	Share	Number	Total	Share	Number	Total	Share
Loans															
Export Loans	33	126.2	6	49	406.4	13	22	141.0	6	20	175.0	8	14	34.7	3
Shipping	15	34.7	2	24	24.3	1	9	33.6	1	3	10.5	0	4	5.1	0
Plant	18	91.5	4	24	381.8	12	13	107.3	4	17	164.5	7	10	29.6	2
Technical Services	—	—	—	1	0.2	0	—	—	—	—	—	—	—	—	—
Import Loans	5	56.2	3	—	—	—	1	252.3	11	—	—	—	1	238.0	20
Natural Resources	5	56.2	3	—	—	—	1	252.3	11	—	—	—	1	238.0	20
Overseas Investment Loans	167	1,671.0	76	197	2,451.0	75	260	1,858.1	78	222	1,721.0	77	101	764.4	64
Natural Resources	18	594.7	27	20	1,059.1	33	11	236.9	10	4	250.5	11	8	256.5	21
Others	149	1,076.2	49	177	1,391.9	43	249	1,621.1	68	218	1,470.5	66	93	507.9	43
Untied Loans	7	46.0	2	5	46.7	1	4	24.8	1	4	33.7	2	1	30.0	3
Sub Total	212	1,899.6	86	251	2,904.2	89	287	2,276.3	95	246	1,929.9	86	117	1,067.3	89
Guarantees	20	209.1	9	15	312.3	10	7	106.6	4	8	293.5	13	8	48.1	4
Equity Participations	7	97.4	4	5	32.8	1	4	14.3	1	3	16.2	1	5	77.7	7
Total	239	2,206.1	100	271	3,249.3	100	298	2,397.4	100	257	2,239.7	100	130	1,193.2	100

B. Commitments by Region (Loans, Equity Participations and Guarantees)

(Unit: billions of yen, %)

	FY2013			FY2014			FY2015			FY2016			FY2017		
	Number	Total	Share	Number	Total	Share	Number	Total	Share	Number	Total	Share	Number	Total	Share
Asia	108	472.7	21	162	610.5	19	150	332.9	14	125	843.2	38	87	174.3	15
Oceania	12	292.9	13	6	173.8	5	2	6.9	0	4	11.1	1	4	18.2	2
Europe	21	350.3	16	17	228.8	7	57	598.3	25	56	525.7	23	3	60.0	5
The Middle East	9	104.8	5	14	493.6	15	9	427.6	18	8	134.2	6	6	404.0	34
Africa	5	81.1	4	7	195.6	6	2	14.9	1	—	—	—	5	138.4	12
North America	43	654.0	30	45	1,389.3	43	38	493.6	21	48	605.8	27	11	180.6	15
Latin America and the Caribbean	36	209.1	9	18	136.1	4	37	507.3	21	11	89.0	4	13	201.2	17
International Organizations, etc.	—	—	—	—	—	—	—	—	—	3	14.9	1	—	—	—
Others	5	40.8	2	2	21.2	1	3	15.5	1	2	15.4	1	1	16.1	1
Total	239	2,206.1	100	271	3,249.3	100	298	2,397.4	100	257	2,239.7	100	130	1,193.2	100

2 Disbursements

(Unit: billions of yen, %)

	FY2013		FY2014		FY2015		FY2016		FY2017	
	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share
Loans										
Export Loans	112.5	4	112.0	4	148.8	7	227.2	10	279.4	15
Import Loans	234.5	9	21.8	1	27.6	1	230.9	10	0.7	0
Overseas Investment Loans	1,928.0	73	2,049.4	79	1,840.3	82	1,691.5	72	1,356.4	75
Untied Loans	88.5	3	64.3	2	44.5	2	32.2	1	50.3	3
Sub Total	2,363.6	90	2,247.6	87	2,061.3	92	2,181.9	93	1,687.1	93
Guarantees	178.7	7	303.2	12	134.3	6	152.6	6	78.5	4
Equity Participations	85.4	3	30.9	1	42.4	2	18.5	1	39.8	2
Total	2,627.8	100	2,581.8	100	2,238.2	100	2,353.1	100	1,805.4	100

3 Repayments

(Unit: billions of yen, %)

	FY2013		FY2014		FY2015		FY2016		FY2017	
	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share
Loans										
Export Loans	106.3	8	104.8	4	95.5	4	97.1	6	104.3	5
Import Loans	170.1	13	138.4	6	154.3	6	151.6	9	178.8	9
Overseas Investment Loans	668.1	50	1,795.6	73	1,760.7	72	961.6	59	1,413.2	69
Untied Loans	173.5	13	158.2	6	151.7	6	186.3	11	140.3	7
Governmental Loans	2.9	0	2.6	0	2.5	0	2.4	0	3.2	0
Sub Total	1,121.1	84	2,199.8	90	2,164.9	89	1,399.1	86	1,839.9	90
Guarantees	204.9	15	238.2	10	205.5	8	228.2	14	183.4	9
Equity Participations	5.0	0	12.4	1	64.5	3	4.5	0	17.9	1
Total	1,331.1	100	2,450.6	100	2,435.0	100	1,631.9	100	2,041.3	100

(Note) Prepayments in FY2016 and 2017 amounted to ¥174.9 billion and ¥329.9 billion, respectively.

4 Outstandings

(Unit: billions of yen, %)

	FY2013		FY2014		FY2015		FY2016		FY2017	
	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share
Loans										
Export Loans	740.6	5	812.4	5	844.7	5	976.7	6	1,111.1	7
Import Loans	731.6	5	661.6	4	525.7	3	609.7	4	421.1	3
Overseas Investment Loans	10,183.9	67	11,970.5	69	11,342.0	70	12,080.8	71	11,463.0	71
Untied Loans	998.8	7	988.8	6	901.8	6	741.9	4	632.2	4
Governmental Loans	39.7	0	37.1	0	34.6	0	32.2	0	28.9	0
Sub Total	12,694.9	83	14,470.6	84	13,649.0	84	14,441.5	85	13,656.7	84
Guarantees	2,422.6	16	2,572.3	15	2,464.7	15	2,385.0	14	2,260.2	14
Equity Participations	187.0	1	222.3	1	194.9	1	215.8	1	262.7	2
Total	15,304.6	100	17,265.3	100	16,308.6	100	17,042.4	100	16,179.6	100

2 Commitments

1 Export Loans by Industry

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Shipping	3	10.5	6	4	5.1	15
Road Vehicles and Other Transport Equipment	—	—	—	1	3.4	10
Electrical Machinery	9	71.7	41	2	16.1	46
Other Industrial Machinery and Equipment, etc.	7	88.6	51	7	10.0	29
Precision Machinery	1	0.0	0	1	0.4	1
Mining Equipment	—	—	—	1	0.4	1
Civil Engineering and Contractors	1	3.4	2	—	—	—
Loading Machinery	1	4.0	2	—	—	—
Iron and Non-ferrous Metals Manufacturing Facilities	1	0.4	0	5	9.2	27
Oil and Natural Gas Facilities	3	80.7	46	—	—	—
Others	1	4.2	2	—	—	—
Total	20	175.0	100	14	34.7	100

2 Natural Resource Loans by Item

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Energy Resources	3	173.8	69	7	445.7	90
Petroleum	1	39.6	16	3	328.8	66
Natural Gas	1	131.4	52	—	—	—
Coal	1	2.7	1	4	116.9	24
Other Resources	1	76.6	31	2	48.8	10
Copper Ore and Concentrate	1	76.6	31	1	33.5	7
Lead and Zinc	—	—	—	1	15.3	3
Total	4	250.5	100	9	494.6	100

3 Overseas Investment Loans by Industry (Excluding Natural Resource Loans)

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Manufacturing Industry	92	33.7	2	60	15.1	3
Food	1	0.0	0	2	0.4	0
Textiles	4	0.9	0	—	—	—
Lumber and Pulp	1	0.1	0	—	—	—
Printing	3	0.5	0	—	—	—
Chemicals	6	1.0	0	6	0.8	0
Petroleum and Coal Products	1	0.2	0	—	—	—
Ceramics, Stone and Clay	2	5.5	0	2	0.4	0
Iron and Non-ferrous Metal Products	7	4.7	0	6	0.4	0
Machinery	1	0.0	0	—	—	—
Electrical Machinery	8	12.5	1	3	1.1	0
Transport Equipment	35	4.4	0	23	5.2	1
Other Manufacturing Industries	23	3.3	0	18	6.5	1
Electric, Gas and Heat Supply and Water Service	4	438.9	30	4	145.8	29
Transport and Postal Services	2	1.5	0	1	0.5	0
Commerce	2	0.6	0	1	0.3	0
Service Industry	2	1.1	0	1	0.0	0
Others (Note)	116	994.5	68	26	346.0	68
Total	218	1,470.5	100	93	507.9	100

(Note) "Others" includes two-step loans to regional financial institutions in Japan. JBIC supports the overseas operations of Japanese enterprises (especially SMEs) engaged in a diverse range of manufacturing and services, such as motor vehicles and parts, electrical and electronic equipment, machinery and metals, chemicals, and wholesale and retail businesses.

4 Commitments to Mid-tier Enterprises and SMEs to Support their Overseas Business Activities

(Unit: billions of yen)

	FY2016		FY2017	
	Number of Projects	Amount	Number of Projects	Amount
Loans to Mid-tier Enterprises and SMEs	113	80.9	69	15.4

(Notes) 1. In making loans to mid-tier enterprises and SMEs, JBIC applies favorable loan terms, such as interest rates.
2. In this table, an SMEs is defined to be, in principle, an incorporated firm or individual with capital of ¥300 million or less, or having permanent employees of 300 or less. A mid-tier enterprise is defined to be an incorporated firm with capital of less than ¥1 billion (and excludes an SMEs).

5 Guarantee Commitments by Purpose

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Guarantee for Samurai Bonds	1	80.0	27	—	—	—
Guarantee for Import of Aircrafts	3	55.6	19	2	30.8	64
Guarantee for Others	4	157.8	54	6	17.2	36
Total	8	293.5	100	8	48.1	100

6 Loan and Guarantee Commitments by Region

A. Export Loan Commitments by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Asia	9	43.5	25	11	27.7	80
East Asia	1	0.0	0	2	0.8	2
Southeast Asia	7	43.0	25	4	17.7	51
South Asia	1	0.4	0	5	9.2	27
Oceania	—	—	—	1	1.4	4
Europe	3	34.7	20	—	—	—
Central and Eastern Europe and Russia	2	28.0	16	—	—	—
Western Europe	1	6.7	4	—	—	—
The Middle East	4	92.4	53	—	—	—
Latin America and the Caribbean	3	0.1	0	2	5.5	16
International Organizations, etc.	1	4.2	2	—	—	—
Total	20	175.0	100	14	34.7	100

B. Import Loan Commitments by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
The Middle East	—	—	—	1	238.0	100
Total	—	—	—	1	238.0	100

C. Overseas Investment Loan Commitments by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Asia	111	623.5	36	70	145.5	19
East Asia	5	2.6	0	3	1.9	0
Southeast Asia	102	619.4	36	63	114.7	15
South Asia	4	1.4	0	4	28.7	4
Oceania	4	11.1	1	3	16.7	2
Europe	53	490.9	29	1	3.5	0
Central and Eastern Europe and Russia	2	4.6	0	1	3.5	0
Western Europe	51	486.3	28	—	—	—
The Middle East	4	41.8	2	3	119.4	16
Africa	—	—	—	5	138.4	18
Northern Africa	—	—	—	1	21.4	3
Sub-Saharan Africa	—	—	—	4	116.9	15
North America	45	550.2	32	8	144.9	19
Latin America and the Caribbean	5	3.3	0	11	195.7	26
Total	222	1,721.0	100	101	764.4	100

D. Untied Loan Commitments by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Asia	2	25.3	75	—	—	—
Southeast Asia	2	25.3	75	—	—	—
The Middle East	—	—	—	1	30.0	100
Latin America and the Caribbean	1	2.8	8	—	—	—
International Organizations, etc.	1	5.6	17	—	—	—
Total	4	33.7	100	1	30.0	100

E. Guarantee Commitments by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Asia	2	149.9	51	5	0.8	2
Southeast Asia	2	149.9	51	5	0.8	2
The Middle East	—	—	—	1	16.4	34
North America	3	55.6	19	2	30.8	64
Latin America and the Caribbean	2	82.8	28	—	—	—
International Organizations, etc.	1	5.0	2	—	—	—
Total	8	293.5	100	8	48.1	100

F. Equity Participations by Region

(Unit: billions of yen, %)

	FY2016			FY2017		
	Number	Total	Share	Number	Total	Share
Asia	1	0.8	5	1	0.2	0
East Asia	—	—	—	1	0.2	0
South Asia	1	0.8	5	—	—	—
Europe	—	—	—	2	56.5	73
Central and Eastern Europe and Russia	—	—	—	2	56.5	73
North America	—	—	—	1	4.8	6
Others	2	15.4	95	1	16.1	21
Total	3	16.2	100	5	77.7	100

7 Geographical Distribution of Loan and Equity Participation Commitments

(Unit: billions of yen)

Region / Country			FY2016		FY2017		Accumulated	
			Number	Total	Number	Total	Number	Total
Asia	East Asia	China	3	0.9	3	1.9	1,556	3,904.0
		Hong Kong					295	318.1
		Japan			1	0.2	1	0.2
		Republic of Korea	1	0.7			700	1,286.2
		Mongolia	2	0.9	2	0.8	6	6.2
		Others					1,029	516.4
		Sub Total	6	2.6	6	3.0	3,587	6,031.3
	Southeast Asia	Brunei Darussalam					4	45.1
		Cambodia			2	0.2	4	0.4
		Indonesia	22	633.0	13	119.4	1,588	6,466.6
		Laos			3	0.4	8	24.8
		Malaysia	1	1.2	3	0.1	602	1,319.4
		Myanmar	4	1.7	5	1.0	69	188.6
		the Philippines	5	0.4	5	2.1	831	1,757.9
		Singapore	5	10.5	3	1.8	489	869.1
		Thailand	45	19.7	18	2.2	2,605	2,781.0
		Vietnam	29	21.0	15	4.8	222	496.5
		Others					36	213.9
	Sub Total	111	687.8	67	132.5	6,458	14,163.7	
	South Asia	Bangladesh	1	0.2			9	41.8
		India	5	2.5	9	38.0	870	1,332.2
		Pakistan					290	298.3
		Sri Lanka					61	67.9
		Others					17	3.6
	Sub Total	6	2.7	9	38.0	1,247	1,743.9	
	Central Asia and the Caucasus	Kazakhstan					25	301.8
		Turkmenistan					13	284.9
Uzbekistan						14	106.6	
Others						8	195.0	
Sub Total					60	888.4		
Total	123	693.2	82	173.5	11,352	22,827.5		
Oceania	Australia	4	11.1	3	16.7	878	3,232.0	
	Marshall Islands			1	1.4	1	1.4	
	New Zealand					147	176.8	
	Papua New Guinea					56	267.2	
	Others					52	27.0	
	Total	4	11.1	4	18.2	1,134	3,704.6	

(Unit: billions of yen)

Region / Country			FY2016		FY2017		Accumulated		
			Number	Total	Number	Total	Number	Total	
Europe	Central and Eastern Europe and Russia	Bulgaria					117	134.4	
		Moldova					1	5.3	
		Russia	4	32.6	3	60.0	125	1,695.0	
		Others					1,035	2,277.2	
		Sub Total	4	32.6	3	60.0	1,278	4,111.9	
	Western Europe	Belgium	1	0.2			29	159.9	
		Cyprus					18	17.4	
		Denmark					57	78.9	
		Finland					22	24.2	
		France	1	6.0			311	648.3	
		Germany	12	93.9			295	461.4	
		United Kingdom	23	64.7			566	2,083.3	
		Iceland					5	8.2	
		Ireland					47	338.6	
		Italy	4	77.7			52	252.1	
		Luxembourg					9	120.5	
		Malta	1	6.7			4	18.7	
		Netherlands	7	180.4			107	618.5	
		Norway	1	6.2			249	462.4	
		Spain					66	129.0	
		Sweden					58	144.8	
		Isle of Man					9	9.6	
		Switzerland	2	56.9			88	161.9	
		Others					625	535.4	
		Sub Total	52	493.1			2,617	6,274.2	
		Total	56	525.7	3	60.0	3,895	10,386.1	
		The Middle East	Bahrain					6	110.4
			Iran					199	1,026.8
	Iraq		2	32.3			23	252.2	
	Jordan						29	89.1	
	Kuwait		1	56.6			24	260.6	
	Oman						28	296.4	
Qatar						37	891.1		
Saudi Arabia						81	1,001.8		
Turkey	4		5.5	3	111.5	201	817.7		
United Arab Emirates	1		39.6	2	276.0	71	2,042.4		
Yemen						11	35.8		
Others						106	212.0		
Total	8		134.2	5	387.5	816	7,036.9		

(Unit: billions of yen)

Region / Country			FY2016		FY2017		Accumulated	
			Number	Total	Number	Total	Number	Total
Africa	Northern Africa	Algeria					345	971.8
		Egypt			1	21.4	184	261.9
		Morocco					10	145.0
		Others					22	108.1
		Sub Total			1	21.4	561	1,486.9
	Sub-Saharan Africa	Angola					30	100.8
		Equatorial Guinea					2	17.1
		Gabon					20	33.5
		Ghana					25	59.7
		Kenya					30	19.3
		Madagascar					9	102.5
		Malawi			2	37.9	6	40.2
		Mozambique			2	79.0	19	104.3
		Nigeria					51	266.5
		Seychelles					2	1.2
		South Africa					115	328.5
		Tanzania					21	32.2
		Uganda					7	8.7
		Others					1,473	1,680.6
		Sub Total			4	116.9	1,810	2,795.8
Total			5	138.4	2,371	4,282.8		
North America	Canada	2	0.8			329	764.1	
	United States	43	549.3	9	149.7	2,715	8,961.1	
	Total	45	550.2	9	149.7	3,044	9,725.2	
Latin America and the Caribbean	the Bahamas					22	67.7	
	Bermuda Islands			2	91.5	26	142.2	
	Bolivia					32	65.9	
	Brazil	2	2.6	1	52.7	1,958	3,320.6	
	British Virgin Islands					4	345.0	
	Chile			1	33.5	161	1,368.2	
	Colombia					122	276.2	
	Ecuador	1	2.8			33	81.9	
	Panama			1	2.1	285	417.3	
	Paraguay					16	12.8	
	Peru					113	487.5	
	Trinidad and Tobago					8	83.9	
	Mexico	6	0.8	7	17.8	849	2,250.6	
	Venezuela					81	661.8	
	Others			1	3.4	472	844.6	
	Total	9	6.2	13	201.2	4,182	10,426.9	
International Organizations, etc.	Total	2	9.8			58	1,217.9	
Others ^(Note)	Total	2	15.4	1	16.1	114	1,983.5	
Grand Total			249	1,946.2	122	1,145.1	26,966	71,591.8

(Note) Others: Two-step loans to regional financial institutions in Japan and loans for crossborder projects, etc.

3 Outstandings

1 Outstandings by Purpose of Financing

(Unit: billions of yen, %)

	FY2016		FY2017	
	Total	Share	Total	Share
Loans				
Export Loans	976.7	6	1,111.1	7
Shipping	184.2	1	204.7	1
Plant	792.2	5	906.2	6
Technical Service	0.2	0	0.2	0
Import Loans	609.7	4	421.1	3
Natural Resources	607.6	4	420.6	3
Manufactured Goods & Technologies	2.1	0	0.5	0
Overseas Investment Loans	12,080.8	71	11,463.0	71
Natural Resources	5,290.5	31	5,069.7	31
Others	6,790.3	40	6,393.3	40
Untied Loans	741.9	4	632.2	4
Governmental Loans	32.2	0	28.9	0
Sub Total	14,441.5	85	13,656.7	84
Guarantees	2,385.0	14	2,260.2	14
Equity Participations	215.8	1	262.7	2
Total	17,042.4	100	16,179.6	100

2 Guarantee Outstandings by Purpose

(Unit: billions of yen, %)

	FY2016		FY2017	
	Total	Share	Total	Share
Guarantee for Samurai Bonds	1,438.9	60	1,438.9	64
Guarantee for Import of Aircrafts	426.0	18	399.9	18
Guarantee for Others	520.1	22	421.4	19
Total	2,385.0	100	2,260.2	100

3 Geographical Distribution of Loan and Equity Participation Outstandings

(As of March 31, 2018; billions of yen)

Region / Country		Number	Total		
Asia	East Asia	China	68	71.3	
		Hong Kong	31	24.3	
		Japan	1	0.2	
		Republic of Korea	8	21.0	
		Mongolia	5	1.8	
		Others	9	41.9	
		Sub Total	122	160.7	
	Southeast Asia	Brunei Darussalam	1	9.3	
		Cambodia	4	0.2	
		Indonesia	140	571.4	
		Laos	8	24.2	
		Malaysia	17	25.6	
		Myanmar	11	35.5	
		the Philippines	22	176.0	
		Singapore	44	163.7	
		Thailand	170	133.4	
		Vietnam	114	260.1	
		Sub Total	531	1,400.0	
		South Asia	Bangladesh	2	10.5
			India	71	184.3
	Pakistan		3	49.7	
Sri Lanka	3		3.3		
Sub Total	79		248.1		
Central Asia and the Caucasus	Kazakhstan	8	149.1		
	Turkmenistan	7	181.0		
	Uzbekistan	2	15.2		
	Sub Total	17	345.4		
Total	749	2,154.3			
Oceania	Australia	58	1,700.2		
	Marshall Islands	1	0.3		
	New Zealand	4	32.0		
	Papua New Guinea	6	225.3		
	Total	69	1,958.0		
Europe	Central and Eastern Europe and Russia	Bulgaria	4	2.0	
		Serbia	2	2.7	
		Moldova	1	0.8	
		Russia	23	351.4	
		Sub Total	30	357.0	
	Western Europe	Belgium	1	0.2	
		Cyprus	4	4.8	
		Denmark	1	16.1	
		Finland	7	5.1	
		France	7	115.2	
		Germany	36	164.5	
		United Kingdom	54	535.8	
		Iceland	1	2.7	
		Ireland	10	267.0	
		Italy	10	209.3	
		Luxembourg	8	99.8	
		Malta	4	21.0	
		Netherlands	13	234.3	
		Norway	3	11.8	
		Spain	6	17.7	
		Sweden	2	12.4	
		Isle of Man	9	9.0	
		Switzerland	3	55.8	
Sub Total	179	1,783.3			
Total	209	2,140.4			

(As of March 31, 2018; billions of yen)

Region / Country		Number	Total	
The Middle East	Bahrain	1	37.4	
	Iran	4	23.1	
	Iraq	3	12.1	
	Jordan	2	14.9	
	Kuwait	2	115.9	
	Oman	7	98.3	
	Qatar	5	416.6	
	Saudi Arabia	7	413.3	
	Turkey	29	130.2	
	United Arab Emirates	10	508.3	
	Yemen	2	13.2	
	Total	72	1,783.8	
Africa	Northern Africa	Algeria	4	8.1
		Egypt	2	58.8
		Morocco	3	92.9
		Sub Total	9	159.9
	Sub-Saharan Africa	Angola	6	60.0
		Equatorial Guinea	2	2.3
		Gabon	2	0.1
		Ghana	1	50.5
		Kenya	2	0.1
		Madagascar	2	82.1
		Malawi	2	35.5
		Mozambique	2	73.9
		Nigeria	1	7.6
		Seychelles	3	0.4
		South Africa	6	13.7
		Tanzania	1	16.4
		Uganda	1	7.2
		Sub Total	31	350.3
		Total	40	510.3
		North America	Canada	12
	United States		177	2,384.3
	Total		189	2,594.7
	Latin America and the Caribbean	Argentina	2	92.5
		the Bahamas	6	31.8
		Bermuda Islands	2	78.2
		Bolivia	1	12.8
		Brazil	43	520.6
British Virgin Islands		1	311.8	
Chile		22	731.7	
Colombia		2	36.4	
Ecuador		8	3.1	
Panama		10	56.5	
Paraguay		1	2.1	
Peru		4	54.0	
Trinidad and Tobago		1	31.0	
Mexico		64	166.5	
Venezuela		6	182.6	
	Total	173	2,312.1	
International Organizations, etc.	Total	5	20.0	
Others^(Note)	Total	33	445.4	
	Grand Total	1,539	13,919.4	

(Note) Others: Two-step loans to regional financial institutions in Japan and loans for crossborder projects, etc.

4 Others

1 Major Buyer's Credit and Bank-to-bank Loan Commitments (FY2017)

Region / Country	Project / Transaction	Borrower	Amount
Indonesia	Export of facilities for coal-fired power plant	PT PLN (Persero)	¥ 10.1 billion
Indonesia	Export of facilities for coal-fired power plant	PT PLN (Persero)	US\$ 53 million

(Note) A buyer's credit and a bank loan are loan facilities directly extending to a foreign importer (buyer) or a financial institution to finance imports of equipment and technologies from Japan. A buyer's credit is extended to an importer, while a bank loan is extended to a financial institution.

2 Untied Loan Commitments (FY2017)

Region / Country	Project / Transaction	Borrower	Amount
Turkey	Partial acquisition of privately placed Samurai bonds (GATE)	Government of Turkey	—

(Note) GATE refers to the "Guarantee and Acquisition toward Tokyo market Enhancement" facility launched in April 2010. It will enable JBIC to acquire Samurai bonds where appropriate, in addition to providing partial guarantees for Samurai bond issues. The GATE facility will thereby support foreign governments and government agencies to raise funds in the Tokyo market.

3 Special Operations (FY2017)

Region / Country	Purpose of Financing	Project / Transaction	Borrower	Amount
Argentina	Export	Export of automatic train stop system	Government of the Argentine Republic	—

(Note) The Act for Partial Amendment of the Japan Bank for International Cooperation Act was enacted on May 11, 2016, enhancing JBIC's functions in order to provide further support toward Japanese companies' overseas businesses, in accordance with the Japanese Government's policy to promote investment in quality infrastructure, such as the "Partnership for Quality Infrastructure." In October 2016, as part of the enhancement of functions, JBIC launched the Special Operations, which enables financing for a wider range of countries and infrastructure projects.

Standard loan conditions are shown below. Loan Interest rates are linked to the funding cost of JBIC, including the rate on borrowings from the Fiscal Loan Fund Special Account, and thus they are subject to changes in conditions of the financial market. A loan applicant should make an inquiry at the relevant loan department for specific loan conditions.⁽¹⁾

1— Standard Interest Rates

(As of August 15, 2018)

Type of Loans	Standard Interest Rate ⁽²⁾	Percentage of Loan Provided by JBIC
Export Loans	<ul style="list-style-type: none"> ■ Fixed at commitment (Yen CIRR)⁽³⁾ <ul style="list-style-type: none"> • 0.88% (Repayment period 5 yrs or less) • 0.90% (Repayment period over 5 yrs to 8.5 yrs) • 0.95% (Repayment period over 8.5 yrs) ■ Fixed at tenders^{(3) (8)} <ul style="list-style-type: none"> • above rate + 0.2% 	60% limit
Import Loans / Overseas Investment Loans / Untied Loans / (Natural Resources / International Competitiveness) ⁽¹⁾	<ul style="list-style-type: none"> ■ Japanese yen⁽⁴⁾ <ul style="list-style-type: none"> • 0.2075%^{(6) (7)} ■ Foreign Currency⁽⁵⁾ <ul style="list-style-type: none"> • LIBOR+0.5875%^{(6) (7)} 	60% limit ⁽⁷⁾

- (Notes) 1. SMEs are eligible for preferential interest rates and other favorable loan conditions.
2. Premium is added based on the type of financing such as collateral/guarantee and loan schemes.
3. Synthetic rate based on interest rates charged by JBIC and cofinancing institutions.
4. Interest rates on loans in Japanese yen are determined based on specific loan periods and the amortization schedule.
The interest rate shown in the table is a reference rate for a 10-year loan with lump-sum repayment upon maturity. Please make an inquiry at the relevant department for interest rate on specific conditions.
5. Interest rates on loans in foreign currencies are linked to 6-month LIBOR for US dollars.
6. Special interest rates will be applied based on policy implication such as contribution to "Promoting overseas development and acquisition of strategically important natural resources to Japan" or "Maintaining and improving the International competitiveness of Japanese industries."
7. Risk premium is added based on the OECD Arrangement.
8. 70% limit for resource-related (import and overseas investment) loans.

2— Loan Maturity

The loan maturity for each loan will be determined by taking account of cash flows generated by each project.

3— Collateral, Guarantee

Collaterals and guarantees are determined in consultation with the clients.

6

Breakdown of Countries and Regions

(As of July 1, 2018)

Regions		Countries
Asia	East Asia	China, Hong Kong, Democratic People's Republic of Korea, Republic of Korea, Macao, Mongolia, Taiwan
	Southeast Asia	Brunei Darussalam, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, The Philippines, Singapore, Thailand, Vietnam
	South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
	Central Asia and the Caucasus	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz, Tajikistan, Turkmenistan, Uzbekistan
Oceania	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, North Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, Niue	
Europe	Central and Eastern Europe and Russia	Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Serbia, Montenegro, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine, Kosovo
	Western Europe	Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, United Kingdom (U.K.), Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Vatican, Guernsey, Jersey
The Middle East	Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, West Bank and Gaza Strip, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates (UAE), Yemen	
Africa	Northern Africa	Algeria, Egypt, Libya, Morocco, Tunisia
	Sub-Saharan Africa	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Congo, Cote d'Ivoire, Djibouti, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe, Eritrea, South Sudan
North America	Canada, United States (U.S.)	
Latin America and the Caribbean	Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bermuda Islands, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Commonwealth of Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Christopher and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Mexico, United States Virgin Islands, Uruguay, Venezuela, Curacao	
International Organizations, etc.	International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Asian Development Bank (ADB), Inter-American Development Bank (IDB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Banco Centroamericano de Integración Económica (BCIE), Corporación Andina de Fomento (CAF), East African Development Bank (EADB), Eastern and Southern African Trade and Development Bank (TDB), African Export-Import Bank (Afreximbank), Islamic Development Bank (IsDB), European Investment Bank (EIB), Caribbean Development Bank (CDB), etc.	
Others	Two-step loans to regional financial institutions in Japan and loans for crossborder projects, etc.	

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Overview of Accounting

- The consolidated financial statements of the Bank are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976). Moreover, its assets and liabilities are classified, also on a consolidated basis, pursuant to the Ordinance on the Accounting Practices to Be Observed by Japan Bank for International Cooperation (Ordinance of the Ministry of Finance No. 15 of 2012), while revenues and expenditures are reported on the same basis, in compliance with the latter Ordinance.
- The non-consolidated financial statements of the Bank are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963). Furthermore, its assets and liabilities basis are classified, on a stand-alone basis, pursuant to the Ordinance on the Accounting Practices to Be Observed by Japan Bank for International Cooperation (Ordinance of the Ministry of Finance No. 15 of 2012) while non-consolidated revenues and expenditures are reported in compliance with the latter Ordinance.
- As the fiscal year under review (from April 1, 2017, to March 31, 2018) is the first year for which consolidated financial statements are prepared, comparative information is not provided.
- Pursuant to provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, audit certification has been made by Ernst & Young ShinNihon LLC for the Bank's consolidated financial statements for the fiscal year under review (from April 1, 2017, to March 31, 2018) as well as non-consolidated financial statements for the business year under review (from April 1, 2017, to March 31, 2018).

1. Consolidated Financial Statements**■ Consolidated Balance Sheet**

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Assets:		
Cash and due from banks	¥ 1,751,287	\$ 16,484
Securities <small>Note 6</small>	351,605	3,310
Loans and bills discounted <small>Note 7</small>	13,513,680	127,200
Other assets <small>Note 8</small>	377,809	3,555
Property, plant and equipment <small>Note 9</small>	28,401	267
Buildings	2,865	27
Land	24,311	229
Construction in progress	79	1
Other	1,145	10
Intangible assets	3,472	33
Software	3,472	33
Customers' liabilities for acceptances and guarantees	2,259,369	21,267
Allowance for loan losses	(273,564)	(2,575)
Total assets	¥ 18,012,060	\$ 169,541

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Liabilities:		
Borrowed money	¥ 8,370,758	\$ 78,791
Bonds payable <small>Note 8</small>	4,392,597	41,346
Other liabilities	435,498	4,099
Provision for bonuses	546	5
Provision for directors' bonuses	9	0
Net defined benefit liability	6,785	64
Provision for directors' retirement benefits	25	0
Acceptances and guarantees	2,259,369	21,267
Total liabilities	¥ 15,465,589	\$ 145,572
Net assets:		
Capital stock	¥ 1,765,200	\$ 16,615
Retained earnings	883,601	8,317
Total shareholders' equity	2,648,801	24,932
Valuation difference on available-for-sale securities	(1,209)	(11)
Deferred gains or losses on hedges	(114,658)	(1,079)
Foreign currency translation adjustment	13,309	125
Total accumulated other comprehensive income (loss)	(102,558)	(965)
Non-controlling interests	227	2
Total net assets	¥ 2,546,471	\$ 23,969
Total liabilities and net assets	¥ 18,012,060	\$ 169,541

■ Consolidated Statement of Operations

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Ordinary income:	¥ 390,060	\$ 3,671
Interest income	336,768	3,170
Interest on loans and discounts	323,960	3,049
Interest and dividends on securities	1,846	17
Interest on deposits with banks	10,948	103
Other interest income	12	1
Fees and commissions	23,914	225
Other ordinary income	128	1
Other income	29,248	275
Recoveries of written-off claims	0	0
Other	29,248	275
	Note 11	
Ordinary expenses:	327,996	3,087
Interest expense	249,256	2,346
Interest on borrowed money and rediscounts	115,370	1,086
Interest on bonds	90,627	853
Interest on interest swaps	43,192	407
Other interest expense	65	0
Fees and commissions payments	2,043	19
Other ordinary expenses	5,363	51
General and administrative expenses	19,660	185
Other expenses	51,672	486
Provision of allowance for loan losses	51,528	485
Other	144	1
	Note 12	
Ordinary profit	62,063	584
Extraordinary income	9	0
Gain on disposal of noncurrent assets	9	0
Extraordinary loss	8	0
Loss on disposal of noncurrent assets	8	0
Net income before income taxes	62,065	584
Income taxes – current	0	0
Total income taxes	0	0
Net income	62,064	584
Loss attributable to non-controlling interests	(17)	(0)
Net income attributable to owners of parent	¥ 62,081	\$ 584

■ Consolidated Statement of Comprehensive Income

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Net income	¥ 62,064	\$ 584
Other comprehensive income (loss)	(102,771)	(967)
	Note 13	
Valuation difference on available-for-sale securities	(3,677)	(35)
Deferred gains or losses on hedges	(94,435)	(889)
Foreign currency translation adjustment	168	2
Share of other comprehensive income of equity method investments	(4,826)	(45)
Comprehensive income (loss)	¥ (40,706)	\$ (383)
(Comprehensive income (loss) attributable to)		
Owners of parent	(40,689)	(383)
Non-controlling interests	(17)	(0)

■ Consolidated Statement of Changes in Net Assets

From April 1, 2017 to March 31, 2018

(In millions of yen)

	Shareholders' equity		
	Capital stock	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	¥ 1,683,000	¥ 842,366	¥ 2,525,366
Changes of items during the period			
Issuance of new shares	82,200	—	82,200
Payment to national treasury	—	(20,846)	(20,846)
Profit attributable to owners of parent	—	62,081	62,081
Net changes of items other than shareholders' equity	—	—	—
Total changes of items during the period	82,200	41,234	123,434
Balance at the end of current period	¥ 1,765,200	¥ 883,601	¥ 2,648,801

(In millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥ 2,468	¥ (20,223)	¥ 17,968	¥ 213	¥ —	¥ 2,525,580
Changes of items during the period						
Issuance of new shares	—	—	—	—	—	82,200
Payment to national treasury	—	—	—	—	—	(20,846)
Profit attributable to owners of parent	—	—	—	—	—	62,081
Net changes of items other than shareholders' equity	(3,677)	(94,435)	(4,658)	(102,771)	227	(102,543)
Total changes of items during the period	(3,677)	(94,435)	(4,658)	(102,771)	227	20,891
Balance at the end of current period	¥ (1,209)	¥ (114,658)	¥ 13,309	¥ (102,558)	¥ 227	¥ 2,546,471

From April 1, 2017 to March 31, 2018

(In millions of U.S. dollars)

	Shareholders' equity		
	Capital stock	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	\$ 15,841	\$ 7,929	\$ 23,770
Changes of items during the period			
Issuance of new shares	774	—	774
Payment to national treasury	—	(196)	(196)
Profit attributable to owners of parent	—	584	584
Net changes of items other than shareholders' equity	—	—	—
Total changes of items during the period	774	388	1,162
Balance at the end of current period	\$ 16,615	\$ 8,317	\$ 24,932

(In millions of U.S. dollars)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$ 23	\$ (190)	\$ 169	\$ 2	\$ —	\$ 23,772
Changes of items during the period						
Issuance of new shares	—	—	—	—	—	774
Payment to national treasury	—	—	—	—	—	(196)
Profit attributable to owners of parent	—	—	—	—	—	584
Net changes of items other than shareholders' equity	(34)	(889)	(44)	(967)	2	(965)
Total changes of items during the period	(34)	(889)	(44)	(967)	2	197
Balance at the end of current period	\$ (11)	\$ (1,079)	\$ 125	\$ (965)	\$ 2	\$ 23,969

■ Consolidated Statement of Cash Flows

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Cash flow from operating activities		
Net income before income taxes	¥ 62,065	\$ 584
Depreciation and amortization	1,460	14
Losses (profits) of equity method investments	(22,207)	(209)
Increase (decrease) in allowance for loan losses	51,528	485
Increase (decrease) in provision for bonuses	26	0
Increase (decrease) in provision for directors' bonuses	2	0
Increase (decrease) in net defined benefit liability	(21)	(0)
Increase (decrease) in provision for directors' retirement benefits	8	0
Interest income	(336,768)	(3,170)
Interest expense	249,256	2,346
Loss (gain) related to securities	(6,925)	(65)
Foreign exchange losses (gains)	(1,747)	(16)
Loss (gain) on disposal of noncurrent assets	(1)	(0)
Net decrease (increase) in loans and bills discounted	795,457	7,487
Net increase (decrease) in borrowed money	(1,537,947)	(14,476)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	120,028	1,130
Increase (decrease) in straight bonds-issuance and redemption	1,088,786	10,248
Interest received	321,636	3,027
Interest paid	(236,406)	(2,225)
Other	(231,464)	(2,178)
Subtotal	316,767	2,982
Net cash provided by (used in) operating activities	316,767	2,982
Cash flows from investing activities		
Purchase of securities	(69,024)	(650)
Proceeds from sales of securities	25,866	243
Proceeds from redemption of securities	12,900	121
Purchase of property, plant and equipment	(1,214)	(11)
Proceeds from sales of property, plant and equipment	15	0
Purchase of intangible assets	(1,806)	(17)
Net cash provided by (used in) investing activities	(33,263)	(314)
Cash flows from financing activities		
Proceeds from issuance of new shares	82,200	774
Repayments of lease obligations	(6)	0
Payment to national treasury	(20,846)	(196)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	245	2
Net cash provided by (used in) financing activities	61,591	580
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	345,094	3,248
Cash and cash equivalents at beginning of period	884,516	8,326
Cash and cash equivalents at end of period Note 15	¥ 1,229,610	\$ 11,574

■ Notes to Consolidated Financial Statements

1. Basis of presentation

The accompanying consolidated financial statements have been prepared from the accounting records maintained by Japan Bank for International Cooperation ("JBIC") and its subsidiaries (the "JBIC Group") in accordance with the accounting principles and practices generally accepted in Japan, which are different in certain aspects from the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

The comparative information is not presented in the consolidated financial statements as the current fiscal year (the fiscal year ended March 31, 2018) is the initial year for which JBIC has prepared its consolidated financial statements.

The amounts indicated in millions of yen are rounded down by omitting figures less than one million. Totals may therefore not add up exactly because of this rounding.

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥ 106.24=\$1.00, the foreign exchange rate on March 31, 2018, has been used in translations. The presentation of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at the aforementioned rate or any other rates.

2. Scope of consolidation

(a) Consolidated subsidiaries

The number of consolidated subsidiaries is two.

Company name: JBIC IG Partners

Russia-Japan Investment Fund, L.P.

JBIC IG Partners and Russia-Japan Investment Fund, L.P. are newly established and included in the scope of consolidation from the current fiscal year.

(b) Unconsolidated subsidiaries

There are no applicable subsidiaries.

(c) Other company whose majority of voting rights are owned by JBIC on its own account but which is not determined to be its subsidiary

Company name: RJIF Management Limited

(Reason for determining not to be a subsidiary)

JBIC has determined that RJIF Management Limited is not its subsidiary because, while JBIC indirectly owns a majority of voting rights of RJIF Management Limited through JBIC IG Partners, which is its consolidated subsidiary, JBIC needs to obtain agreement from other JV companies for making decisions on significant financial and business policies.

3. Application of the equity method

(a) Unconsolidated subsidiaries accounted for using the equity method

There are no applicable subsidiaries.

(b) Affiliates accounted for using the equity method

The number of affiliates accounted for using the equity method is two.

Company name: IFC Capitalization (Equity) Fund, L.P.

IFC Capitalization (Subordinated Debt) Fund, L.P.

(c) Unconsolidated subsidiaries that are not accounted for using the equity method

There are no applicable subsidiaries.

(d) Affiliates that are not accounted for using the equity method

The number of affiliates that are not accounted for using the equity method is six.

Company name: Credit Guarantee and Investment Facility

Delhi Mumbai Industrial Corridor Development Corporation Limited

Japan-China Eco Fund Pte. Ltd

Dawei SEZ Development Company Limited

JAPAN ASEAN Women Empowerment Fund

RJIF Management Limited

These companies were not included in the scope of the equity method because they do not have significant impacts

on the consolidated financial statements in any of the following items: Net income (the amount proportionate to the share of net income of such companies), Retained earnings (the amount proportionate to the share of retained earnings of such companies) and Accumulated other comprehensive income (the amount proportionate to the share of other comprehensive income of such companies).

4. Balance sheet dates of consolidated subsidiaries

The balance sheet dates of the consolidated subsidiaries are as follows:

	March 31	2018
December 31		1
March 31		1

Appropriate adjustments are made to significant transactions occurred during the period between the consolidated closing date and the balance sheet dates above.

5. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost based on the moving average method. Investments in affiliates that are not accounted for by the equity method are carried at cost based on the moving average method. Available-for-sale securities are in principle stated at fair value with changes in net unrealized gains or losses included directly in Net assets. However, available-for-sale securities whose fair value cannot be readily determined are carried at cost based on the moving average method. Securities held by the consolidated foreign subsidiary are classified as a financial asset designated as fair value through profit or loss at initial recognition based on the IFRS. These securities are recognized as trading securities in JBIC's consolidated financial statements and are measured at fair value.

Investments in partnerships for investment, which are regarded as securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act (Act No. 25 of 1948), are recognized at an amount equivalent to JBIC's percentage share of the net assets of such partnerships, based upon the most recent financial statements available depending on the reporting date stipulated in the partnership agreement.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Property, plant and equipment of JBIC are depreciated by the declining balance method over their useful economic lives except for buildings excluding installed facilities as well as installed facilities and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Depreciation is based on the following range of estimated useful lives:

Buildings: 3 years to 50 years

Other: 2 years to 35 years

Property, plant and equipment of consolidated subsidiaries are depreciated primarily by the straight-line method based on the estimated useful lives of the assets.

(ii) Intangible assets (except for lease assets)

Depreciation of intangible fixed assets is computed by the straight-line method. Software used by JBIC and its consolidated subsidiaries is depreciated over its useful life (5 years or less) at JBIC and its consolidated subsidiaries.

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are depreciated by the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(d) Allowance for loan losses

Allowance for loan losses is recognized in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described as below and the deductions of the amount expected to be collected through the disposal of collateral and the execution of guarantees. The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers, Substantially bankrupt borrowers and Potentially

bankrupt borrowers is provided primarily based on the default rate, which is calculated based on the actual defaults during a certain period in the past. The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which is independent from the operational departments, review these self-assessments, and the allowance is provided based on the results of the assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt ("Bankrupt borrowers and substantially bankrupt borrowers"), the residual booked amount of the claims after deduction of the amount which is deemed collectable through the disposal of collateral or the execution of guarantees is written off. There are no accumulated write-offs as of March 31, 2018.

(e) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the consolidated balance sheet.

(f) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the consolidated balance sheet.

(g) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, is recognized at the amount accrued at the end of the current fiscal year.

(h) Accounting for retirement benefits

(i) Method of attributing the projected benefits to periods of services

In calculating the projected benefit obligation, the estimated amount of retirement benefit payments is attributed to the period up to the end of the fiscal year based on the benefit formula.

(ii) Accounting for actuarial gains or losses and prior service costs

Actuarial gains or losses and prior service costs are expensed as they are incurred.

(Additional information)

Effective April 1, 2013, JBIC has been authorized by the Minister of Health, Labor and Welfare to be exempt from the obligations to pay future amounts in respect of the portion of the welfare pension fund it manages for the government. Subsequently on October 1, 2014, JBIC has been authorized to transfer to the government the past substitutional portion of the aforesaid fund. On September 22, 2017, *Kouko Kigyou Nenkin Kikin* (*Kouko* corporate pension fund) which JBIC participates in paid to the government ¥52,817 million (\$497 million) of the transfer amount of the substitutional portion (i.e., minimum reserve). Its impact on profits or losses in the current fiscal year amounted to ¥3 million (\$0 million) which was recognized in Other of Other expenses.

(i) Foreign currency translation and revaluation method

JBIC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies and held by JBIC are mostly translated into Japanese yen at the market exchange rate prevailing at the fiscal year end.

Assets and liabilities denominated in foreign currencies and held by consolidated subsidiaries are translated at the market exchange rate prevailing at respective balance sheet dates and other base date.

(j) Accounting for hedges of interest rate risk

(i) Hedge accounting

The deferral method is applied to derivatives used for interest risk hedging purposes.

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans, borrowed money, bonds and notes

(iii) Hedging policy

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

(iv) Assessment of hedge effectiveness

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

(k) Accounting for hedges of foreign exchange risks

Hedging instruments used to hedge foreign exchange risks associated with foreign currency denominated monetary assets and liabilities are accounted for primarily using the deferral method, in accordance with the standard treatment of The Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 25 of July 29, 2002.

The effectiveness of the hedges described above is assessed by comparing the foreign currency position of the hedged loans and bills discounted and bonds payable denominated in foreign currencies with that of the hedging instruments, such as currency swaps and forward foreign exchange contracts which are used for hedging the foreign exchange risks of loans and bills discounted and bonds payable denominated in foreign currencies.

Furthermore, the deferred hedge is applied to some of the foreign exchange risk arising from investments in affiliates denominated in foreign currencies that are individually hedged using forward foreign exchange contracts as hedging instruments.

(l) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents as stated in the consolidated statement of cash flows consists of cash on hand and Deposit with the Bank of Japan in "Cash and due from banks" in the consolidated balance sheet.

(m) Consumption and other taxes

Consumption taxes and local consumption taxes ("consumption taxes") of JBIC and its domestic consolidated subsidiaries are excluded from transaction amounts. Non-deductible consumption taxes related to property, plant and equipment are expensed as incurred.

6. Equity securities of or investments in unconsolidated subsidiaries and affiliates

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Equity securities	¥ 5,439	\$ 51
Investments	133,783	1,259

7. Loans**(a) Bankrupt loans and non-accrual loans included in loans and bills discounted:**

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Bankrupt loans	¥ —	\$ —
Non-accrual loans	188,842	1,778

"Bankrupt loans" are loans, defined in Article 96, Paragraph 1, Item (iii), a. through e. and Item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965), on which accrued interest income is not recognized as there is substantial uncertainty over the ultimate collectability of either principal or interest because they have been in arrears for a considerable period of time or for other reasons.

"Non-accrual loans" are loans on which accrued interest income is not recognized, although this excludes Bankrupt loans and the loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

(b) Loans with interest or principal repayments three months or more in arrears included in loans and bills discounted:

There are no applicable loans.

"Loans with interest or principal repayments three months or more in arrears" are loans whose principal or interest payment is three months or more in arrears, and which do not fall under the category of "Bankrupt loans" and "Non-accrual loans."

(c) Restructured loans included in loans and bills discounted:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Restructured loans	¥ 225,846	\$ 2,126

"Restructured loans" are loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or waiver of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "Bankrupt loans," "Non-accrual loans," or "Loans with interest or principal repayments three months or more in arrears."

- (d) The total amount of bankrupt loans, non-accrual loans, loans with interest or principal repayments three months or more in arrears, and restructured loans:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Total amount	¥ 414,688	\$ 3,903

The amounts of loans indicated in table (a) through (d) above are the gross amounts before the deduction of allowance for loan losses.

- (e) JBIC, as a policy, does not extend loans to borrowers in part or in full immediately after the execution of the loan agreements, but instead execute loans, in accordance with the progress of the underlying projects. These undrawn amounts are not included in the loans on deed in the consolidated balance sheet. The balance of undrawn amounts is as follows:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Balance of undrawn loans	¥ 1,665,471	\$ 15,676

8. Assets pledged as collateral

Pursuant to Article 34 of the Japan Bank for International Cooperation Act ("JBIC Act"), all JBIC assets are pledged as general collateral for bonds:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Bonds payable	¥ 4,392,597	\$ 41,346

Other assets include Cash collateral paid for financial instruments as follows:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Cash collateral paid for financial instruments	¥ 141,180	\$ 1,329

9. Accumulated depreciation of property, plant and equipment

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Accumulated depreciation	¥ 2,104	\$ 20

10. Contingent liabilities

Japan Finance Corporation ("JFC") assumed the obligations of the JFC bonds on April 1, 2012, and JBIC is jointly responsible for the obligations of these bonds. In accordance with Article 17 (2) of the Supplementary Provisions of the JBIC Act, all of JBIC's assets are pledged as general collateral for these joint obligations as follows.

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
	¥ 140,000	\$ 1,318

11. Items included in Other under Other income

Other under Other income includes the following:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Profits of equity method investments	¥ 22,207	\$ 209
Gain on investments in partnerships	¥ 6,884	\$ 65

12. Items included in Other under Other expenses

Other under Other expenses includes the following:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Loss on sales of stocks and other securities	¥ 88	\$ 1

13. Reclassification adjustments and tax effect of other comprehensive income

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Valuation difference on available-for-sale securities:		
Amount recognized in the current fiscal year	¥ (3,586)	\$ (34)
Reclassification adjustments	(91)	(1)
Before tax effect adjustment	(3,677)	(35)
Tax effect	—	—
Valuation difference on available-for-sale securities	(3,677)	(35)
Deferred gains or losses on hedges:		
Amount recognized in the current fiscal year	(138,278)	(1,302)
Reclassification adjustments	43,843	413
Before tax effect adjustment	(94,435)	(889)
Tax effect	—	—
Deferred gains or losses on hedges	(94,435)	(889)
Foreign currency translation adjustment:		
Amount recognized in the current fiscal year	167	2
Reclassification adjustments	0	0
Before tax effect adjustment	168	2
Tax effect	—	—
Foreign currency translation adjustment	168	2
Share of other comprehensive income of equity method investments:		
Amount recognized in the current fiscal year	(3,087)	(29)
Reclassification adjustments	(1,739)	(16)
Before tax effect adjustment	(4,826)	(45)
Tax effect	—	—
Share of other comprehensive income of equity method investments	(4,826)	(45)
Total other comprehensive income	¥ (102,771)	\$ (967)

14. Changes in net assets**(a) Issued shares and treasury stocks**

For the fiscal year ended March 31, 2018, the type and the number of issued shares and treasury stocks are as follows;

(unit: thousands of shares)

Types	The number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of shares at the end of the fiscal year	Remarks
Issued shares					
Common stocks	1,533,000,000	82,200,000	—	1,615,200,000	Note
Classified stock	—	—	—	—	
Total	1,533,000,000	82,200,000	—	1,615,200,000	Note
Treasury stock					
Common stocks	—	—	—	—	
Classified stock	—	—	—	—	
Total	—	—	—	—	

(Note) The reason for an increase in shares is the issuance of 82,200,000 thousand new shares.

15. Cash flows

"Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2018 reconciles to cash and due from banks in the consolidated balance sheet as follows:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Cash and due from banks	¥ 1,751,287	\$ 16,484
Time deposits and others	(521,676)	(4,910)
Cash and cash equivalents	¥ 1,229,610	\$ 11,574

16. Financial instruments and related disclosure

(a) Status of financial instruments

(i) Initiatives for financial instruments

Based on the JBIC Act, JBIC is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society while supplementing the financial transactions implemented by private-sector financial institutions, by performing the financial function to promote 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, as well as preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption.

JBIC's principal operations consist of providing export loans, import loans, investment financing, financing for business development (including guarantees) and capital investment. To conduct these operations, funds are raised through borrowings from the fiscal investment and loans and the foreign exchange fund special account, and the issuing of bonds. An ALM (asset and liability management) function has been established in respect of our financial assets and liabilities that are subject to interest rate and currency fluctuations to assist in ensuring that such fluctuations do not have an adverse effect on our operations. In addition, derivative transactions are entered into for the purpose of mitigating risk inherent in foreign currency denominated transactions. Financial instruments that can be used for the management of surplus funds are limited to safe instruments such as Japanese government bonds, etc., as stipulated in the JBIC Act.

The budget required for governmental financial operations is decided upon by the Diet of Japan, and business plans and financial plans (borrowings from fiscal investment and loans, bonds, general accounting investment, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

Certain subsidiaries of JBIC engage in investments and other related activities as their principal operation.

(ii) Types of financial instruments and risks

The assets that JBIC holds mainly include loans to borrowers in Japan and overseas, and securities and liabilities mainly include borrowed money and bonds. A subsidiary of JBIC holds securities with price fluctuations.

The associated risks of financial assets and financial liabilities held by JBIC are described below.

① Credit risk

Credit risk is the risk that JBIC will suffer losses if the financial conditions of the borrower deteriorate and the value of assets (including off-balance sheet assets) declines or is impaired.

The credit risks associated with JBIC include sovereign risk, country risk, corporate risk, and project risk. JBIC engages in significant financing activities with overseas governments, governmental institutions, and overseas corporations as part of its support to overseas economic transactions. Because of the characteristics of these activities, sovereign or country risk is a significant part of the credit risk. JBIC is exposed to in connection with these activities.

As a result, if the financial conditions of the individual borrower significantly deteriorate due to political and economic trends in the borrower's country or region, JBIC's performance and financial conditions can be adversely affected.

(Note) Sovereign risk refers to risk associated with credit extended to foreign governments, country risk refers to risk associated with the country in which the corporation or project is located (risk, in addition to corporate risk or project risk, associated with the country in which the corporation or the project is located) and corporate risk refers to the risk associated with credit to corporations and project risk refers to the risk that the cash flows generated from the project fail to generate the planned cash flows, in the case of project finance, where the repayment of the borrowing is primarily secured by the cash flow of the project to which credit is extended.

② Market risk

Market risk is the risk that the value of assets and liabilities (including off-balance sheet items) will fluctuate

and losses will be incurred, or profits derived from assets and liabilities (including off-balance sheet items) will fluctuate and losses will be incurred due to changes in various market risk factors, such as interest rates and exchange rates.

The market risk borne by JBIC mainly consists of foreign exchange risk and interest rate risk, and JBIC may suffer losses from these risks due to fluctuations in the markets such as market turmoil. However, in principle, these risks are hedged through interest rate swaps, currency swaps, and forward foreign exchange contracts.

JBIC uses hedge accounting for interest rate hedges, where the hedging instrument is interest rate swaps to hedge the risk of changes in interest rates associated with loans, borrowed money and bonds. The effectiveness of the hedges is assessed by measuring and comparing the change in fair value or cumulative change in cash flows of both hedging instruments and corresponding hedged items from the date of inception of the hedges to the assessment date.

JBIC uses hedge accounting for foreign exchange hedges, where currency swaps and forward foreign exchange contracts are used to hedge items such as loans and bonds, etc. for foreign exchange risk. The effectiveness of the hedging with currency swaps and forward foreign exchange contracts is assessed by comparing the foreign currency position of the hedged financial assets and liabilities with that of the hedging instruments.

Furthermore, some of the foreign exchange risk arising from investments in affiliates denominated in foreign currencies are individually hedged by forward foreign exchange contracts as hedging instruments.

③ Liquidity risk

Liquidity risk is the risk that losses will be incurred as a result of difficulties in obtaining the funds necessary due to a maturity mismatch between financing and funding or unexpected outflow of funds, or being forced to fund at an interest rate significantly higher than that under normal circumstances (funding risk). It is also the risk that losses will be incurred from being unable to conduct market transactions due to market turmoil or being forced to transact at far more unfavorable prices than those under normal circumstances (market liquidity risk).

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and FILP agency bonds, are secured to finance JBIC and deposits are not accepted. Therefore, JBIC considers liquidity risk to be limited. However, financing costs could increase due to market turmoil and unexpected events.

(iii) Risk management structure for financial instruments

The risk management structure of JBIC is described below.

① Credit risk management

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower's creditworthiness in advance of credit approval.

When a new credit application is processed, the relevant finance departments (sales promotion departments) and credit departments collect and analyze information on the borrower. JBIC's overseas representative offices also play a part in collecting information on foreign governments and companies. Credit appraisal takes place based on the information that has been gathered and analyzed with the different departments ensuring appropriate checks throughout the process, leading to the final decision by management.

In providing credit to foreign governments and companies, JBIC takes maximum advantage of its unique position as a public financial institution. This includes exchanging views and information with governments and relevant authorities in the recipient countries, multilateral international institutions such as the International Monetary Fund (IMF) and the World Bank, other regional development banks such as export credit agencies, and private financial institutions in developed countries. Using all these channels to exchange views and information, JBIC evaluates sovereign and country risks (risk in addition to corporate risk associated with the country in which the corporation is located) based on the broad range of information collected on the borrowing governments, the government agencies and the political and economic conditions in their countries.

The relevant finance departments and credit departments conduct proper credit risk management based on the credit risk rating system for segmented risk categories and the asset self assessment system based on the Financial Inspection Manual of the Japanese Financial Services Agency. In addition, an Integrated Risk Management Committee is held regularly to report the status of credit management to the management. In addition, an Integrated Risk Management Committee is held regularly to report the status of credit management to the management. The credit management is also checked by an independent auditing department.

In addition, a claims protection mechanism exists based on an international framework unique to official creditors, that is not applied to private sector financial institutions, for public claims on foreign governments. This mechanism consists of international financial assistance upon international approval by the Paris Club, an international group focusing on debt, to allow the debtor country to continue debt repayment when the debtor country becomes temporarily unable to service its debt due to economic conditions. As part of this international financial assistance, the debtor country conducts an economic reform program agreed by the IMF in order to secure the ability to sustainably service its debt. In view of JBIC's position as a public financial institution, it will

use the framework of the Paris Club to preserve its public claims on foreign governments.

In addition to the above credit risk management related to individual borrowers, JBIC quantifies credit risk 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 are not typically seen in other private financial institutions, namely that JBIC holds a significant proportion of long-term loans that entail sovereign and country risks. Also to be taken into account are mechanisms for securing assets under an international supporting framework, such as the Paris Club, which is unique to official creditors. JBIC uses a unique model to quantify the credit risk taking account of the above factors and measures amount of credit risk, which are utilized for credit risk management.

② Market risk management

JBIC manages foreign exchange risk and interest rate risk through its ALM. Market risk management protocols contain detailed stipulations in respect of risk management methods and procedures, and JBIC established an ALM Committee to assess and confirm the execution of ALM, and to discuss future responses to market risk. In addition, JBIC assesses and monitors the interest rate and terms of financial assets and liabilities in detail through a gap analysis and an interest rate sensitivity analysis as well as Value at Risk ("VaR"). The results are reported to the ALM Committee on a regular basis.

The basic policy for managing foreign exchange risk and interest rate risk at JBIC is described below.

1) Foreign exchange risk

Foreign currency-denominated loans conducted in JBIC involve risks related to exchange rate fluctuations. We have a consistent policy of managing this risk by fully hedging this risk exposure through the use of currency swaps and forward foreign exchange contracts. Furthermore, some of the foreign exchange risk arising from investments in affiliates denominated in foreign currencies are individually hedged using forward foreign exchange contracts as hedging instruments.

2) Interest rate risk

Interest rate risk arises from exposure to market interest rate fluctuations for yen-denominated loan and foreign currency-denominated loan operations and the policy for managing interest rate risk is described below.

a. Yen-denominated loan operations

Yen-denominated loan operations are mainly managed by using fixed-rate loans. However, swaps are used to hedge interest rate risk for the portion of loans that are deemed to have high exposures to interest rate fluctuations and therefore interest rate risk is limited.

b. Foreign currency-denominated loan operations

For foreign currency-denominated loan operations, interest rate risk is hedged through the application of a consistent policy of using interest rate swaps and managing the funds with floating interest rates for both loans and related funding arrangements.

3) Status of market risk

JBIC only maintains a banking book and does not have financial instruments in a trading book. While in principle JBIC holds derivatives only for hedging purposes, as stated previously, market risk (VaR) is measured in order to assess potential risk exposures. The following represents the market risk (VaR) exposure in the current fiscal year. JBIC measures market risk (VaR) by taking into account the degree of correlation between interest rate risk and foreign exchange risk.

a. Market risk (VaR)

March 31, 2018 (In billions of yen)		March 31, 2018 (In billions of U.S. dollars)	
¥	159.4	\$	1.5

b. Market risk (VaR) measurement model

Historical model (Confidence Interval: 99%, Holding period: 1 year, Observation period: 5 years)

c. Risk management using VaR

VaR is a market risk measure that assesses the maximum possible fluctuation of gains or losses in fair values that could be incurred after a certain period of time ("holding period") based on historical market movements of interest rates or exchange rates, etc., over a specific period in the past (or observation period) within a given probability (confidence interval), that is derived statistically by employing the theory of possibility distribution.

The measurement assumes historical market trends and the theory of probability distribution. Based on the possibility that future market trends could deviate from these assumptions, a back-test is performed to cross-check the model-measured VaR with actual profits or losses, in order to confirm the effectiveness of market risk measurements using VaR. In addition, a stress test, which goes beyond

the probability distribution of historical market movements, is carried out in order to capture risks from various perspectives.

The following points should generally be noted in measuring VaR:

- VaR will differ depending on the choice of confidence interval, holding period or observation period;
- VaR indicates the maximum fluctuation of gains or losses in fair values at the time of measurement. In practice, the actual results at a point in the future may differ from the VaR calculation due to changes in the assumptions caused by market movements during the holding period; and
- VaR indicates the maximum value based on specific assumption. As such, when utilizing VaR as a risk management measure, it is imperative to keep in mind that VaR may underestimate the potential losses.

③ Liquidity risk management related to funding

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and FILP agency bonds, are used to finance these operations and deposits are not accepted.

Cash flows are assessed and proper measures, including establishing overdraft facility accounts with multiple private sector financial institutions, are taken to maintain daily cash flows for proper risk management.

④ Derivative transactions

For derivatives transactions, the internal checks and balances is established by assigning the execution of transactions, the assessment of hedge effectiveness and the management of administrative work to separate divisions. In addition, derivative transactions are carried out in accordance with the derivatives related protocol.

(iv) Supplementary explanation concerning fair value of financial instruments

Fair values of financial instruments are based on their market prices or, in cases where market prices are not available, on reasonably calculated prices. These prices have been calculated using certain assumptions, and may differ depending on the assumptions.

(b) Fair value of financial instruments

The carrying amount on the consolidated balance sheet as of March 31, 2018 and the related fair value, and difference are as follows. Note that unlisted securities whose fair value is extremely difficult to be determined are not included in the following chart (refer to Note 2).

As of March 31, 2018

(In millions of yen)

	Amount on consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 1,751,287	¥ 1,751,287	¥ —
(2) Securities			
Trading securities	9,837	9,837	—
Available-for-sale securities	76,197	76,197	—
(3) Loans and bills discounted	13,513,680		
Allowance for loan losses ^{(*)1}	(265,189)		
	13,248,491	13,342,813	94,322
(4) Other assets ^{(*)2}	141,180	141,180	—
Total assets	15,226,993	15,321,316	94,322
(1) Borrowed money	8,370,758	8,425,665	54,906
(2) Bonds payable	4,392,597	4,315,172	(77,424)
(3) Other liabilities ^{(*)2}	56,280	56,280	—
Total liabilities	12,819,635	12,797,117	(22,518)
Derivative transactions ^{(*)3}			
Derivative transactions not qualifying for hedge accounting	—	—	—
Derivative transactions qualifying for hedge accounting	(137,746)	(137,746)	—
Total derivative transactions	¥ (137,746)	¥ (137,746)	¥ —

As of March 31, 2018

(In millions of U.S. dollars)

	Amount on consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 16,484	\$ 16,484	\$ —
(2) Securities			
Trading securities	93	93	—
Available-for-sale securities	717	717	—
(3) Loans and bills discounted	127,200		
Allowance for loan losses (*1)	(2,497)		
	124,703	125,591	888
(4) Other assets (*2)	1,329	1,329	—
Total assets	143,326	144,214	888
(1) Borrowed money	78,791	79,308	517
(2) Bonds payable	41,346	40,617	(729)
(3) Other liabilities (*2)	530	530	—
Total liabilities	120,667	120,455	(212)
Derivative transactions (*3)			
Derivative transactions not qualifying for hedge accounting	—	—	—
Derivative transactions qualifying for hedge accounting	(1,297)	(1,297)	—
Total derivative transactions	\$ (1,297)	\$ (1,297)	\$ —

(*1) General allowance for loan losses and specific allowance for loan losses, and the allowance for possible loan losses on specific overseas loans have been deducted from loans.

(*2) This does not include derivative transactions, but presents Other assets and Other liabilities that are financial instruments subject to fair value disclosure.

(*3) Derivatives recorded in "other assets" and "other liabilities" are collectively presented. Assets and liabilities arising from derivative transactions are presented on a net basis. The figures in parenthesis indicate net liabilities.

(Note 1) Valuation methodologies used for estimating fair values for financial instruments

Assets

(1) Cash and due from banks

For Due from banks that have no specific maturity or have a maturity under 3 months, the carrying amounts are used as fair value because the carrying amount approximates the fair value.

(2) Securities

Trading securities are held by the consolidated foreign subsidiary and are measured at fair value through profit or loss based on the IFRS.

The fair value of "Available-for-sale securities" is based upon the prices that are indicated from the financial institutions that JBIC transacts with.

(3) Loans and bills discounted

For loans with variable interest rates, since such loans reflect market interest rates, an amount calculated by the floating rate note method over the short term is used for fair value.

For loans with fixed interest, the total principal and interest is discounted by a risk free rate that incorporates the default ratio and coverage ratio to calculate fair value.

However for claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, expected credit losses on such claims are calculated based on the expected collectable amount from the collateral or guarantee. Since fair value approximates the amount on the consolidated balance sheet at the fiscal year end after the deduction of the allowance for loan losses, this amount is used for fair value.

(4) Other assets

Of Other assets, for cash collateral paid for financial instruments, the carrying amount is used as fair value because the carrying amount approximates the fair value.

Liabilities

(1) Borrowed money

Borrowed money with variable interest rates reflect short-term market interest rates and the credit conditions of JBIC and its consolidated subsidiaries have not changed significantly since the execution of borrowings. Therefore, the carrying amount is used as fair value because it is considered that the carrying amount approximates the fair value. For borrowed money with a fixed interest rate, in principle, fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate).

(2) Bonds payable

Market value is used as fair value of bonds.

(3) Other liabilities

Of Other liabilities, for cash collateral received for financial instruments, the carrying amount is used as fair value because the carrying amount approximates the fair value.

Derivative transactions

Derivative transactions are discussed under "Derivative transactions."

(Note 2) Financial instruments whose fair values are considered to be extremely difficult to be determined are as follows. They are not included in "Assets, (2) Securities."

Classification

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
1) Unlisted stocks (unconsolidated subsidiaries and affiliates) ^{(*)1}	¥ 5,439	\$ 51
2) Unlisted stocks (other than unconsolidated subsidiaries and affiliates) ^{(*)1}	75,393	710
3) Partnership investments (unconsolidated subsidiaries and affiliates) ^{(*)2}	133,783	1,259
4) Partnership investments (other than unconsolidated subsidiaries and affiliates) ^{(*)2}	50,952	480
Total	¥ 265,569	\$ 2,500

(*)1 Since unlisted stocks do not have quoted market prices available and their fair value is extremely difficult to be determined, fair values are not stated.

(*)2 For partnership investments composed of unlisted stocks that do not have quoted market prices available and for which fair value is extremely difficult to be determined, fair values are not stated.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

March 31, 2018

(In millions of yen)

	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Due from banks ^{(*)1}	¥ 1,751,287	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale securities	12,500	53,500	9,802	—	—	—
Loans and bills discounted ^{(*)2}	1,431,414	3,067,267	2,569,023	2,327,348	2,234,766	1,695,017
Total	¥3,195,201	¥3,120,767	¥2,578,826	¥2,327,348	¥2,234,766	¥1,695,017

March 31, 2018

(In millions of U.S. dollars)

	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Due from banks ^{(*)1}	\$ 16,484	\$ —	\$ —	\$ —	\$ —	\$ —
Securities						
Available-for-sale securities	118	504	93	—	—	—
Loans and bills discounted ^{(*)2}	13,473	28,871	24,181	21,907	21,035	15,955
Total	\$ 30,075	\$ 29,375	\$ 24,274	\$ 21,907	\$ 21,035	\$ 15,955

(*)1 Demand deposits contained within due from banks are stated as "Due within one year."

(*)2 ¥188,842 million (\$1,778 million) of Loans and bills discounted whose redemption is not estimable, such as claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, is not included in the tables above.

(*)3 Of Other assets, the information about cash collateral paid for financial instruments is omitted since there is no fixed maturity date for repayments.

(Note 4) Redemption schedule for borrowed money and bonds payable with future redemption dates

March 31, 2018

(In millions of yen)

	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Borrowed money	¥ 809,379	¥ 2,189,642	¥ 3,985,736	¥ 585,900	¥ 631,100	¥ 169,000
Bonds payable	684,000	1,288,777	863,360	318,720	1,247,072	—
Total	¥ 1,493,379	¥ 3,478,419	¥ 4,849,096	¥ 904,620	¥ 1,878,172	¥ 169,000

March 31, 2018

(In millions of U.S. dollars)

	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Borrowed money	\$ 7,618	\$ 20,610	\$ 37,516	\$ 5,515	\$ 5,941	\$ 1,591
Bonds payable	6,439	12,131	8,127	3,000	11,738	—
Total	\$ 14,057	\$ 32,741	\$ 45,643	\$ 8,515	\$ 17,679	\$ 1,591

(*)1 Of Other liabilities, the information about cash collateral received for financial instruments is omitted since there is no fixed maturity date for repayments.

17. Market value of securities

The following tables contain information relating to negotiable certificates included in "Cash and due from banks" as well as "Securities" that are presented in the consolidated balance sheet.

Information relating to "equity securities of and other investments in subsidiaries and affiliates" is presented in the notes to the consolidated financial statements.

(a) Trading securities

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Unrealized gains (losses) included in profits or losses in the current fiscal year	¥ (31)	\$ (0)

(b) Held-to-maturity debt securities

Not applicable

(c) Available-for-sale securities

March 31, 2018

(In millions of yen)

	Type	Carrying Amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks	¥ —	¥ —	¥ —
	Debt securities	—	—	—
	Japanese government bonds	—	—	—
	Corporate bonds	—	—	—
	Other	46,203	45,800	403
Subtotal		46,203	45,800	403
Securities whose carrying amount does not exceed their acquisition cost	Stocks	—	—	—
	Debt securities	—	—	—
	Japanese government bonds	—	—	—
	Corporate bonds	—	—	—
	Other	69,994	70,000	(6)
Subtotal		69,994	70,000	(6)
Total		¥ 116,197	¥ 115,800	¥ 397

March 31, 2018

(In millions of U.S. dollars)

	Type	Carrying Amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks	\$ —	\$ —	\$ —
	Debt securities	—	—	—
	Japanese government bonds	—	—	—
	Corporate bonds	—	—	—
	Other	435	431	4
Subtotal		435	431	4
Securities whose carrying amount does not exceed their acquisition cost	Stocks	—	—	—
	Debt securities	—	—	—
	Japanese government bonds	—	—	—
	Corporate bonds	—	—	—
	Other	659	659	(0)
Subtotal		659	659	(0)
Total		\$ 1,094	\$ 1,090	\$ 4

(d) Held-to-maturity debt securities sold during the fiscal year ended March 31, 2018

Not applicable

(e) Available-for-sale securities sold

Fiscal year ended March 31, 2018

(In millions of yen)

	Amount of sales	Total gain on sales	Total loss on sales
Stocks	¥ —	¥ —	¥ —
Debt securities	—	—	—
Japanese government bonds	—	—	—
Corporate bonds	—	—	—
Other	¥ 8,886	¥ 128	¥ 57
Total	¥ 8,886	¥ 128	¥ 57

Fiscal year ended March 31, 2018		(In millions of U.S. dollars)		
	Amount of sales	Total gain on sales	Total loss on sales	
Stocks	\$ —	\$ —	\$ —	
Debt securities	—	—	—	
Japanese government bonds	—	—	—	
Corporate bonds	—	—	—	
Other	\$ 84	\$ 1	\$ 1	
Total	\$ 84	\$ 1	\$ 1	

(f) Change in classification of securities

Not applicable

(g) Impairment of securities

Not applicable

(h) Money held in trust

(i) Money held in trust for trading purposes

Not applicable

(ii) Money held in trust for holding-to-maturity purposes

Not applicable

(iii) Other money held in trust (other than investment and holding-to-maturity purposes)

Not applicable

(i) Net unrealized gains (losses) on available-for-sale securities are as follows;

Fiscal year ended March 31, 2018		(In millions of yen)	
Valuation difference	¥	(1,209)	
Available-for-sale securities (*)		(1,209)	
Other money held in trust		—	
(+ Deferred tax assets (or (-) Deferred tax liabilities)		—	
Valuation difference on available-for-sale securities (before following adjustments)	¥	(1,209)	
(-) Non-controlling interests		—	
(+ JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method		—	
Valuation difference on available-for-sale securities	¥	(1,209)	

Fiscal year ended March 31, 2018		(In millions of U.S. dollars)	
Valuation difference	\$	(11)	
Available-for-sale securities (*)		(11)	
Other money held in trust		—	
(+ Deferred tax assets (or (-) Deferred tax liabilities)		—	
Valuation difference on available-for-sale securities (before following adjustments)	\$	(11)	
(-) Non-controlling interests		—	
(+ JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method		—	
Valuation difference on available-for-sale securities	\$	(11)	

(*) "Available-for-sale securities" includes foreign exchange translation differences in respect of available-for-sale securities whose fair value cannot be readily determined.

18. Derivative transactions

Notes to derivative transactions in the fiscal year ended March 31, 2018 are as follows;

(a) Derivative transactions not qualifying for hedge accounting

(i) Interest rate-related transactions

Not applicable

(ii) Currency-related transactions

Not applicable

(iii) Equity-related transactions

Not applicable

(iv) Bond-related transactions

Not applicable

- (v) Commodity-related transactions
Not applicable
- (vi) Credit derivative transactions
Not applicable

(b) Derivative transactions qualifying for hedge accounting

For derivative transactions qualifying for hedge accounting, contract value at the fiscal year end or notional amount defined in agreements, and fair value and its calculation method, by hedged item and by hedge accounting method, are as follows. Contract value does not indicate the market risk of the derivative transactions.

(i) Interest rate-related transactions

Fiscal year ended March 31, 2018

(In millions of yen)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Interest rate swap	Loans and bills discounted			
		Borrowed money			
		Bonds payable			
		Receive/fixed and pay/floating	¥ 3,985,081	¥ 3,374,201	¥ (115,742)
	Receive/floating and pay/fixed		717,401	704,092	(4,117)
	Receive/floating and pay/floating		212,480	212,480	(105)
	Total		¥ —	¥ —	¥ (119,965)

Fiscal year ended March 31, 2018

(In millions of U.S. dollars)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Interest rate swap	Loans and bills discounted			
		Borrowed money			
		Bonds payable			
		Receive/fixed and pay/floating	\$ 37,510	\$ 31,760	\$ (1,089)
	Receive/floating and pay/fixed		6,753	6,627	(39)
	Receive/floating and pay/floating		2,000	2,000	(1)
	Total		\$ —	\$ —	\$ (1,129)

(Note) Calculation of fair value is based on the discounted cash flows.

(ii) Currency-related transactions

Fiscal year ended March 31, 2018

(In millions of yen)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Currency swap	Loans and bills discounted	¥ 3,274,459	¥ 2,761,005	¥ (17,161)
		Bonds payable			
	Forward foreign exchange contracts	Loans and bills discounted			
		Sell	Investments in capital and other items	87,304	—
	Buy		7,527	—	(16)
	Total		¥ —	¥ —	¥ (17,780)

Fiscal year ended March 31, 2018

(In millions of U.S. dollars)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Currency swap	Loans and bills discounted	\$ 30,821	\$ 25,988	\$ (162)
		Bonds payable			
	Forward foreign exchange contracts	Loans and bills discounted			
		Sell	Investments in capital and other items	822	—
	Buy		71	—	0
	Total		\$ —	\$ —	\$ (167)

Note 1. These are mainly accounted for using the deferred method of hedge accounting under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standard for Foreign Currency Transactions for Banks" (JICPA Industry Audit Committee Report No. 25 of July 29, 2002).

Note 2. Calculation of fair value is based on the discounted cash flows.

- (iii) Equity-related transactions
Not applicable
- (iv) Bond-related transactions
Not applicable

19. Retirement benefits

(a) Overview of retirement benefit plans

JBIC abolished the welfare pension fund plan effective October 1, 2014 and has established a defined benefit corporate pension plan and a defined contribution pension plan.

JBIC has a defined benefit pension plan comprised of a corporate pension plan (transferred from a welfare pension fund plan effective October 1, 2014) and a lump-sum severance indemnity plan. Although JBIC's corporate pension plan is a multi-employer plan, the amount of the pension assets corresponding to its own contribution can be reasonably calculated based on the ratio of the projected benefit obligations, and the related notes are included in the following notes related to the defined benefit pension plan.

Under the corporate pension plan (funded type), pension or lump-sum payments are provided based on salary and service period. Under the lump-sum severance indemnity plan (unfunded type), lump-sum payments are provided as retirement benefits based on salary and service period. In addition, JBIC has established a defined contribution-type retirement benefit plan effective October 1, 2014.

Effective April 1, 2013, JBIC has been authorized by the Minister of Health, Labor and Welfare to be exempt from the obligations to pay future amounts in respect of the portion of the welfare pension fund it manages for the government. Subsequently on October 1, 2014, JBIC has been authorized to transfer to the government the past substitutional portion of the aforesaid fund. On September 22, 2017, *Kouko Kigyō Nenkin Kikin* (*Kouko* corporate pension fund) which JBIC participates in paid to the government ¥52,817 million (\$497 million) of the transfer amount of the substitutional portion (i.e., minimum reserve). Its impact on profits or losses in the current fiscal year amounted to ¥3 million (\$0 million) which was recognized in Other of Other expenses.

(b) Defined benefit pension plan

- (i) The changes in the projected benefit obligation are as follows:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Projected benefit obligation at the beginning of the fiscal year	¥ 13,772	\$ 130
Service cost	445	4
Interest cost	35	0
Actuarial losses	383	3
Retirement benefit paid	(733)	(7)
Decrease due to the transfer of the substitutional portion of the welfare pension fund	(2,706)	(25)
Projected benefit obligation at the end of the fiscal year	¥ 11,197	\$ 105

- (ii) The changes in the plan assets are as follows:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Pension assets at the beginning of the fiscal year	¥ 6,964	\$ 66
Expected return on plans assets	106	0
Actuarial gains	156	1
Contributions by the employer	122	1
Retirement benefit paid	(229)	(2)
Decrease due to the transfer of the substitutional portion of the welfare pension fund	(2,709)	(25)
Pension assets at the end of the fiscal year	¥ 4,411	\$ 41

- (iii) Reconciliation of the projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset in the consolidated balance sheet

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Funded projected obligation	¥ 6,090	\$ 57
Fair value of plans assets	(4,411)	(41)
	1,679	16
Unfunded projected benefit obligation	5,106	48
Net amount of assets and liabilities in the consolidated balance sheet	¥ 6,785	\$ 64
Defined benefit liability	6,785	64
Defined benefit asset	—	—
Net amount of assets and liabilities in the consolidated balance sheet	¥ 6,785	\$ 64

- (iv) Component of retirement benefit expense

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Service cost	¥ 445	\$ 4
Interest cost	35	0
Expected return on plans assets	(106)	(0)
Realized actuarial loss	226	2
Retirement benefit expense	¥ 601	\$ 6

(Note) In addition to the above, ¥3 million (\$0 million) was recognized in Other of Other expenses in the current fiscal year as a result of the transfer of the substitutional portion of the welfare pension fund.

- (v) Plan assets

- ① Major components of plan assets

Percentages of components to the total are as follows;

	March 31, 2018
Debt securities	61%
Stocks	24%
General account of life insurance company	14%
Cash and due from banks	1%
Total	100%

- ② Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and projected pension asset allocations as well as on the current and future rates of return expected from various assets that are components of plan assets.

- (vi) Principal assumptions used

Principal assumptions used in actuarial calculations

	March 31, 2018
Discount rate	0.24%
Expected rate of return on plan assets	2.50%
Expected rate of increase in salary	4.35%

- (c) Defined contribution plan

The amount of contribution required to be made to the defined contribution plan was ¥25 million (\$0 million) for the fiscal year ended March 31, 2018.

20. Deferred tax accounting

- (a) Breakdown of deferred tax assets and deferred tax liabilities

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Deferred tax assets		
Tax loss carryforward	¥ 8	\$ 0
Other	1	0
Sub total	9	0
Valuation allowance	(9)	(0)
Total deferred tax assets	¥ —	\$ —

- (b) **Where there is a significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting, breakdown of major items attributable to the difference**
This information is omitted since JBIC is a nontaxable entity defined in the Article 2, Paragraph 5 of the Corporation Tax Act (Act No. 34 of 1965) and therefore there is no significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting.

21. Segment information

(a) Segment summary

The JBIC Group's operating segments are those for which discrete financial information is available, and whose operating results are regularly reviewed by JBIC's management.

The JBIC Group is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society, while supplementing the financial transactions implemented by private-sector financial institutions by performing financial operations from four viewpoints: i.e. "promotion of the overseas development and securement of resources which are important for Japan"; "maintenance and improvement of the international competitiveness of Japanese industries"; "promotion of the overseas business having the purpose of preserving the global environment, such as preventing global warming"; and "prevention of disruptions to international financial order or implementation of appropriate measures with respect to damages caused by such disruption." To achieve these purposes, for business operations defined under the Act on Japan Bank for International Cooperation and other acts, JBIC has two reporting segments: "Ordinary Operations" account and "Special Operations" account. Accounting operations are separately carried out for respective accounts.

The "Ordinary Operations" account covers the businesses which are not included in the "Special Operations" account of the JBIC Group. The Ordinary Operations account also includes the investment business of the consolidated subsidiaries.

The "Special Operations" account includes the businesses that offer financing services such as lending to overseas infrastructure business projects that generate a higher expected return in exchange for higher risk.

- (b) **Method of calculating ordinary income, profit or loss, assets, liabilities and other items by reportable segment**
Accounting treatment applied to business segments reported is the same as that disclosed in "Notes to Consolidated Financial Statements." The amount of profit (or loss) of reportable segments is based on Net income attributable to owners of parent.

(c) Information about the amount of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2018

(In millions of yen)

	"Ordinary Operations"	"Special Operations"	Sub-total for reportable segments	Adjustments	Amount reported in the consolidated financial statements
Ordinary income					
(1) Ordinary income from customers	¥ 390,057	¥ 2	¥ 390,060	¥ —	¥ 390,060
(2) Intersegment ordinary income	12	0	12	(12)	—
Total	¥ 390,070	¥ 2	¥ 390,073	¥ (12)	¥ 390,060
Segment profit (loss)	62,286	(204)	62,081	—	62,081
Segment assets	17,760,961	251,110	18,012,072	(11)	18,012,060
Segment liabilities	15,465,378	222	15,465,600	(11)	15,465,589
Other items					
Depreciation and amortization	1,460	—	1,460	—	1,460
Interest income	336,767	1	336,768	—	336,768
Interest expense	249,256	0	249,256	—	249,256
Profits of equity method investments	22,207	—	22,207	—	22,207
Extraordinary income	9	—	9	—	9
Gain on disposal of noncurrent assets	9	—	9	—	9
Extraordinary loss	8	—	8	—	8
Loss on disposal of noncurrent assets	8	—	8	—	8
Income tax expenses	0	—	0	—	0
Equity method investments	100,453	—	100,453	—	100,453
Increase in Property, plant and equipment and Intangible assets	3,024	—	3,024	—	3,024
Provision of allowance for loan losses	51,505	22	51,528	—	51,528

(In millions of U.S. dollars)

	"Ordinary Operations"	"Special Operations"	Sub-total for reportable segments	Adjustments	Amount reported in the consolidated financial statements
Ordinary income					
(1) Ordinary income from customers	\$ 3,671	\$ 0	\$ 3,671	\$ —	\$ 3,671
(2) Intersegment ordinary income	0	0	0	(0)	—
Total	\$ 3,671	\$ 0	\$ 3,671	\$ (0)	\$ 3,671
Segment profit (loss)	586	(2)	584	—	584
Segment assets	167,178	2,363	169,541	(0)	169,541
Segment liabilities	145,570	2	145,572	(0)	145,572
Other items					
Depreciation and amortization	14	—	14	—	14
Interest income	3,170	0	3,170	—	3,170
Interest expense	2,346	0	2,346	—	2,346
Profits of equity method investments	209	—	209	—	209
Extraordinary income	0	—	0	—	0
Gain on disposal of noncurrent assets	0	—	0	—	0
Extraordinary loss	0	—	0	—	0
Loss on disposal of noncurrent assets	0	—	0	—	0
Income tax expenses	0	—	0	—	0
Equity method investments	946	—	946	—	946
Increase in Property, plant and equipment and Intangible assets	28	—	28	—	28
Provision of allowance for loan losses	485	0	485	—	485

Notes 1. Ordinary income is disclosed in place of Sales for non-financial companies. Adjustments for the difference represent adjustments related to the difference between ordinary income and Ordinary income disclosed in the consolidated statement of operations.

2. The "Adjustments" above represents elimination of intersegment transactions.

(d) Related information

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(i) Information about services

The information about services is omitted since ordinary income from outside customers in relation to the loan, guarantee and equity participation operations is more than 90% of ordinary income on the consolidated statement of operations.

(ii) Information about geographical areas**① Ordinary income**

(In millions of yen)

Japan	Asia/Oceania	Europe/Middle East/ Africa	United States	North America/ Latin America (excluding U.S.)	Total
¥ 91,138	¥ 102,256	¥ 91,918	¥ 40,948	¥ 63,798	¥ 390,060

(In millions of U.S. dollars)

Japan	Asia/Oceania	Europe/Middle East/ Africa	United States	North America/ Latin America (excluding U.S.)	Total
\$ 858	\$ 963	\$ 865	\$ 384	\$ 601	\$ 3,671

Notes 1. Ordinary income is disclosed in place of Sales for non-financial companies.

2. Ordinary income is disclosed based on the location of the customers and is classified by country or region.

② Property, plant and equipment

The information about property, plant and equipment is omitted since more than 90% of property, plant equipment on the consolidated balance sheet are located in Japan.

(iii) Information about major customers

The information about major customers is omitted since there are no transactions with a certain customer which result in more than 10% of ordinary income on the consolidated statement of operations.

(e) Information about impairment losses of property, plant and equipment in reportable segments

Not applicable

(f) Information about the amortization and balance of goodwill in reportable segments

Not applicable

(g) Information about gains from the recognition of negative goodwill in reportable segments

Not applicable

22. Related-party information**1. Related party transactions****(1) Related party transactions with JBIC****(a) Transactions with parent company and major shareholder companies**

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Related Party Name	Location	Capital	Business	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amounts of transactions (Note 4)	Items	Balance as of March 31, 2018 (Note 4)	
Principal shareholder	Ministry of Finance (Minister of Finance)	Chiyoda-ku, Tokyo	—	Administration for policy based financing	100 (Direct)	Receipt of funds, etc.	Capital subscription (Note 1)	—	¥ 82,200	¥ —
							Receipt of funds (Note 2)	4,808,429	Borrowings	8,370,758
							Repayment of borrowings	6,004,411		
							Payment of interest on borrowings	115,370	Accrued expense	27,232
							Guarantee for corporate bonds (Note 3)	4,202,610	—	—

(In millions of U.S. dollars)

	Related Party Name	Location	Capital	Business	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amounts of transactions (Note 4)	Items	Balance as of March 31, 2018 (Note 4)
Principal shareholder	Ministry of Finance (Minister of Finance)	Chiyoda-ku, Tokyo	—	Administration for policy based financing	100 (Direct)	Receipt of funds, etc.	Capital subscription (Note 1)	\$ 774	—	\$ —
							Receipt of funds (Note 2)	45,260	Borrowings	78,791
							Repayment of borrowings	56,517		
							Payment of interest on borrowings	1,086	Accrued expense	256
							Guarantee for corporate bonds (Note 3)	39,558	—	—

- Notes 1. Ministry of Finance subscribed new shares issued by JBIC through allotment to shareholders for ¥1 (\$0) per share.
2. Receipt of funds represents borrowings from the FILP special account and foreign exchange funds special account. FILP interest rates are applied in accordance with the FILP agreement, while the interest rates under the respective agreements related to foreign exchange funds special account are applied to borrowings from foreign exchange funds.
3. No guarantee fee has been paid for the guarantee of bonds.
4. Figures in the table above do not include consumption taxes.

(b) Transactions with fellow subsidiaries and subsidiaries of any other associated company

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(In millions of yen)

	Corporate name	Location	Capital	Business	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amounts of transactions (Notes 1, 4)	Items	Balance as of March 31, 2018
Companies that had the majority of their voting rights held by principal shareholders	Japan International Cooperation Agency	Chiyoda-ku, Tokyo	¥8,099,860	Official development assistance	None	Joint obligor	Joint obligations	¥ 100,000	—	¥ —
								152,800	—	—
	Japan Finance Corporation	Chiyoda-ku, Tokyo	4,124,921	Finance	None	Joint obligor	Joint obligations	140,000 (Notes 3, 4)	—	—

(In millions of U.S. dollars)

	Corporate name	Location	Capital	Business	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amounts of transactions (Notes 1, 4)	Items	Balance as of March 31, 2018
Companies that had the majority of their voting rights held by principal shareholders	Japan International Cooperation Agency	Chiyoda-ku, Tokyo	\$ 76,241	Official development assistance	None	Joint obligor	Joint obligations	\$ 941	—	\$ —
								1,438	—	—
	Japan Finance Corporation	Chiyoda-ku, Tokyo	38,826	Finance	None	Joint obligor	Joint obligations	1,318 (Notes 3, 4)	—	—

- Notes 1. JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and the Japan International Cooperation Agency ("JICA") is jointly responsible for the obligations of these bonds in accordance with the provision of Article 4 (1) of Supplementary Provisions of the Japan International Cooperation Agency Act (Act No. 136 of 2002). Pursuant to Article 4 (2) hereof, all of JICA assets are pledged as general collateral for these joint obligations.
2. JBIC assumed the obligations of the JFC bonds in accordance with Article 12 (1) of Supplementary Provisions of the JBIC Act, and JFC is jointly responsible for the obligations of these bonds in accordance with Article 46-2 (1) of Supplementary Provisions of the JFC Act (Act No. 57 of 2007). Pursuant to Article 46-2 (2) hereof, all of JFC's assets are pledged as general collateral for these joint obligations.
3. JBIC is jointly responsible for the obligations of JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are all pledged as general collateral for these joint obligations.
4. In relation to these joint obligations, no transactions are recognized in the consolidated statement of operations.

(2) Transactions between consolidated subsidiaries and related parties

Not applicable.

2. Notes to the parent company or significant affiliates

(1) Parent company information

Not applicable.

(2) Condensed financial information of significant affiliates

Significant affiliates of JBIC are IFC Capitalization (Subordinated Debt) Fund, L.P. and IFC Capitalization (Equity) Fund, L.P. in the current fiscal year. Their condensed financial information is as shown below:

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Total assets	¥ 286,987	\$ 2,701
Total liabilities	119,422	1,124
Total net assets	167,564	1,577
Gain on investment	14,967	141
Net income before income taxes	38,117	359
Net income	38,117	359

Note: IFC Capitalization (Subordinated Debt) Fund, L.P. and IFC Capitalization (Equity) Fund, L.P. are deemed as a significant affiliate from the current fiscal year as their materiality has increased.

23. Amounts per share

Amounts per share as of the fiscal year ended March 31, 2018 are calculated as follows:

	March 31, 2018 (In yen)	March 31, 2018 (In U.S. dollars)
Net assets per share of common stock	¥ 1.57	\$ 0.01
Net income per share of common stock	0.04	0.00

Note 1. Net income per share of common stock is based on the following information.

Diluted net profit per share of common stock is not presented since there are no diluted stocks.

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Net income attributable to owners of parent	¥ 62,081	\$ 584
Amount not attribute to common stock	—	—
Net income attributable to owners of parent related to common stock	62,081	584
Average outstanding shares of common stock (during the period)	1,533,900,821 thousands of shares	

Note 2. Net assets per share of common stock is based on the following information.

	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Net assets	¥ 2,546,471	\$ 23,969
Deductions from net assets	227	2
(Non-controlling interests)	227	2
Net assets related to common stock	2,546,243	23,967
Year-end outstanding shares of common stock on which the calculation of net assets per share was calculated	1,615,200,000 thousands of shares	

24. Bonds payable

Major components of bonds payable as of March 31, 2018 are as follows:

(In millions of yen)

Name of company	Description of bonds payable	Date of issuance	Balance at the beginning of current period	Balance at the end of current period	Interest rate (%)	Collateral	Maturity date	Remarks
JBIC	Government guaranteed JFC (JBIC) foreign bonds 9th	February 7, 2012	¥ 140,134 (USD 1,249,078,000)	¥ 132,754 [132,754] (USD1,249,574,000) [USD1,249,574,000]	2.125	General collateral	February 7, 2019	*2
	Government guaranteed JBIC foreign bonds 1st-32nd	July 19, 2012 – November 16, 2017	2,931,452 (USD 25,225,067,000) (GBP 424,263,000) (CAD 499,959,000)	4,069,855 [531,014] (USD 37,713,465,000) (USD 4,998,255,000) (GBP 424,461,000)	1.125~ 3.375	General collateral	July 19, 2017 – November 16, 2027	
	JBIC bonds 13th, 16th, 19th, 22nd, 23rd, 29th, 30th	May 28, 2004 – May 29, 2008	199,982	99,989 [19,998]	1.670~ 2.090	General collateral	September 20, 2017 – December 19, 2025	*1
	JFC corporate bonds 3rd	October 29, 2009	19,996	19,997	1.430	General collateral	September 20, 2019	*2
	Non-guaranteed JBIC domestic bond 1st-3rd	January 27, 2015 – August 10, 2017	10,000	70,000	0.001~ 0.120	General collateral	December 20, 2019 – June 20, 2022	
	Total	—	¥ 3,301,565	¥ 4,392,597	—	—	—	—

(In millions of U.S. dollars)

Name of company	Description of bonds payable	Date of issuance	Balance at the beginning of current period	Balance at the end of current period	Interest rate (%)	Collateral	Maturity date	Remarks
JBIC	Government guaranteed JFC (JBIC) foreign bonds 9th	February 7, 2012	\$ 1,319 (USD 1,249,078,000)	\$ 1,250 [1,250] (USD1,249,574,000) [USD1,249,574,000]	2.125	General collateral	February 7, 2019	*2
	Government guaranteed JBIC foreign bonds 1st-32nd	July 19, 2012 – November 16, 2017	27,593 (USD 25,225,067,000) (GBP 424,263,000) (CAD 499,959,000)	38,308 [4,998] (USD 37,713,465,000) (USD 4,998,255,000) (GBP 424,461,000)	1.125~ 3.375	General collateral	July 19, 2017 – November 16, 2027	
	JBIC bonds 13th, 16th, 19th, 22nd, 23rd, 29th, 30th	May 28, 2004 – May 29, 2008	1,882	941 [188]	1.670~ 2.090	General collateral	September 20, 2017 – December 19, 2025	*1
	JFC corporate bonds 3rd	October 29, 2009	188	188	1.430	General collateral	September 20, 2019	*2
	Non-guaranteed JBIC domestic bond 1st-3rd	January 27, 2015 – August 10, 2017	94	659	0.001~ 0.120	General collateral	December 20, 2019 – June 20, 2022	
	Total	—	\$ 31,076	\$ 41,346	—	—	—	—

Notes 1. The amounts of foreign currency-denominated bonds are shown in original currencies in parentheses ().

2. Figures indicated in brackets [] represent the amounts to be redeemed within one year.

3. (*1) JBIC assumed the obligations in respect of the JBIC bonds which had been issued by JBIC before JFC was established, and JBIC and JICA are jointly responsible for these obligations in accordance with the JBIC Act.

(*2) JBIC also assumed from JFC the obligations concerning the government guaranteed JFC (JBIC) foreign bonds and the JFC corporate bonds, and JBIC and JFC are now jointly responsible for these obligations pursuant to the JBIC Act.

4. The redemption schedule of bonds payable for each of the next five years as of March 31, 2018 is as follows:

(In millions of yen)

	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Amount	¥ 684,000	¥ 441,840	¥ 846,937	¥ 371,840	¥ 491,520

(In millions of U.S. dollars)

	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Amount	\$ 6,438	\$ 4,159	\$ 7,972	\$ 3,500	\$ 4,627

25. Borrowings

Borrowings as of March 31, 2018 are as follows;

	Balance at the beginning of current period (In millions of yen)	Balance at the beginning of current period (In millions of U.S. dollars)	Balance at the end of current period (In millions of yen)	Balance at the end of current period (In millions of U.S. dollars)	Average interest rate (%)	Due date of payment
Borrowed money	¥ 9,908,705	\$ 93,267	¥ 8,370,758	\$ 78,791	1.52	—
Borrowings	9,908,705	93,267	8,370,758	78,791	1.52	April 2018 – November 2037
Lease obligation (Due within one year)	3	0	—	—	—	—
Other interest-bearing liabilities	18,880	178	56,280	530	(0.06)	—
Cash collateral received for financial instruments	18,880	178	56,280	530	(0.06)	—

- Notes 1. Average interest rates represent the weighted-average interest rates of debts calculated from the interest rates and balances of debt outstanding as at the end of the current period.
 2. As for the lease obligation, there is no average lease rate since the short-cut method is applied for these transactions.
 3. There is no fixed maturity date for the repayment of cash collateral received for financial instruments.
 4. Borrowings maturities for the next five years as of March 31, 2018 are as follows;

(In millions of yen)

	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Borrowings	¥ 809,379	¥ 573,287	¥ 1,616,354	¥ 191,800	¥ 3,793,936

(In millions of U.S. dollars)

	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Borrowings	\$ 7,618	\$ 5,396	\$ 15,214	\$ 1,805	\$ 35,711

26. Asset retirement obligation

This information is omitted because the amount of asset retirement obligation as of the beginning and end of the current fiscal year is equal to, or less than, one hundredth of the aggregated amount of liabilities and Net assets as of the beginning and end of the current fiscal year.

27. Other

Not applicable.

2. Financial Statements

■ Non-Consolidated Balance Sheets

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Assets:			
Cash and due from banks	¥ 1,526,209	¥ 1,750,821	\$ 16,480
Cash	0	0	0
Due from banks	1,526,208	1,750,821	16,480
Securities Note 3	281,249	338,928	3,190
Equity securities	—	255	2
Other securities	281,249	338,673	3,188
Loans and bills discounted Note 4	14,309,138	13,513,680	127,200
Loans on deeds	14,309,138	13,513,680	127,200
Other assets	261,790	377,370	3,551
Prepaid expenses	653	630	6
Accrued income	68,861	84,663	797
Derivatives other than for trading-assets	1,972	43,355	408
Cash collateral paid for financial instruments	189,920	141,180	1,329
Other	382	107,539	1,011
Property, plant and equipment	27,613	28,355	267
Buildings	2,916	2,841	27
Land	24,311	24,311	229
Lease assets	5	—	—
Construction in progress	—	79	1
Other	380	1,122	10
Intangible assets	2,711	3,464	33
Software	2,711	3,464	33
Customers' liabilities for acceptances and guarantees	2,384,997	2,259,369	21,267
Allowance for loan losses	(222,036)	(273,564)	(2,575)
Total assets	¥ 18,571,673	¥ 17,998,424	\$ 169,413

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Liabilities:			
Borrowed money	¥ 9,908,705	¥ 8,370,758	\$ 78,791
Borrowings	9,908,705	8,370,758	78,791
Bonds payable Note 5	3,301,565	4,392,597	41,346
Other liabilities	461,442	435,385	4,098
Accrued expenses	43,592	54,097	509
Unearned revenue	65,572	54,322	511
Derivatives other than for trading-assets	332,906	181,102	1,705
Cash collateral received for financial instruments	18,880	56,280	530
Lease obligations	3	—	—
Other	487	89,582	843
Provision for bonuses	519	546	5
Provision for directors' bonuses	6	9	0
Provision for retirement benefits	6,807	6,785	64
Provision for directors' retirement benefits	16	25	0
Acceptances and guarantees	2,384,997	2,259,369	21,267
Total liabilities	¥ 16,064,061	¥ 15,465,477	\$ 145,571
Net assets:			
Capital stock	¥ 1,683,000	¥ 1,765,200	\$ 16,615
Retained earnings	842,366	883,615	8,317
Legal retained earnings	800,754	821,601	7,733
Other retained earnings	41,612	62,014	584
Retained earnings brought forward	41,612	62,014	584
Total shareholders' equity	2,525,366	2,648,815	24,932
Valuation difference on available-for-sale securities	2,468	(1,209)	(11)
Deferred gains or losses on hedges	(20,223)	(114,658)	(1,079)
Total valuation and translation adjustments	(17,755)	(115,868)	(1,090)
Total net assets	¥ 2,507,611	¥ 2,532,947	\$ 23,842
Total liabilities and net assets	¥ 18,571,673	¥ 17,998,424	\$ 169,413

■ Non-Consolidated Statements of Operations

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Ordinary income:	¥ 294,656	¥ 389,589	\$ 3,667
Interest income	259,250	336,748	3,170
Interest on loans and discounts	253,672	323,960	3,049
Interest and dividends on securities	755	1,829	17
Interest on deposits with banks	4,822	10,946	103
Other interest income	0	12	1
Fees and commissions	26,836	23,722	223
Other fees and commissions	26,836	23,722	223
Other ordinary income	—	128	1
Gain on sales of bonds	—	128	1
Other income	8,570	28,989	273
Recoveries of written-off claims	0	0	0
Gain on investments in partnerships	8,421	28,832	271
Other	148	157	2
Ordinary expenses:	253,118	327,495	3,083
Interest expense	177,433	249,256	2,346
Interest on borrowed money and rediscounts	91,175	115,370	1,086
Interest on bonds	59,420	90,627	853
Interest on interest swaps	26,836	43,192	407
Other interest expense	—	65	0
Fees and commissions payments	1,919	1,807	17
Other fees and commissions	1,919	1,807	17
Other ordinary expenses	3,136	5,410	51
Loss on foreign exchange transactions	482	138	1
Amortization of bond issuance cost	1,662	2,309	22
Expenses on derivatives other than for trading or hedging	422	2,218	21
Other	569	743	7
General and administrative expenses	16,726	19,429	183
Other expenses	53,902	51,592	486
Provision of allowance for loan losses	53,855	51,528	485
Loss on sales of stocks and other securities	—	57	1
Other	46	6	0
Ordinary profit	41,537	62,094	584
Extraordinary income	75	9	0
Gain on disposal of noncurrent assets	75	9	0
Extraordinary loss	—	8	0
Loss on disposal of noncurrent assets	—	8	0
Net income	¥ 41,612	¥ 62,095	\$ 584

■ Non-Consolidated Statements of Changes in Net Assets

From April 1, 2016 to March 31, 2017

(In millions of yen)

	Shareholders' equity				
	Capital stock	Retained earnings			Total shareholders' equity
		Legal retained earnings	Other retained earnings	Total retained earnings	
		Retained earnings brought forward			
Balance at the beginning of current period	¥ 1,391,000	¥ 929,368	¥ 42,772	¥ 972,140	¥ 2,363,140
Changes of items during the period					
Transfer to capital stock based on Article 3 (3) of the Supplementary Provisions of the Act for Partial Revision of the JBIC Act	150,000	(150,000)	—	(150,000)	—
Issuance of new shares	142,000	—	—	—	142,000
Provision of legal retained earnings	—	21,386	(21,386)	—	—
Payment to national treasury	—	—	(21,386)	(21,386)	(21,386)
Net income	—	—	41,612	41,612	41,612
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	292,000	(128,613)	(1,159)	(129,773)	162,226
Balance at the end of current period	¥ 1,683,000	¥ 800,754	¥ 41,612	¥ 842,366	¥ 2,525,366

(In millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	¥ 4,303	¥ 104,923	¥ 109,226	¥ 2,472,367
Changes of items during the period				
Transfer to capital stock based on Article 3 (3) of the Supplementary Provisions of the Act for Partial Revision of the JBIC Act	—	—	—	—
Issuance of new shares	—	—	—	142,000
Provision of legal retained earnings	—	—	—	—
Payment to national treasury	—	—	—	(21,386)
Net income	—	—	—	41,612
Net changes of items other than shareholders' equity	(1,835)	(125,146)	(126,982)	(126,982)
Total changes of items during the period	(1,835)	(125,146)	(126,982)	35,244
Balance at the end of current period	¥ 2,468	¥ (20,223)	¥ (17,755)	¥ 2,507,611

Note: In accordance with a plan under Article 3 of the Supplementary Provisions of the Act for Partial Revision of the Japan Bank for International Cooperation Act (Act No. 41 of 2016) (the "Supplementary Provisions of the Act"), Due from banks and ¥150,000 million of Legal retained earnings were transferred from the "Ordinary Operations" account to the "Special Operations" account. ¥150,000 million of Legal retained earnings transferred to the "Special Operations" account was reclassified as Capital stock in the "Special Operations" account based on Article 3 Paragraph (3) of the Supplementary Provisions of the Act.

From April 1, 2017 to March 31, 2018

(In millions of yen)

	Shareholders' equity				
	Capital stock	Retained earnings			Total shareholders' equity
		Legal retained earnings	Other retained earnings	Total retained earnings	
		Retained earnings brought forward			
Balance at the beginning of current period	¥ 1,683,000	¥ 800,754	¥ 41,612	¥ 842,366	¥ 2,525,366
Changes of items during the period					
Issuance of new shares	82,200	—	—	—	82,200
Provision of legal retained earnings	—	20,846	(20,846)	—	—
Payment to national treasury	—	—	(20,846)	(20,846)	(20,846)
Net income	—	—	62,095	62,095	62,095
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	82,200	20,846	20,401	41,248	123,448
Balance at the end of current period	¥ 1,765,200	¥ 821,601	¥ 62,014	¥ 883,615	¥ 2,648,815

(In millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	¥ 2,468	¥ (20,223)	¥ (17,755)	¥ 2,507,611
Changes of items during the period				
Issuance of new shares	—	—	—	82,200
Provision of legal retained earnings	—	—	—	—
Payment to national treasury	—	—	—	(20,846)
Net income	—	—	—	62,095
Net changes of items other than shareholders' equity	(3,677)	(94,435)	(98,113)	(98,113)
Total changes of items during the period	(3,677)	(94,435)	(98,113)	25,335
Balance at the end of current period	¥ (1,209)	¥ (114,658)	¥ (115,868)	¥ 2,532,947

From April 1, 2017 to March 31, 2018

(In millions of U.S. dollars)

	Shareholders' equity					
	Capital stock	Retained earnings			Total retained earnings	Total shareholders' equity
		Legal retained earnings	Other retained earnings	Retained earnings brought forward		
Balance at the beginning of current period	\$ 15,841	\$ 7,537	\$ 392	\$ 7,929	\$ 23,770	
Changes of items during the period						
Issuance of new shares	774	—	—	—	774	
Provision of legal retained earnings	—	196	(196)	—	—	
Payment to national treasury	—	—	(196)	(196)	(196)	
Net income	—	—	584	584	584	
Net changes of items other than shareholders' equity	—	—	—	—	—	
Total changes of items during the period	774	196	192	388	1,162	
Balance at the end of current period	\$ 16,615	\$ 7,733	\$ 584	\$ 8,317	\$ 24,932	

(In millions of U.S. dollars)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	\$ 23	\$ (190)	\$ (167)	\$ 23,603
Changes of items during the period				
Issuance of new shares	—	—	—	774
Provision of legal retained earnings	—	—	—	—
Payment to national treasury	—	—	—	(196)
Net income	—	—	—	584
Net changes of items other than shareholders' equity	(34)	(889)	(923)	(923)
Total changes of items during the period	(34)	(889)	(923)	239
Balance at the end of current period	\$ (11)	\$ (1,079)	\$ (1,090)	\$ 23,842

■ Notes to Non-consolidated Financial Statements

1. Basis of presentation

The accompanying non-consolidated financial statements have been prepared from the accounting records maintained by Japan Bank for International Cooperation (“JBIC”) in accordance with the accounting principles and practices generally accepted in Japan, which are different in certain aspects from the application and disclosure requirements of International Financial Reporting Standards.

The amounts indicated in millions of yen are rounded down by omitting figures less than one million. Totals may therefore not add up exactly because of this rounding.

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥106.24=\$1.00, the foreign exchange rate on March 31, 2018, has been used in translations. The presentation of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at the aforementioned rate or any other rates.

2. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost based on the moving average method. Investments in subsidiaries and affiliates are carried at cost based on the moving average method. Available-for-sale securities are in principle stated at fair value with changes in net unrealized gains or losses included directly in Net assets. However, available-for-sale securities whose fair value cannot be readily determined are carried at cost based on the moving average method.

Investments in partnerships for investment, which are regarded as securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act (Act No. 25 of 1948), are recognized at an amount equivalent to JBIC’s percentage share of the net assets of such partnerships, based upon the most recent financial statements available depending on the reporting date stipulated in the partnership agreement.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated by the declining balance method over their useful economic lives except for buildings excluding installed facilities as well as installed facilities and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Depreciation is based on the following range of estimated useful lives:

Buildings: 3 years to 50 years

Other: 2 years to 35 years

(ii) Intangible assets (except for lease assets)

Depreciation of intangible fixed assets is computed by the straight-line method. Software used by JBIC is depreciated over its useful life (5 years or less) at JBIC.

(iii) Lease assets

Lease assets in “property, plant and equipment” or “intangible assets,” under finance leases that do not involve transfer of ownership to the lessee are depreciated by the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(d) Method of amortization for deferred charges

Bond issuance cost is expensed as incurred.

(e) Foreign currency translation and revaluation method

JBIC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are mostly translated into Japanese yen at the market exchange rate prevailing at the fiscal year end.

(f) Allowance for loan losses

Allowance for loan losses is recognized in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt (“Bankrupt borrowers”) or substantially bankrupt (“Substantially bankrupt borrowers”) is provided based on the outstanding balance after the write-offs described as *below* and the deductions of the amount expected to be collected through the disposal of collateral and the execution of guarantees. The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt

("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers, Substantially bankrupt borrowers and Potentially bankrupt borrowers is provided primarily based on the default rate, which is calculated based on the actual defaults during a certain period in the past. The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which is independent from the operational departments, review these self-assessments, and the allowance is provided based on the results of the assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt ("Bankrupt borrowers and substantially bankrupt borrowers"), the residual booked amount of the claims after deduction of the amount which is deemed collectable through the disposal of collateral or the execution of guarantees is written off. There are no accumulated write-offs as of March 31, 2017. (There were no accumulated write-offs as of March 31, 2016.)

(g) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the non-consolidated balance sheets.

(h) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the non-consolidated balance sheets.

(i) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal year end.

(i) Method of attributing the projected benefits to periods of services

In calculating the projected benefit obligation, the estimated amount of retirement benefit payments is attributed to the period up to the end of the fiscal year based on the benefit formula.

(ii) Accounting for actuarial gains or losses and prior service costs

Actuarial gains or losses and prior service costs are expensed as they are incurred.

(Additional information)

Effective April 1, 2013, JBIC has been authorized by the Minister of Health, Labor and Welfare to be exempt from the obligations to pay future amounts in respect of the portion of the welfare pension fund it manages for the government.

Subsequently on October 1, 2014, JBIC has been authorized to transfer to the government the past substitutional portion of the aforesaid fund. On September 22, 2017, *Kouko Kigyō Nenkin Kikin* (*Kouko* corporate pension fund) which JBIC participates in paid to the government ¥52,817 million (\$497 million) of the transfer amount of the substitutional portion (i.e., minimum reserve). Its impact on profits or losses in the current fiscal year amounted to ¥3 million (\$0 million) which was recognized in Other of Other expenses.

(j) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payment to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the respective fiscal year.

(k) Accounting for hedges of interest rate risk

(i) Hedge accounting

The deferral method is applied to derivatives used for interest risk hedging purposes.

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans, borrowed money, bonds and notes

(iii) Hedging policy

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

(iv) Assessment of hedge effectiveness

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

(l) Accounting for hedges of foreign exchange risks

Hedging instruments used to hedge foreign exchange risks associated with foreign currency denominated monetary assets and liabilities are accounted for primarily using the deferral method, in accordance with the standard treatment of The Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 25 of July 29, 2002.

The effectiveness of the hedges described above is assessed by comparing the foreign currency position of the hedged loans and bills discounted and bonds payable denominated in foreign currencies with that of the hedging instruments, such as currency swaps and forward foreign exchange contracts which are used for hedging the foreign exchange risks of loans and bills discounted and bonds payable denominated in foreign currencies.

Furthermore, the deferred hedge is applied to some of the foreign exchange risk arising from investments in affiliates denominated in foreign currencies that are individually hedged using forward foreign exchange contracts as hedging instruments.

(m) Consumption and other taxes

Consumption taxes and local consumption taxes ("consumption taxes") are excluded from transaction amounts. Non-deductible consumption taxes related to property, plant and equipment are expensed as incurred.

3. Equity securities of or investments in subsidiaries and affiliates

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Equity securities	¥ 4,010	¥ 5,694	\$ 54
Investments	89,721	130,689	1,230

4. Loans**(a) Bankrupt loans and non-accrual loans included in loans and bills discounted:****"Ordinary Operations" account**

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Bankrupt loans	¥ —	¥ —	\$ —
Non-accrual loans	3,748	188,842	1,778

"Special Operations" account

There are no applicable loans in the "Special Operations" account.

"Bankrupt loans" are loans, defined in Article 96, Paragraph 1, Item (iii), a. through e. and Item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965), on which accrued interest income is not recognized as there is substantial uncertainty over the ultimate collectability of either principal or interest because they have been in arrears for a considerable period of time or for other reasons.

"Non-accrual loans" are loans on which accrued interest income is not recognized, although this excludes Bankrupt loans and the loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

(b) Loans with interest or principal repayments three months or more in arrears included in loans and bills discounted:**"Ordinary Operations" account**

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Loans with interest or principal repayments three months or more in arrears	¥ 53,399	¥ —	\$ —

"Special Operations" account

There are no applicable loans in the "Special Operations" account.

"Loans with interest or principal repayments three months or more in arrears" are loans whose principal or interest payment is three months or more in arrears, and which do not fall under the category of "Bankrupt loans" and "Non-accrual loans."

- (c) Restructured loans included in loans and bills discounted:
"Ordinary Operations" account

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Restructured loans	¥ 182,434	¥ 225,846	\$ 2,126

"Special Operations" account

There are no applicable loans in the "Special Operations" account.

"Restructured loans" are loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or waiver of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "Bankrupt loans," "Non-accrual loans," or "Loans with interest or principal repayments three months or more in arrears."

- (d) The total amount of bankrupt loans, non-accrual loans, loans with interest or principal repayments three months or more in arrears, and restructured loans:

"Ordinary Operations" account

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Total amount	¥ 239,582	¥ 414,688	\$ 3,903

"Special Operations" account

There are no applicable loans in the "Special Operations" account.

The amounts of loans indicated in table (a) through (d) above are the gross amounts before the deduction of allowance for loan losses.

- (e) JBIC, as a policy, does not extend loans to borrowers in part or in full immediately after the execution of the loan agreements, but instead execute loans, in accordance with the progress of the underlying projects. These undrawn amounts are not included in the loans on deed in the non-consolidated balance sheets. The balance of undrawn amounts is as follows:

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Balance of undrawn loans	¥ 2,447,815	¥ 1,665,471	\$ 15,676

5. Assets pledged as collateral

Pursuant to Article 34 of the Japan Bank for International Cooperation Act ("JBIC Act"), all JBIC assets are pledged as general collateral for bonds:

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Bonds payable	¥ 3,301,565	¥ 4,392,597	\$ 41,346

6. Contingent liabilities

Japan Finance Corporation ("JFC") assumed the obligations of the JFC bonds on April 1, 2012, and JBIC is jointly responsible for the obligations of these bonds. In accordance with Article 17 (2) of the Supplementary Provisions of the JBIC Act, all of JBIC's assets are pledged as general collateral for these joint obligations as follows.

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
	¥ 210,000	¥ 140,000	\$ 1,318

7. Appropriation of retained earnings

JBIC is restricted in its ability to appropriate retained earnings in accordance with Article 31 of the JBIC Act.

Where the amount of retained earnings exceeds zero in respective accounts for operations defined in each item of Article 26-2 of the JBIC Act, JBIC accumulates, as a reserve, an amount calculated in accordance with the standards prescribed by the Cabinet Order until it reaches a certain amount stipulated by the Cabinet Order; and if there still is a surplus, JBIC pays such surplus into the national treasury within 3 months after the fiscal year end.

In the event that the amount of retained earnings falls below zero in respective accounts for operations defined in each item of Article 26-2 of the JBIC Act, a reserve shall be transferred to the retained earnings to the extent that the amount of retained earnings becomes zero.

8. Income on transactions with affiliates

Income on transactions with affiliates is as follows:

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Gain on investments in partnerships	¥ 8,151	¥ 22,221	\$ 209

9. Marketable equity securities of and investments in subsidiaries and affiliates

Equity securities of and investments in subsidiaries and affiliates

Fiscal year ended March 31, 2017

There were no marketable equity securities of and investments in subsidiaries and affiliates

Fiscal year ended March 31, 2018

There were no marketable equity securities of and investments in subsidiaries and affiliates

Note: Balance sheet amount of equity securities of and investments in subsidiaries and affiliates whose fair value cannot be readily determined

	March 31, 2017 (In millions of yen)	March 31, 2018 (In millions of yen)	March 31, 2018 (In millions of U.S. dollars)
Equity securities of and investments in subsidiaries	¥ —	¥ 10,302	\$ 97
Equity securities of and investments in affiliates	93,732	126,081	1,187
Total	¥ 93,732	¥ 136,384	\$ 1,284

(*) The items above are not included in "marketable equity securities of and investments in subsidiaries and affiliates" because these items do not have market price and are extremely difficult to determine their fair value.

10. Deferred tax accounting

JBIC does not apply deferred tax accounting since JBIC is a nontaxable entity defined in the Article 2, Paragraph 5 of the Corporation Tax Act (Act No.34 of 1965).

11. Fixed assets

Fixed assets as of March 31, 2018 are as follows:

Class of asset	(In millions of yen)						
	Balance at the beginning of current year	Increase during the current year	Decrease during the current year	Balance at the end of current year	Accumulated depreciation	Depreciation	Net fixed assets
Property, plant and equipment							
Buildings	¥ 3,792	¥ 97	¥ 2	¥ 3,887	¥ 1,045	¥ 171	¥ 2,841
Land	24,311	—	—	24,311	—	—	24,311
Lease assets	44	—	44	—	—	5	—
Construction in progress	—	400	320	79	—	—	79
Other	1,241	988	55	2,174	1,051	232	1,122
Total property, plant and equipment	¥ 29,390	¥ 1,485	¥ 423	¥ 30,453	¥ 2,097	¥ 408	¥ 28,355
Intangible assets							
Software	¥ 6,284	¥ 1,796	¥ —	¥ 8,081	¥ 4,617	¥ 1,044	¥ 3,464
Total intangible assets	¥ 6,284	¥ 1,796	¥ —	¥ 8,081	¥ 4,617	¥ 1,044	¥ 3,464

(In millions of U.S. dollars)

Class of asset	Balance at the beginning of current year	Increase during the current year	Decrease during the current year	Balance at the end of current year	Accumulated depreciation	Depreciation	Net fixed assets
Property, plant and equipment							
Buildings	\$ 36	\$ 1	\$ 0	\$ 37	\$ 10	\$ 2	\$ 27
Land	229	—	—	229	—	—	229
Lease assets	0	—	0	—	—	0	—
Construction in progress	—	4	3	1	—	—	1
Other	12	9	1	20	10	2	10
Total property, plant and equipment	\$ 277	\$ 14	\$ 4	\$ 287	\$ 20	\$ 4	\$ 267
Intangible assets							
Software	\$ 59	\$ 17	\$ —	\$ 76	\$ 43	\$ 10	\$ 33
Total intangible assets	\$ 59	\$ 17	\$ —	\$ 76	\$ 43	\$ 10	\$ 33

12. Reserves

Reserves as of March 31, 2018 are as follows:

(In millions of yen)

	Balance at the beginning of current year	Increase during the fiscal year	Decrease during the fiscal year (use for purpose)	Decrease during the fiscal year (others)	Balance at the end of current year
Allowance for loan losses	¥ 222,036	¥ 273,512	¥ —	¥ 221,984	¥ 273,564
General allowance for loan losses	216,584	126,364	—	216,584	126,364
Specific allowance for loan losses	52	114,373	—	—	114,425
Allowance for possible losses on specific overseas loans	5,399	32,775	—	5,399	32,775
Provision for bonuses	519	546	519	—	546
Provision for directors' bonuses	6	9	6	—	9
Provision for directors' retirement benefits	16	11	3	—	25
Total	¥ 222,578	¥ 274,079	¥ 528	¥ 221,984	¥ 274,145

(In millions of U.S. dollars)

	Balance at the beginning of current year	Increase during the fiscal year	Decrease during the fiscal year (use for purpose)	Decrease during the fiscal year (others)	Balance at the end of current year
Allowance for loan losses	\$ 2,090	\$ 2,575	\$ —	\$ 2,090	\$ 2,575
General allowance for loan losses	2,039	1,189	—	2,039	1,189
Specific allowance for loan losses	0	1,077	—	—	1,077
Allowance for possible losses on specific overseas loans	51	309	—	51	309
Provision for bonuses	5	5	5	—	5
Provision for directors' bonuses	0	0	0	—	0
Provision for directors' retirement benefits	0	0	0	—	0
Total	\$ 2,095	\$ 2,580	\$ 5	\$ 2,090	\$ 2,580

Note. The main factors in the decrease during the fiscal year in each of the following reserves are as follows:

General allowance for loan losses: Decrease is due to reversal

Allowance for possible losses on specific overseas loans: Decrease is due to reversal

13. Components of major assets and liabilities

This information is omitted as consolidated financial statements are prepared.

14. Other

Not applicable.

(Supplementary Information) Financial Statements for Each Operation

JBIC is required to maintain separate accounts for the Ordinary Operations and the Special Operations in accordance with Article 26-2 of the Japan Bank for International Cooperation Act (JBIC Act). The separate financial statements for those operations that are prepared pursuant to Article 26-3 of the JBIC Act and Article 435-2 of the Companies Act of Japan have been subject to audit by Ernst & Young ShinNihon LLC

according to Article 26-3 of the JBIC Act and Article 436-2(i) of the Companies Act. Although the balance sheets and statement of operations for each operation, as provided below, have been prepared based on the above-mentioned audited financial statements, the statements of cash flows have not been audited.

■ Balance Sheets

[Ordinary Operations Account]

As of March 31, 2018

(In millions of yen)

Accounts	Amounts	Accounts	Amounts
Assets:		Liabilities:	
Cash and due from banks	1,500,902	Borrowed money	8,370,758
Cash	0	Borrowings	8,370,758
Due from banks	1,500,902	Bonds payable	4,392,597
Securities	338,928	Other liabilities	435,186
Equity securities	255	Accrued expenses	54,095
Other securities	338,673	Unearned revenue	54,322
Loans and bills discounted	13,512,657	Derivatives other than for trading-assets	181,102
Loans on deeds	13,512,657	Cash collateral received for financial instruments	56,080
Other assets	377,190	Other	89,585
Prepaid expenses	625	Provision for bonuses	541
Accrued income	84,657	Provision for directors' bonuses	9
Derivatives other than for trading-assets	43,181	Provision for retirement benefits	6,779
Cash collateral paid for financial instruments	141,180	Provision for directors' retirement benefits	25
Other	107,546	Acceptances and guarantees	2,259,369
Property, plant and equipment	28,355	Total liabilities	15,465,266
Buildings	2,841	Net assets:	
Land	24,311	Capital stock	1,514,200
Construction in progress	79	Retained earnings	883,901
Other	1,122	Legal retained earnings	821,601
Intangible assets	3,464	Other retained earnings	62,300
Software	3,464	Retained earnings brought forward	62,300
Customers' liabilities for acceptances and guarantees	2,259,369	Total shareholders' equity	2,398,101
Allowance for loan losses	(273,542)	Valuation difference on available-for-sale securities	(1,209)
		Deferred gains or losses on hedges	(114,833)
		Total valuation and translation adjustments	(116,042)
		Total net assets	2,282,059
Total assets	17,747,325	Total liabilities and net assets	17,747,325

[Special Operations Account]

As of March 31, 2018

(In millions of yen)

Accounts	Amounts	Accounts	Amounts
Assets:		Liabilities:	
Cash and due from banks	249,919	Other liabilities	210
Due from banks	249,919	Accrued expenses	2
Loans and bills discounted	1,023	Unearned revenue	0
Loans on deeds	1,023	Derivatives other than for trading-assets	0
Other assets	190	Cash collateral received for financial instruments	200
Prepaid expenses	5	Other	7
Accrued income	6	Provision for bonuses	4
Derivatives other than for trading-assets	174	Provision for directors' bonuses	0
Other	4	Provision for retirement benefits	6
Allowance for loan losses	(22)	Provision for directors' retirement benefits	0
		Total liabilities	222
		Net assets:	
		Capital stock	251,000
		Retained earnings	(286)
		Other retained earnings	(286)
		Retained earnings brought forward	(286)
		Total shareholders' equity	250,713
		Deferred gains or losses on hedges	174
		Total valuation and translation adjustments	174
		Total net assets	250,888
Total assets	251,110	Total liabilities and net assets	251,110

■ Statement of Operations

[Ordinary Operations Account]

April 1, 2017–March 31, 2018

(In millions of yen)

Accounts	Amounts
Ordinary income:	389,599
Interest income	336,747
Interest on loans and discounts	323,959
Interest and dividends on securities	1,829
Interest on deposits with banks	10,946
Other interest income	12
Fees and commissions	23,722
Other fees and commissions	23,722
Other ordinary income	128
Gain on sales of bonds	128
Other income	29,000
Recoveries of written-off claims	0
Gain on investments in partnerships	28,832
Other	168
Ordinary expenses:	327,300
Interest expense	249,256
Interest on borrowed money and rediscounts	115,370
Interest on bonds	90,627
Interest on interest swaps	43,191
Other interest expense	65
Fees and commissions payments	1,792
Other fees and commissions	1,792
Other ordinary expenses	5,410
Loss on foreign exchange transactions	138
Amortization of bond issuance cost	2,309
Expenses on derivatives other than for trading or hedging	2,218
Other	743
General and administrative expenses	19,272
Other expenses	51,569
Provision of allowance for loan losses	51,505
Loss on sales of stocks and other securities	57
Other	6
Ordinary profit	62,298
Extraordinary income	9
Gain on disposal of noncurrent assets	9
Extraordinary loss	8
Loss on disposal of noncurrent assets	8
Net income	62,300

[Special Operations Account]

April 1, 2017–March 31, 2018

(In millions of yen)

Accounts	Amounts
Ordinary income:	2
Interest income	1
Interest on loans and discounts	1
Interest on deposits with banks	0
Other interest income	0
Other income	1
Other	1
Ordinary expenses:	207
Interest expense	0
Interest on interest swaps	0
Other interest expense	0
Fees and commissions payments	14
Other fees and commissions	14
General and administrative expenses	169
Other expenses	22
Provision of allowance for loan losses	22
Ordinary loss	204
Net loss	204

■ Statements of Cash Flows

[Ordinary Operations Account]

April 1, 2017–March 31, 2018

(In millions of yen)

Accounts	Amounts
Cash flow from operating activities	
Net income	62,300
Depreciation and amortization	1,452
Increase (decrease) in allowance for loan losses	51,505
Increase (decrease) in provision for bonuses	26
Increase (decrease) in provision for directors' bonuses	2
Increase (decrease) in provision for retirement benefits	(27)
Increase (decrease) in provision for directors' retirement benefits	8
Interest income	(336,747)
Interest expense	249,256
Loss (gain) related to securities	(28,904)
Foreign exchange losses (gains)	(1,748)
Loss (gain) on disposal of noncurrent assets	(1)
Net decrease (increase) in loans and bills discounted	796,480
Net increase (decrease) in borrowed money	(1,537,947)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	120,480
Increase (decrease) in straight bonds-issuance and redemption	1,088,786
Interest received	321,618
Interest paid	(236,405)
Other	(231,345)
Subtotal	318,791
Net cash provided by (used in) operating activities	318,791
Cash flow from investing activities	
Purchase of securities	(69,885)
Proceeds from sales of securities	25,883
Proceeds from redemption of securities	12,900
Purchase of property, plant and equipment	(1,161)
Proceeds from sales of property, plant and equipment	15
Purchase of intangible assets	(1,796)
Net cash provided by (used in) investing activities	(34,045)
Cash flow from financing activities	
Proceeds from issuance of new shares	33,700
Repayments of lease obligations	(6)
Payment to national treasury	(20,846)
Net cash provided by (used in) financing activities	12,846
Effect of exchange rate change on cash and cash equivalents	—
Net increase (decrease) in cash and cash equivalents	297,592
Cash and cash equivalents at beginning of period	682,106
Cash and cash equivalents at end of period	979,699

[Special Operations Account]

April 1, 2017–March 31, 2018

(In millions of yen)

Accounts	Amounts
Cash flow from operating activities	
Net loss	(204)
Increase (decrease) in allowance for loan losses	22
Increase (decrease) in provision for bonuses	0
Increase (decrease) in provision for directors' bonuses	0
Increase (decrease) in provision for retirement benefits	5
Increase (decrease) in provision for directors' retirement benefits	0
Interest income	(1)
Interest expense	0
Net decrease (increase) in loans and bills discounted	(1,023)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	2
Interest received	0
Interest paid	(0)
Other	200
Subtotal	(998)
Net cash provided by (used in) operating activities	(998)
Cash flow from investing activities	
Net cash provided by (used in) investing activities	—
Cash flow from financing activities	
Proceeds from issuance of new shares	48,500
Net cash provided by (used in) financing activities	48,500
Effect of exchange rate change on cash and cash equivalents	—
Net increase (decrease) in cash and cash equivalents	47,501
Cash and cash equivalents at beginning of period	202,409
Cash and cash equivalents at end of period	249,911

2 Composition of Liabilities and Net Assets

[The Bank]

(Unit: millions of yen, %)

	March 31, 2017		March 31, 2018	
	Amount	% (Note)	Amount	% (Note)
Liabilities	16,064,061	86.5	15,465,477	85.9
Borrowed Money	9,908,705	53.4	8,370,758	46.5
Bonds Payable	3,301,565	17.8	4,392,597	24.4
Acceptances and Guarantees	2,384,997	12.8	2,259,369	12.6
Other	468,792	2.5	442,752	2.5
Net Assets	2,507,611	13.5	2,532,947	14.1
Capital Stock	1,683,000	9.1	1,765,200	9.8
Retained Earnings	842,366	4.5	883,615	4.9
Valuation Difference on Available-for-sale Securities	2,468	0.0	(1,209)	(0.0)
Deferred Gains or Losses on Hedges	(20,223)	(0.1)	(114,658)	(0.6)
Total Liabilities and Net Assets	18,571,673	100	17,998,424	100

(Note) Ratio to Liabilities and Net Assets added.

(Information on the Capital Adequacy Ratios)

Although JBIC is not subject to Article 14-2 of the Banking Act of Japan, capital adequacy ratios have been calculated in accordance with "Standards for Determining Capital Adequacy of a Financial Institution in Light of Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (2006, Financial Services Agency Notification No. 19). JBIC applies uniform international standards and calculate credit risk-weighted assets using the standardized approach.

(Unit: %, billions of yen)

Total risk-weighted capital ratio	19.18
Tier 1 risk-weighted capital ratio	18.29
Common Equity Tier 1 risk-weighted capital ratio	18.29
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	2,739.3
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	2,612.9
Common Equity Tier 1 capital	2,612.9
Risk-weighted assets	14,282.2
The amount of minimum capital requirements	1,142.5

[Ordinary Operations Account]

(Unit: millions of yen, %)

	March 31, 2017		March 31, 2018	
	Amount	% (Note)	Amount	% (Note)
Liabilities	16,063,972	87.5	15,465,266	87.1
Borrowed Money	9,908,705	53.9	8,370,758	47.2
Bonds Payable	3,301,565	18.0	4,392,597	24.8
Acceptances and Guarantees	2,384,997	13.0	2,259,369	12.7
Other	468,703	2.6	442,541	2.5
Net Assets	2,305,278	12.5	2,282,059	12.9
Capital Stock	1,480,500	8.1	1,514,200	8.5
Retained Earnings	842,448	4.6	883,901	5.0
Valuation Difference on Available-for-sale Securities	2,468	0.0	(1,209)	(0.0)
Deferred Gains or Losses on Hedges	(20,137)	(0.1)	(114,833)	(0.6)
Total Liabilities and Net Assets	18,369,251	100	17,747,325	100

(Note) Ratio to Liabilities and Net Assets added.

[Special Operations Account]

(Unit: millions of yen, %)

	March 31, 2017		March 31, 2018	
	Amount	% (Note)	Amount	% (Note)
Liabilities	99	0.0	222	0.1
Borrowed Money	—	—	—	—
Bonds Payable	—	—	—	—
Acceptances and Guarantees	—	—	—	—
Other	99	0.0	222	0.1
Net Assets	202,333	100.0	250,888	99.9
Capital Stock	202,500	100.0	251,000	100.0
Retained Earnings	(81)	(0.0)	(286)	(0.1)
Valuation Difference on Available-for-sale Securities	—	—	—	—
Deferred Gains or Losses on Hedges	(85)	(0.0)	174	0.1
Total Liabilities and Net Assets	202,432	100	251,110	100

(Note) Ratio to Liabilities and Net Assets added.

3 The Average Balance of Interest-earning Assets and Interest-bearing Liabilities, Interest and Earning Yields

[The Bank]

(Unit: millions of yen, %)

	Fiscal Year Ended March 31, 2017			Fiscal Year Ended March 31, 2018		
	Average Balance	Interest	Earning Yields	Average Balance	Interest	Earning Yields
Interest-earning Assets	14,734,753	259,249	1.76	15,561,461	336,671	2.16
Loans and Bills Discounted	13,705,266	253,672	1.85	14,210,257	323,960	2.28
Due from Banks	636,916	4,822	0.76	863,557	10,946	1.27
Interest-bearing Liabilities	12,798,740	177,433	1.39	13,651,238	249,179	1.83
Borrowed Money	9,854,878	91,175	0.93	9,457,769	115,370	1.22
Bonds Payable	2,863,393	59,420	2.08	4,168,081	90,627	2.17

[Ordinary Operations Account]

(Unit: millions of yen, %)

	Fiscal Year Ended March 31, 2017			Fiscal Year Ended March 31, 2018		
	Average Balance	Interest	Earning Yields	Average Balance	Interest	Earning Yields
Interest-earning Assets	14,734,753	259,249	1.76	15,561,298	336,669	2.16
Loans and Bills Discounted	13,705,266	253,672	1.85	14,210,231	323,959	2.28
Due from Banks	636,916	4,822	0.76	863,550	10,946	1.27
Interest-bearing Liabilities	12,798,740	177,433	1.39	13,651,195	249,178	1.83
Borrowed Money	9,854,878	91,175	0.93	9,457,769	115,370	1.22
Bonds Payable	2,863,393	59,420	2.08	4,168,081	90,627	2.17

[Special Operations Account]

(Unit: millions of yen, %)

	Fiscal Year Ended March 31, 2017			Fiscal Year Ended March 31, 2018		
	Average Balance	Interest	Earning Yields	Average Balance	Interest	Earning Yields
Interest-earning Assets	—	—	—	163	1	0.83
Loans and Bills Discounted	—	—	—	25	1	5.57
Due from Banks	—	—	—	6	0	0.20
Interest-bearing Liabilities	—	—	—	42	0	1.26
Borrowed Money	—	—	—	—	—	—
Bonds Payable	—	—	—	—	—	—

4

Breakdown of Operating Expenses

Data

2

Financial Statements

4

Breakdown of Operating Expenses

[The Bank]

(Unit: millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Salaries and Other Compensations	5,332	5,559
Expenses for Retirement Benefits	253	626
Welfare Benefits	726	769
Depreciation of Property, Plant and Equipment	1,209	1,452
Leasing on Land, Buildings and Machinery	175	215
Building Maintenance	242	305
Supplies	153	282
Utilities	81	81
Traveling Expenses	1,377	1,477
Communications	130	181
Advertising Expenses	2	3
Fees, Donations and Social Expenses	21	21
Taxes	373	452
Other	6,646	7,999
Total	16,726	19,429

[Ordinary Operations Account]

(Unit: millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Salaries and Other Compensations	5,309	5,511
Expenses for Retirement Benefits	250	620
Welfare Benefits	722	762
Depreciation of Property, Plant and Equipment	1,209	1,452
Leasing on Land, Buildings and Machinery	174	213
Building Maintenance	240	303
Supplies	153	279
Utilities	80	80
Traveling Expenses	1,371	1,465
Communications	129	180
Advertising Expenses	2	3
Fees, Donations and Social Expenses	21	20
Taxes	372	448
Other	6,617	7,929
Total	16,657	19,272

[Special Operations Account]

(Unit: millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Salaries and Other Compensations	23	47
Expenses for Retirement Benefits	2	6
Welfare Benefits	4	6
Leasing on Land, Buildings and Machinery	6	14
Building Maintenance	1	2
Supplies	0	2
Utilities	0	0
Traveling Expenses	6	12
Communications	0	1
Advertising Expenses	0	0
Fees, Donations and Social Expenses	0	0
Taxes	0	3
Other	29	69
Total	74	169

5 Balance of Due from Banks, Receivables under Resale Agreements and Securities—Application of Surplus Funds

[The Bank]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Due from Banks in Japanese Yen	90,000	90,000
Due from Banks in Foreign Currencies	522,113	423,756
Receivables under Resale Agreements	—	—
Securities	—	—

[Ordinary Operations Account]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Due from Banks in Japanese Yen	90,000	90,000
Due from Banks in Foreign Currencies	522,113	423,756
Receivables under Resale Agreements	—	—
Securities	—	—

[Special Operations Account]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Due from Banks in Japanese Yen	—	—
Due from Banks in Foreign Currencies	—	—
Receivables under Resale Agreements	—	—
Securities	—	—

(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.

(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 fair value of a derivative in conducting transaction with each counterparty, credit risk exposure to it and its creditworthiness. Such information is then used to assess the eligibility of the counterparty.

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.

(As of March 31, 2018; 100 millions of yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts	Market Value
Interest Rate Swaps	50,074	586	(1,199)
Currency Swaps	32,744	3,349	(171)
Forward Exchange Contracts	948	8	(6)
Other Derivatives	—	—	—
Credit Risk Mitigation through Netting		(2,359)	
Total	83,767	1,585	(1,377)

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

7 Yield / Interest Rate

[The Bank]

(Unit: %)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
(A) - (B)	0.22	0.17
Yields on Interest-earning Assets (A)	1.76	2.16
Costs of Interest-bearing Liabilities (B)	1.53	1.99

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit and others) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscounts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

[Ordinary Operations Account]

(Unit: %)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
(A) - (B)	0.23	0.17
Yields on Interest-earning Assets (A)	1.76	2.16
Costs of Interest-bearing Liabilities (B)	1.53	1.99

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit and others) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscounts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

[Special Operations Account]

(Unit: %)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
(A) - (B)	—	(395.43)
Yields on Interest-earning Assets (A)	—	0.83
Costs of Interest-bearing Liabilities (B)	—	396.26

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscounts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

8 Loans Outstanding per Employee

(Unit: millions of yen)

March 31, 2017	March 31, 2018
25,689	23,502

9 Loans Outstanding by Industry

(Unit: millions of yen)

Industry	March 31, 2017		March 31, 2018	
	Number of Loans	Balance	Number of Loans	Balance
Manufacturing	118	449,982	114	413,682
Mining and Quarrying of Stone and Gravel	7	292,205	7	301,241
Electricity, Gas, Heat Supply, and Water	6	283,157	5	227,705
Information and Communications	1	164,409	—	—
Transport and Postal Services	4	11,710	4	10,447
Wholesale Trade	22	731,958	23	597,248
Retail Trade	—	—	1	318
Finance and Insurance	20	2,817,416	21	2,848,383
Real Estate	—	—	1	361
Goods Rental and Leasing	3	146,959	3	128,400
Scientific Research, Professional and Technical Service	1	857	1	642
Accommodations	1	458	1	388
Overseas Yen Loan and Domestic Loans Transferred Overseas	530	9,477,243	519	9,052,082
Total, Including Others	713	14,376,360	700	13,580,902
Loans Outstanding to Small and Medium-sized Enterprises	247	55,077	264	55,660
Loans Outstanding to Mid-tier Enterprises	200	148,907	216	133,770

(Note) In this table, small and medium-sized enterprises are defined as domestic corporations with the capital of ¥300 million or less or corporations and individuals having 300 or less employees on the regular pay roll.
Mid-tier enterprises are defined as domestic corporations with the capital of ¥1 billion or less (excluding small and medium-sized enterprises).

10 Write-off of Loans

[Ordinary Operations Account]

(Unit: millions of yen)

Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
—	—

[Special Operations Account]

(Unit: millions of yen)

Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
—	—

11

Assets in Foreign Currencies
(Loans and Equity Participation)

[The Bank]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Investments in Foreign Currency (USD)	134,854	171,073
Investments in Foreign Currency (RUB)	—	10,047
Equity Investments in Foreign Currency (USD)	49,402	47,577
Equity Investments in Foreign Currency (EUR)	14,379	16,185
Equity Investments in Foreign Currency (THB)	19	19
Equity Investments in Foreign Currency (CNY)	1,816	1,727
Equity Investments in Foreign Currency (INR)	1,544	1,875
Equity Investments in Foreign Currency (SGD)	13,324	13,449
Loans in Foreign Currency (USD)	12,419,208	11,887,060
Loans in Foreign Currency (GBP)	37,814	105,646
Loans in Foreign Currency (EUR)	219,330	247,736
Loans in Foreign Currency (ZAR)	5,734	1,490
Loans in Foreign Currency (AUD)	267,186	242,320
Loans in Foreign Currency (THB)	24,779	21,484
Loans in Foreign Currency (SDR)	17,861	10,085
Loans in Foreign Currency (CAD)	83,941	80,955
Loans in Foreign Currency (CNY)	1,710	1,458
Loans in Foreign Currency (INR)	1,045	1,140
Loans in Foreign Currency (MXN)	4,886	5,300
Loans in Foreign Currency (IDR)	1,439	419
Loans in Foreign Currency (RUB)	3,600	6,660

[Ordinary Operations Account]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Investments in Foreign Currency (USD)	134,854	171,073
Investments in Foreign Currency (RUB)	—	10,047
Equity Investments in Foreign Currency (USD)	49,402	47,577
Equity Investments in Foreign Currency (EUR)	14,379	16,185
Equity Investments in Foreign Currency (THB)	19	19
Equity Investments in Foreign Currency (CNY)	1,816	1,727
Equity Investments in Foreign Currency (INR)	1,544	1,875
Equity Investments in Foreign Currency (SGD)	13,324	13,449
Loans in Foreign Currency (USD)	12,419,208	11,886,491
Loans in Foreign Currency (GBP)	37,814	105,646
Loans in Foreign Currency (EUR)	219,330	247,736
Loans in Foreign Currency (ZAR)	5,734	1,490
Loans in Foreign Currency (AUD)	267,186	242,320
Loans in Foreign Currency (THB)	24,779	21,484
Loans in Foreign Currency (SDR)	17,861	10,085
Loans in Foreign Currency (CAD)	83,941	80,955
Loans in Foreign Currency (CNY)	1,710	1,458
Loans in Foreign Currency (INR)	1,045	1,140
Loans in Foreign Currency (MXN)	4,886	5,300
Loans in Foreign Currency (IDR)	1,439	419
Loans in Foreign Currency (RUB)	3,600	6,660

[Special Operations Account]

(Unit: millions of yen)

	March 31, 2017	March 31, 2018
Investments in Foreign Currency (USD)	—	—
Investments in Foreign Currency (RUB)	—	—
Equity Investments in Foreign Currency (USD)	—	—
Equity Investments in Foreign Currency (EUR)	—	—
Equity Investments in Foreign Currency (THB)	—	—
Equity Investments in Foreign Currency (CNY)	—	—
Equity Investments in Foreign Currency (INR)	—	—
Equity Investments in Foreign Currency (SGD)	—	—
Loans in Foreign Currency (USD)	—	568
Loans in Foreign Currency (GBP)	—	—
Loans in Foreign Currency (EUR)	—	—
Loans in Foreign Currency (ZAR)	—	—
Loans in Foreign Currency (AUD)	—	—
Loans in Foreign Currency (THB)	—	—
Loans in Foreign Currency (SDR)	—	—
Loans in Foreign Currency (CAD)	—	—
Loans in Foreign Currency (CNY)	—	—
Loans in Foreign Currency (INR)	—	—
Loans in Foreign Currency (MXN)	—	—
Loans in Foreign Currency (IDR)	—	—
Loans in Foreign Currency (RUB)	—	—

12

Administrative Expense Ratio

[The Bank]

(Units: %)

Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
0.10	0.12

(Note) Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)

[Ordinary Operations Account]

(Units: %)

Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
0.10	0.11

(Note) Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)

[Special Operations Account]

(Units: %)

Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
(Note2)	670.50

(Note) 1. Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)
 2. Administrative Expense Ratio is not calculated. Because there is no applicable loans and bills discounted, securities and customers' liabilities for acceptances and guarantees in the Special Operation Account as of March 31, 2017.

13 Balance of Loans / Borrowings, Bonds and Notes by Maturity

Maturity Structure of Loans as of March 31, 2018

(Unit: 100 millions of yen)

Maturity	Collection from Loans
1 Year or Less	14,314
1-2 Years	14,592
2-3 Years	16,080
3-4 Years	12,668
4-5 Years	13,021
5-6 Years	10,964
6-7 Years	12,309
7-8 Years	9,011
8-9 Years	6,361
9-10 Years	6,975
11-15 Years	13,927
16-20 Years	2,095
21-25 Years	894
26-30 Years	32
31-35 Years	—
36-40 Years	—
Over 40 Years	—
Total	133,248

(Note) The figures exclude: ¥188,842 million, the amount of loans and other credits to debtors who are legally or substantially bankrupt, as well as those who are likely to become bankrupt, since they have no prospect for redemption.

Maturity Structure of Borrowings from FILP Fiscal Loan and Foreign Exchange Fund Special Account in total as of March 31, 2018

(Unit: 100 millions of yen)

Maturity	Repayment of Borrowings
1 Year or Less	8,093
1-2 Years	5,732
2-3 Years	16,163
3-4 Years	1,918
4-5 Years	37,939
5-6 Years	4,751
6-7 Years	1,108
7-8 Years	1,230
8-9 Years	3,871
9-10 Years	1,210
Over 10 Years	1,690
Total	83,707

Maturity Structure of Bonds and Notes as of March 31, 2018

(Unit: 100 millions of yen)

Maturity	Redemption of Bonds and Notes
1 Year or Less	6,840
1-2 Years	4,418
2-3 Years	8,469
3-4 Years	3,718
4-5 Years	4,915
5-6 Years	1,062
6-7 Years	2,124
7-8 Years	2,856
8-9 Years	5,099
9-10 Years	4,515
Over 10 Years	—
Total	44,019

14 Information on the Quality of Assets

Although the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions of 1998 (the "Financial Revitalization Act") do not apply to JBIC, JBIC has made a self-assessment of the quality of its assets since the fiscal year ended March 31, 2001, in accordance with the standards set forth in the *Inspection Manual for Deposit-Taking Institutions* of the Financial Services Agency of Japan. This was aimed at increasing disclosure on its asset quality and improving the internal management of credit risks.

One characteristic of JBIC's operations is that a considerable portion of its loans is official credit for the governments of developing countries. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes take place—based on an international agreement among the creditor countries in the Paris Club—in order to ensure sustainable debt service. A debtor country receiving such temporary support for overcoming the liquidity problem will implement economic restructuring programs agreed upon with the International Monetary Fund (IMF) to acquire sustainable debt service capacity.

The loans rescheduled under the agreement in the Paris Club have a high probability of repayment, because, unlike loans provided by private financial institutions, their nature as official credit provides an asset-securing mechanism under the above international framework. Nonetheless, to facilitate comparison with private financial institutions, JBIC, in principle, discloses the loans rescheduled in the Paris Club and whose debtor countries are categorized as "Needs Attention" in its self-assessment of asset quality, as loan assets required to be disclosed classifying them either as restructured loans (under the Banking Act) or substandard loans (under the Financial Revitalization Act).

ERNST & YOUNG SHINNIHON LLC audited JBIC's self-assessment regarding the quality of its assets, including the following risk-monitored loans, loans to be disclosed under the Financial Revitalization Act and reserves for possible loan losses, in accordance with the *Practical Guidelines for Evaluation of Internal Control over Valuation of Assets and Audits for Write-Offs and Reserve for Possible Loan Losses of Banks and Similar Institutions* (Report No. 4 of the Ad Hoc Committee for Audits of Banks, the Japanese Institute of Certified Public Accountants (JICPA)).

1. Risk-Monitored Loans

The following table shows the classification of risk-monitored loans based on the self-assessment of asset quality in accordance with the disclosure standard of risk-monitored loans applied to commercial financial institutions (under the Banking Act).

Each category of risk-monitored loans is defined as follows:

i. Bankrupt Loans

Among loans that are placed in non-accrual status (except the portion deducted as allowance for loan losses), when collection of either principal or interest becomes doubtful for the reason that principal or interest is past due for a considerable period of time or for other reasons, those loans for which there is filing of reorganization procedures under the Corporate Reorganization Act rehabilitation procedures under the Civil Rehabilitation Act, bankruptcy procedures under the Bankruptcy Act, special liquidation procedures under the Companies Act or other relevant laws, or there is suspension of transactions in promissory notes issued by the debtors in the clearing house.

ii. Non-accrual Loans

Loans that are placed in non-accrual status except those classified as "Bankrupt Loans" or those whose interest payments are deferred in order to expedite the debtors' business restructuring or support their business operations.

iii. Past Due Loans (3 months or more)

Loans whose principal or interest is past due 3 months or more from the date following the contractually scheduled payment date and not classified as "Bankrupt Loans" or "Non-accrual Loans".

iv. Restructured Loans

Loans whose terms and conditions are modified in favor of the debtors in order to expedite the debtors' business restructuring or support their business operations by, among others, reducing the stated interest rate, deferring interest payments or write-downs, and that are not classified as "Bankrupt Loans", "Non-accrual Loans" and "Past Due Loans (3 months or more)".^(Note)

[Ordinary Operations Account]

(Unit: millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Bankrupt Loans	—	—
Non-accrual Loans	3,748	188,842
Past Due Loans (3 months or more)	53,399	—
Restructured Loans	182,434	225,846
Total (1)	239,582	414,688
Total Amounts of Loans (2)	14,309,138	13,512,657
(1) / (2) (%)	1.67	3.07

[Special Operations Account]

Not applicable

2. Loan Assets to Be Disclosed under the Financial Revitalization Act

The following table shows the classification of loans based on the self-assessment of asset quality in accordance with the disclosure standard of the Financial Revitalization Act.

i. Bankrupt and Quasi-bankrupt Assets

“Bankrupt and Quasi-bankrupt Assets” are loans and other credits to debtors who have begun proceedings under the Bankruptcy Act, the Corporate Reorganization Act, the Civil Rehabilitation Act and other similar laws of Japan and have financially failed. In the asset quality self-assessment, these loans are loans to debtors who are legally or substantially bankrupt.

ii. Doubtful Assets

“Doubtful Assets” are loans and other credits to debtors whose financial and operational conditions have deteriorated and who have a possibility that payment of principal and / or interest will not be made on a contractual basis. In the asset quality self-assessment, these loans are loans to the debtors who are likely to become bankrupt.

iii. Substandard Loans

“Substandard Loans” are loans to debtors who are categorized as “Needs Attention Debtor” in the asset quality self-assessment, and

- A. loans whose principal and / or interest is overdue 3 months or more from the date following the scheduled payment date but which are not categorized as “Bankrupt and Quasi-bankrupt Assets” and “Doubtful Assets” (“Past Due Loans (3 months or more)”).
- B. restructured loans on which the Bank granted concessions to debtors in financial difficulties through amending terms and conditions of the loans to assist them to recover and eventually be able to pay to creditors, but which are not categorized as “Bankrupt and Quasi-bankrupt Assets”, “Doubtful Assets” or “Overdue Loans (3 months or more)”. (Note)

iv. Normal Assets

“Normal Assets” are loans to debtors with no particular problem in their financial conditions, categorized in the asset quality self-assessment either as “Loans to Normal Debtors” or “Loans to Needs Attention Debtors (excluding substandard loans)”, but which are not categorized as “Bankrupt and Quasi-bankrupt Assets”, “Doubtful Assets” and “Substandard Loans”.

[Ordinary Operations Account]

(Unit: millions of yen)

		Fiscal Year Ended March 31,2017	Fiscal Year Ended March 31,2018
Loans	Bankrupt and Quasi-bankrupt Assets	—	—
	Doubtful Assets	3,748	188,842
	Substandard Loans	235,834	225,846
	Subtotal (1)	239,582	414,688
	Normal Assets	16,522,319	15,440,235
	Total (2)	16,761,902	15,854,923
	(1) / (2) (%)	1.43	2.62

[Special Operations Account]

Not applicable

Note

In the event that a debtor country encounters temporary repayment difficulties in respect of external public debt (sovereign debt, trade insurance institutions and export credit institutions, etc.) due to the deteriorating balance of payments, meetings of creditor countries (the “Paris Club”) will be held to mutually agree on debt relief measures (rescheduling), and implementing of temporary support for overcoming the liquidity problem (balance of payment support under an international cooperative framework). With this temporary liquidity support, debtors carry out IMF-agreed economic restructuring programs and continue to make debt repayments. The principal amount of loans for which JBIC has agreed to provide debt relief pursuant to the Paris Club agreements is ¥129,376 million as of the end of the fiscal year ended March 31, 2018.

Loans to debtors classified under the self-assessment as “Needs Attention” (but not “Past Due Loans (3 months or more)”) that were rescheduled under the Paris Club as “Restructured Loans”. The amount of such loans, included in “Restructured Loans” in the above table is ¥87,193 million.

Consolidated Financial Statements in Accordance with International Financial Reporting Standards (IFRS) for Reference Only

1. Excerpt from the consolidated financial statements in accordance with IFRS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) as of March 31, 2018. The consolidated financial statements are presented in yen. Unless otherwise stated, all amounts are rounded down and stated in millions of yen.

Ernst & Young ShinNihon LLC has audited the consolidated financial statements of JBIC and its subsidiaries (the "JBIC Group"), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated

statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Standards on Auditing.

This document is an excerpt of the JBIC Group's consolidated financial statements prepared in accordance with IFRS as issued by the IASB that are included in JBIC's annual report on Form 18-K filed with the U.S. Securities and Exchange Commission. This document does not contain all of the information in the Form 18-K that is important to you. You should read the Form 18-K carefully to obtain a comprehensive understanding of the JBIC Group's consolidated financial statements under IFRS and related information.

Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2018	March 31, 2017
Assets		
Cash and due from banks	1,751,287	1,526,209
Derivative financial instrument assets	149,506	167,277
Financial assets designated as fair value through profit or loss	9,204	—
Securities	208,385	190,155
Loans and other receivables	13,452,950	14,352,720
Equity method investments	137,078	114,204
Property and equipment	28,401	27,613
Other assets	255,046	194,762
Total assets	15,991,860	16,572,942
Liabilities		
Derivative financial instrument liabilities	287,429	498,928
Borrowings	8,370,758	9,908,705
Bonds payable	4,388,754	3,299,498
Financial guarantee contracts	72,285	84,912
Other liabilities	227,980	98,486
Total liabilities	13,347,209	13,890,532
Equity		
Capital stock	1,765,200	1,683,000
Retained earnings	856,640	969,264
Other reserves	22,582	30,145
Non-controlling interests	227	—
Total equity	2,644,651	2,682,409
Total liabilities and equity	15,991,860	16,572,942

Consolidated Income Statement

(Millions of yen)

	March 31, 2018	March 31, 2017
Interest income	344,801	261,372
Interest expense	206,624	150,223
Net interest income	138,177	111,148
Fee and commission income	15,018	15,542
Fee and commission expense	2,043	1,919
Net expense from derivative financial instruments	138,389	149,316
Net loss from financial assets designated as fair value through profit or loss	146	—
Net investment income	88	—
Other income	3,552	223
Expense other than interest income	121,921	135,470
Total operating income (loss)*1	16,256	(24,322)
Impairment losses (reversals) on financial assets	109,978	(108,639)
Net operating income (loss)*2	(93,722)	84,317
Operating expenses	19,545	17,017
Other expenses	822	1,508
Total operating expenses	20,367	18,525
Profits of equity method investments	22,480	8,151
Profit (loss) before income tax	(91,609)	73,944
Income tax expense	0	—
Net profit (loss)	(91,609)	73,944
Attributable to:		
Shareholder of JBIC	(91,592)	73,944
Non-controlling interests	(17)	—

*1 Aggregate of "Net interest income" and "Expense other than interest income"

*2 "Total operating income (loss)" less "Impairment losses (reversals) on financial assets"

Consolidated Statement of Comprehensive Income

(Millions of yen)

	March 31, 2018	March 31, 2017
Net profit (loss)	(91,609)	73,944
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans:		
Remeasurement arising during the year	(184)	173
Total of items that will not be reclassified to profit or loss	(184)	173
Items that may be reclassified to profit or loss:		
Available-for-sale financial assets:		
Net gains arising during the year	4,759	1,070
Reclassification adjustments	(171)	(553)
Deferred gains (losses) on hedges:		
Reclassification adjustments	(2,342)	(2,842)
Exchange differences on translation of foreign operations:		
Net losses arising during the year	(8,052)	(1,645)
Reclassification adjustments	(1,754)	—
Total of items that may be reclassified to profit or loss	(7,562)	(3,971)
Other comprehensive loss	(7,747)	(3,797)
Total comprehensive income (loss)	(99,356)	70,146
Attributable to:		
Shareholder of JBIC	(99,339)	70,146
Non-controlling interests	(17)	—

Consolidated Statement of Changes in Equity

(Millions of yen)

	Attributable to shareholder of Japan Bank for International Cooperation							Sub Total
	Capital stock	Retained earnings	Other reserves				Other reserves, Total	
			Remeasurement of defined benefit plans	Available-for-sale financial assets	Deferred gains (losses) on hedges	Exchange differences on translation of foreign operations		
April 1, 2016	1,391,000	1,066,533	—	2,787	9,210	22,117	34,116	2,491,649
Net profit	—	73,944	—	—	—	—	—	73,944
Other comprehensive income (loss)	—	—	173	516	(2,842)	(1,645)	(3,797)	(3,797)
Total comprehensive income (loss)	—	73,944	173	516	(2,842)	(1,645)	(3,797)	70,146
Transfer to capital stock based on Article 3 (3) of the Supplementary Provisions of the Act for Partial Revision of the Japan Bank for International Cooperation Act	150,000	(150,000)	—	—	—	—	—	—
Issuance of new shares	142,000	—	—	—	—	—	—	142,000
Payment to national treasury	—	(21,386)	—	—	—	—	—	(21,386)
Other	—	173	(173)	—	—	—	(173)	—
March 31, 2017	1,683,000	969,264	—	3,304	6,368	20,471	30,145	2,682,409
Net loss	—	(91,592)	—	—	—	—	—	(91,592)
Other comprehensive income (loss)	—	—	(184)	4,587	(2,342)	(9,807)	(7,747)	(7,747)
Total comprehensive income (loss)	—	(91,592)	(184)	4,587	(2,342)	(9,807)	(7,747)	(99,339)
Issuance of new shares	82,200	—	—	—	—	—	—	82,200
Payment to national treasury	—	(20,846)	—	—	—	—	—	(20,846)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	—	—	—	—	—	—	—	—
Other	—	(184)	184	—	—	—	184	—
March 31, 2018	1,765,200	856,640	—	7,892	4,025	10,664	22,582	2,644,423

(Millions of yen)

	Non-controlling interests	Total equity
April 1, 2016	—	2,491,649
Net profit	—	73,944
Other comprehensive income (loss)	—	(3,797)
Total comprehensive income (loss)	—	70,146
Transfer to capital stock based on Article 3 (3) of the Supplementary Provisions of the Act for Partial Revision of the Japan Bank for International Cooperation Act	—	—
Issuance of new shares	—	142,000
Payment to national treasury	—	(21,386)
Other	—	—
March 31, 2017	—	2,682,409
Net loss	(17)	(91,609)
Other comprehensive income (loss)	—	(7,747)
Total comprehensive income (loss)	(17)	(99,356)
Issuance of new shares	—	82,200
Payment to national treasury	—	(20,846)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	245	245
Other	—	—
March 31, 2018	227	2,644,651

Consolidated Statement of Cash Flows

(Millions of yen)

	March 31, 2018	March 31, 2017
Cash flows from operating activities		
Profit (loss) before income tax	(91,609)	73,944
Depreciation and amortization	1,460	1,209
Increase (decrease) in liability for retirement benefits	53	(188)
Net loss from financial assets designated as fair value through profit or loss	146	—
Profits from equity method investments	(22,480)	(8,151)
Net decrease (increase) in loans and other receivables	899,770	(892,373)
Net increase (decrease) in borrowings	(1,537,947)	470,255
Net decrease (increase) in deposits (excluding demand deposits)	191,404	(336,276)
Net change in derivative financial instrument assets and liabilities	(193,728)	(1,319)
Net increase (decrease) in financial guarantee contracts	(12,627)	8,201
Net increase (decrease) in bonds payable	1,089,256	630,625
Other	71,413	(48,695)
Net cash provided by (used in) operating activities	395,112	(102,768)
Cash flows from investing activities		
Purchase of financial assets designated as fair value through profit or loss	(9,717)	—
Purchase of securities	(41,155)	(41,726)
Proceeds from sales or redemption of securities	29,126	4,975
Purchase of equity method investments	(18,151)	(2,101)
Proceeds from return of equity method investments	9,640	1,210
Other	(3,005)	(917)
Net cash provided by (used in) investing activities	(33,263)	(38,559)
Cash flows from financing activities		
Proceeds from issuance of new shares	82,200	142,000
Payment to national treasury	(20,846)	(21,386)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	245	—
Other	(6)	(12)
Net cash provided by (used in) financing activities	61,591	120,601
Exchange difference on cash and cash equivalents	(6,957)	(9,528)
Net increase (decrease) in cash and cash equivalents	416,482	(30,254)
Cash and cash equivalents at the beginning of the year	1,082,325	1,112,579
Cash and cash equivalents at the end of the year	1,498,807	1,082,325
Net cash provided by (used in) operating activities includes the following:		
Interest received	322,349	240,874
Interest paid	(193,214)	(137,157)

2. Reconciliation between Japanese GAAP and IFRS

Reconciliation of assets, liabilities, and equity of the JBIC Group as of March 31, 2018 and 2017, and reconciliation of net profit or loss of the JBIC Group for the fiscal years ended March 31, 2018 and 2017, between accounting principles generally accepted in Japan ("Japanese GAAP") and IFRS as issued by the IASB, and non-GAAP financial information calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles (the "Reconciliation").*

The Reconciliation was prepared on a non-consolidated basis for the fiscal year ended March 31, 2017 because JBIC had no subsidiaries for the fiscal year ended March 31, 2017. On the other hand, the Reconciliation for the fiscal year ended March 31, 2018 has been prepared on a consolidated basis because subsidiaries of JBIC were established in the fiscal year ended March 31, 2018.

* JBIC has adopted Japanese GAAP for reporting purposes. Audited consolidated financial statements of the JBIC Group for the fiscal years ended March 31, 2018 and 2017 prepared in accordance with IFRS as issued by the IASB are disclosed for reference purposes in order to improve comparability with other issuers outside of Japan.

Reconciliation of assets, liabilities, and equity as of March 31, 2018

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Accounts under IFRS
Assets					Assets
Cash and due from banks	1,751,287	—	—	1,751,287	Cash and due from banks
	—	149,706	(200)	149,506	Derivative financial instrument assets
	—	9,838	(633)	9,204	Financial assets designated as fair value through profit or loss
Securities	351,605	(135,919)	(7,299)	208,385	Securities
Loans and bills discounted	13,513,680	(190,684)	129,954	13,452,950	Loans and other receivables
	—	126,081	10,996	137,078	Equity method investments
Property, plant and equipment	28,401	—	—	28,401	Property and equipment
Intangible assets	3,472	(3,472)	—	—	
Other assets	377,809	(122,763)	—	255,046	Other assets
Customers' liabilities for acceptances and guarantees	2,259,369	—	(2,259,369)	—	
Allowance for loan losses	(273,564)	273,564	—	—	
Total assets	18,012,060	106,350	(2,126,551)	15,991,860	Total assets
Liabilities					Liabilities
	—	287,453	(23)	287,429	Derivative financial instrument liabilities
Borrowed money	8,370,758	—	—	8,370,758	Borrowings
Bonds payable	4,392,597	—	(3,842)	4,388,754	Bonds payable
	—	—	72,285	72,285	Financial guarantee contracts
Net defined benefit liability	6,785	(6,785)	—	—	
Provision for directors' retirement benefits	25	(25)	—	—	
Other liabilities	435,498	(173,736)	(33,781)	227,980	Other liabilities
Provision for bonuses	546	(546)	—	—	
Provision for directors' bonuses	9	(9)	—	—	
Acceptances and guarantees	2,259,369	—	(2,259,369)	—	
Total liabilities	15,465,589	106,350	(2,224,731)	13,347,209	Total liabilities
Net assets					Equity
Capital stock	1,765,200	—	—	1,765,200	Capital stock
Retained earnings	883,601	—	(26,961)	856,640	Retained earnings
	—	(102,558)	125,140	22,582	Other reserves
Valuation difference on available-for-sale securities	(1,209)	1,209	—	—	
Deferred gains or losses on hedges	(114,658)	114,658	—	—	
Foreign currency translation adjustment	13,309	(13,309)	—	—	
Non-controlling interests	227	—	—	227	Non-controlling interests
Total net assets	2,546,471	—	98,179	2,644,651	Total equity
Total liabilities and net assets	18,012,060	106,350	(2,126,551)	15,991,860	Total liabilities and equity

Reconciliation of assets, liabilities, and equity as of March 31, 2017

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Accounts under IFRS
Assets					Assets
Cash and due from banks	1,526,209	—	—	1,526,209	Cash and due from banks
	—	167,277	—	167,277	Derivative financial instrument assets
Securities	281,249	(93,732)	2,638	190,155	Securities
Loans and bills discounted	14,309,138	(154,268)	197,851	14,352,720	Loans and other receivables
	—	93,732	20,471	114,204	Equity method investments
Property, plant and equipment	27,613	—	—	27,613	Property and equipment
Intangible assets	2,711	(2,711)	—	—	
Other assets	261,790	(67,028)	—	194,762	Other assets
Customers' liabilities for acceptances and guarantees	2,384,997	—	(2,384,997)	—	
Allowance for loan losses	(222,036)	222,036	—	—	
Total assets	18,571,673	165,304	(2,164,035)	16,572,942	Total assets
Liabilities					Liabilities
	—	498,211	717	498,928	Derivative financial instrument liabilities
Borrowed money	9,908,705	—	—	9,908,705	Borrowings
Bonds payable	3,301,565	—	(2,067)	3,299,498	Bonds payable
	—	—	84,912	84,912	Financial guarantee contracts
Provision for retirement benefits	6,807	(6,807)	—	—	
Provision for directors' retirement benefits	16	(16)	—	—	
Other liabilities	461,442	(325,556)	(37,399)	98,486	Other liabilities
Provision for bonuses	519	(519)	—	—	
Provision for directors' bonuses	6	(6)	—	—	
Acceptances and guarantees	2,384,997	—	(2,384,997)	—	
Total liabilities	16,064,061	165,304	(2,338,833)	13,890,532	Total liabilities
Net assets					Equity
Capital stock	1,683,000	—	—	1,683,000	Capital stock
Retained earnings	842,366	—	126,897	969,264	Retained earnings
	—	(17,755)	47,900	30,145	Other reserves
Valuation difference on available-for-sale securities	2,468	(2,468)	—	—	
Deferred gains or losses on hedges	(20,223)	20,223	—	—	
Total net assets	2,507,611	—	174,798	2,682,409	Total equity
Total liabilities and net assets	18,571,673	165,304	(2,164,035)	16,572,942	Total liabilities and equity

Reconciliation of net loss for the year ended March 31, 2018

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Accounts under IFRS
Interest income	336,768	(17)	8,050	344,801	Interest income
Interest expense	249,256	(43,192)	559	206,624	Interest expense
				138,177	Net interest income
Fees and commissions	23,914	—	(8,896)	15,018	Fee and commission income
Fees and commissions payments	2,043	—	—	2,043	Fee and commission expense
	—	45,410	92,979	138,389	Net expense from derivative financial instruments
	—	13	133	146	Net loss from financial assets designated as fair value through profit or loss
	—	71	16	88	Net investment income
	—	7,234	(3,682)	3,552	Other income
Other ordinary income	128	(128)	—	—	
Other income*1	156	(156)	—	—	
Extraordinary income	9	(9)	—	—	
				121,921	Expense other than interest income
				16,256	Total operating income
	—	51,528	58,449	109,978	Impairment losses on financial assets
Recoveries of written-off claims*1	0	(0)	—	—	
Provision of allowance for loan losses*2	51,528	(51,528)	—	—	
				93,722	Net operating loss
General and administrative expenses	19,660	—	(114)	19,545	Operating expenses
	—	3,667	(2,844)	822	Other expenses
Other ordinary expenses	5,363	(5,363)	—	—	
Other*2	144	(144)	—	—	
Extraordinary loss	8	(8)	—	—	
				20,367	Total operating expenses
Profits of equity method investments*1	22,207	273	—	22,480	Profits of equity method investments
Gain on investments in partnerships*1	6,884	(6,884)	—	—	
				91,609	Loss before income tax
Income tax expense	0	—	—	0	Income tax expense
Net income	62,064	—	(153,674)	91,609	Net loss

*1 The sum of these amounts is included in "Other income" in the income statement prepared under Japanese GAAP.

*2 The sum of these amounts is included in "Other expenses" in the income statement prepared under Japanese GAAP.

Reconciliation of net profit for the year ended March 31, 2017

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Accounts under IFRS
Interest income	259,250	0	2,121	261,372	Interest income
Interest expense	177,433	(26,836)	(372)	150,223	Interest expense
				111,148	Net interest income
Fees and commissions	26,836	—	(11,293)	15,542	Fee and commission income
Fees and commissions payments	1,919	—	—	1,919	Fee and commission expense
	—	27,259	122,057	149,316	Net expense from derivative financial instruments
	—	493	(269)	223	Other income
Other income*1	148	(148)	—	—	
Extraordinary income	75	(75)	—	—	
				135,470	Expense other than interest income
				24,322	Total operating loss
	—	(53,855)	162,495	108,639	Reversal of impairment losses on financial assets
Recoveries of written-off claims*1	0	(0)	—	—	
Provision of allowance for loan losses*2	53,855	(53,855)	—	—	
				84,317	Net operating income
General and administrative expenses	16,726	—	290	17,017	Operating expenses
	—	2,760	(1,252)	1,508	Other expenses
Other ordinary expenses	3,136	(3,136)	—	—	
Other*2	46	(46)	—	—	
				18,525	Total operating expenses
	—	8,151	—	8,151	Profits of equity method investments
Gain on investments in partnerships*1	8,421	(8,421)	—	—	
Net income	41,612	—	32,331	73,944	Net profit

*1 The sum of these amounts is included in "Other income" in the income statement prepared under Japanese GAAP.

*2 The sum of these amounts is included in "Other expenses" in the income statement prepared under Japanese GAAP.

Notes to the reconciliation of assets, liabilities, and equity as of March 31, 2018 and 2017, and the reconciliation of net profit or loss for the fiscal years ended March 31, 2018 and 2017

A. Derivative financial instrument assets and liabilities

Under Japanese GAAP, derivative financial instrument assets and derivative financial instrument liabilities which qualify for offsetting criteria are presented on a net basis by counterparty and included in "Other assets" or "Other liabilities." Under IFRS, however, such assets and liabilities do not qualify for offsetting criteria and are presented on a gross basis as "Derivative financial instrument assets" and "Derivative financial instrument liabilities."

Under IFRS, the JBIC Group determines fair values of derivative financial instrument assets and liabilities by considering the counterparty credit risk or own credit risk derived from observable market data.

The JBIC Group does not apply hedge accounting under IFRS, which is applied under Japanese GAAP. At the date of transition, the JBIC Group applied International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* to the hedges to which hedge accounting was applied under Japanese GAAP. The JBIC Group reclassified deferred gains or losses on hedges whose hedging relationships did not qualify for IAS 39 to retained earnings. For the hedges which did not meet the conditions for hedge accounting under IAS 39, the JBIC Group discontinued hedge accounting by the types of hedges according to IFRS 1 *First-time Adoption of International Financial Reporting Standards* as follows:

i. Cash flow hedges

The JBIC Group reclassifies deferred gains or losses on hedges from equity to profit or loss according to cash flows from the hedged transactions.

ii. Fair value hedges

The JBIC Group reclassified deferred gains or losses on hedges under Japanese GAAP to retained earnings at the date of transition and adjusted carrying amounts of the hedged items at the lower of the following (a) and (b). The JBIC Group amortizes the adjusted amounts of the hedged items using the effective interest method and recognizes them in profit or loss.

- a. cumulative changes in fair values of the hedged items attributable to designated hedged risks and not recognized under Japanese GAAP; and
- b. cumulative changes in fair values of the hedging instruments attributable to designated hedged risks and either not recognized or deferred in equity in the balance sheet under Japanese GAAP.

B. Financial assets designated as fair value through profit or loss

Under IFRS, there is an option, on initial recognition, to designate financial assets as fair value through profit or loss for financial assets for which a measurement or recognition inconsistency is eliminated or significantly reduced by the designation, or which are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. However, under Japanese GAAP, such an option is not available.

From the fiscal year ended March 31, 2018, the JBIC Group has elected to present financial assets designated as fair value through profit or loss held by an investment entity subsidiary as "Financial assets designated as fair value through profit or loss" under IFRS, whereas they are presented as "Securities" under Japanese GAAP.

Under IFRS, the JBIC Group presents gains and losses arising from the changes in fair value and sales of such assets together with interest income and dividend income in "Net gain (loss) from financial assets designated as fair value through profit or loss." Under Japanese GAAP, the JBIC Group presents the interest income and dividend income as "Interest income" and the gains and losses arising from the changes in fair value and sales of such assets as "Other income" (when it is a gain) or "Other" (when it is a loss).

C. Securities

The JBIC Group presents investments in associates as "Equity method investments" under IFRS, whereas they are presented as "Securities" under Japanese GAAP. For the differences in the measurement method between the accounting standards, see "E. Equity method investments."

Under Japanese GAAP, the JBIC Group measures unlisted stocks included in securities at cost. Under IFRS, the JBIC Group classifies them as available-for-sale financial assets and measures principally at fair value. The JBIC Group recognizes changes in fair values in "Other reserves" and impairment losses as necessary.

Under Japanese GAAP, the JBIC Group measures investments in partnerships included in securities at net amounts equivalent to its interest in their most recent financial statements available at the reporting date defined in the partnership agreement. Under IFRS, the JBIC Group measures them at fair value in principle and recognizes changes in fair values in "Other reserves" and impairment losses as necessary.

D. Loans and other receivables

The JBIC Group includes accrued interest income on loans included in "Other assets" under Japanese GAAP and financial assets associated with financial guarantee contracts described in "G. Financial guarantee contracts" in "Loans and other receivables" under IFRS.

Under IFRS, the JBIC Group measures loans and other receivables at fair value plus direct transaction costs at initial recognition and subsequently at amortized cost using the effective interest method. The JBIC Group amortizes loan origination fees which are considered indispensable to the origination using the effective interest method. As described in "A. ii. Fair value hedges," the JBIC Group adjusts the carrying amounts of loans for which hedge accounting was discontinued at the date of transition and amortizes them accordingly.

Under Japanese GAAP, the JBIC Group recognizes general allowance as well as specific allowance for loan losses.

In accordance with the incurred loss model under IFRS, the JBIC Group recognizes impairment losses when it concludes that there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated cash flows of the financial asset or a group of financial assets that can be reliably measured after its assessment at the reporting date. The JBIC Group recognizes collectively evaluated impairment losses such as incurred but not reported losses by applying historical loss experience to a group of loans and other receivables with similar credit risk characteristics. The carrying amount of loans and other receivables is reduced by the amount of impairment losses through allowance for loan losses.

E. Equity method investments

The JBIC Group's investments in associates and joint ventures are comprised mainly of investments in partnerships. Under Japanese GAAP, the JBIC Group did not prepare consolidated financial statements before the fiscal year ended March 31, 2018. Accordingly, the JBIC Group did not apply the equity method for its investments in associates and joint ventures before. Until then, the JBIC Group measured those investments at net amounts

equivalent to its share of profits or losses reported in their most recent financial statements available at the reporting date defined in the partnership agreement. From the fiscal year ended March 31, 2018, the JBIC Group prepares consolidated financial statements under Japanese GAAP and applies the equity method to certain investments in partnerships. Under IFRS, the JBIC Group adopts the equity method to all of its investments in partnerships that are determined as an investment in associates and joint ventures. Gains or losses on investments in partnerships to which the equity method is not applied under Japanese GAAP but is applied under IFRS are recognized as "Profits of equity method investments" under IFRS.

The JBIC Group presents exchange differences on translation of foreign operations from applying the equity method as "Other reserves" under IFRS, whereas, from the fiscal year ended March 31, 2018, they are presented as "Foreign currency translation adjustment" under Japanese GAAP.

F. Bonds payable

Under Japanese GAAP, the JBIC Group expenses bond issuance costs as incurred. Under IFRS, the JBIC Group measures bonds payable initially at fair value less transaction costs directly attributable to bond issuance, such as fees paid to underwriters and discounts at issuance, and subsequently at amortized cost using the effective interest method. As described in "A. ii. Fair value hedges," the JBIC Group adjusts the carrying amounts of bonds payable for which hedge accounting was discontinued at the date of transition and amortizes them accordingly.

G. Financial guarantee contracts

Under Japanese GAAP, the JBIC Group records the same contractual amounts of financial guarantee obligations in both "Customers' liabilities for acceptances and guarantees" as assets and in "Acceptances and guarantees" as liabilities. Under IFRS, the JBIC Group initially measures financial liabilities associated with financial guarantee contracts at fair value as well as financial assets associated with financial guarantee contracts, and subsequently measures financial liabilities associated with financial guarantee contracts at the higher of (a) the amount initially recognized less cumulative amortization recognized and (b) the amount of estimated expenditure required to settle the guarantee obligation at the reporting date.

H. Liability for retirement benefits

Under Japanese GAAP, the JBIC Group expenses actuarial gains or losses on defined benefit plans in profit or loss as incurred.

Under IFRS, the JBIC Group recognizes directly remeasurement of defined benefit plans in "Other reserves" as incurred and reclassifies immediately to retained earnings. The JBIC Group remeasures retirement benefit obligations according to applicable IFRS and recognizes the remeasurement difference due to such as the period allocation method as "Operating expenses." The JBIC Group includes a liability for retirement benefits in "Other liabilities."

I. Difference between the date of consolidated financial statements and the reporting date of subsidiaries

Under Japanese GAAP, if the difference in the reporting date of a subsidiary and the date of consolidated financial statements does not exceed three months, only significant inter-company transactions are reflected in the financial statements of the subsidiary. Therefore, the JBIC Group makes adjustments for only significant inter-company transactions for Japanese GAAP consolidation purposes. On the other hand, under IFRS, the financial statements of consolidated subsidiaries need to be prepared, unless it is impracticable, to the reporting date of the parent company. Accordingly, the JBIC Group prepares the financial statements of the subsidiaries whose reporting dates are different from JBIC to conform to the reporting date of JBIC.

Adjusted net profit in accordance with IFRS before IFRS adjustments for hedge accounting (Non-GAAP information calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles)

The JBIC Group uses derivatives exclusively to hedge interest rate risk and foreign exchange risk. Under Japanese GAAP, the JBIC Group applies hedge accounting in order not to recognize net gains (losses) from the valuation of derivatives deferred by hedge accounting in net profit. As the JBIC Group discloses its financial statements under IFRS for reference purposes and does not apply hedge accounting under IAS 39, "Net gains (losses) from the valuation of derivative financial instruments" and "Net gains from hedge accounting discontinued at the date of transition" are recognized in net profit (loss) in accordance with IFRS*.

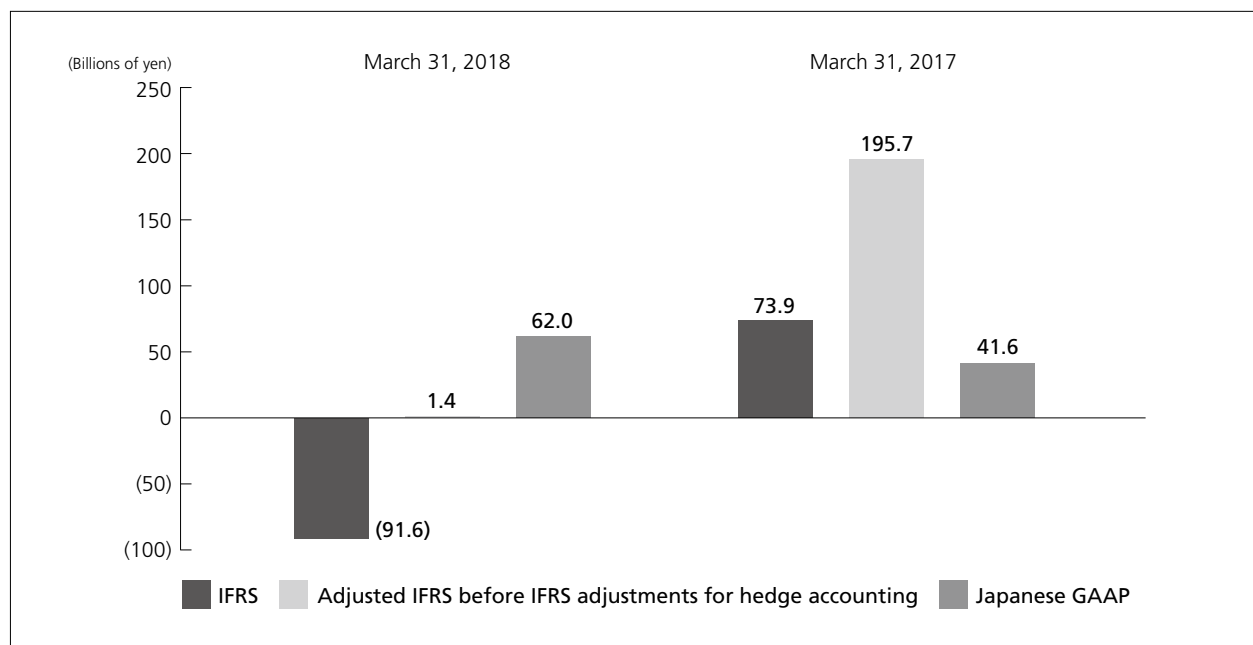
As the JBIC Group uses these derivatives for hedging purposes, these derivatives will not be canceled for realizing temporal net gains (losses) from valuation before their maturity dates. However, depending on market conditions, these net gains (losses) from valuation might have a substantial impact on net profit (loss) in accordance with IFRS. Therefore, "Adjusted net profit in accordance with IFRS before IFRS adjustments for hedge accounting" calculated by excluding temporal net gains (losses) from valuation from net profit in accordance with IFRS is useful for the users of the JBIC Group's financial statements under IFRS to understand its financial performance and disclosed as a supplementary explanation for the reconciliation between Japanese GAAP and IFRS.

Adjusted net profit in accordance with IFRS before IFRS adjustments for hedge accounting is reconciled from net profit (loss) in accordance with IFRS by excluding the temporary gains or losses from the valuation of derivatives as follows:

(Billions of yen)

	March 31, 2018	March 31, 2017
Net profit (loss) in accordance with IFRS (A)	(91.6)	73.9
Net losses from the valuation of derivative financial instruments	(93.8)	(124.6)
Net gains from hedge accounting discontinued at the date of transition	0.8	2.8
Sub-total (B)	(93.0)	(121.8)
Adjusted net profit in accordance with IFRS before IFRS adjustments for hedge accounting (A)-(B)	1.4	195.7

Net profit (loss) in accordance with IFRS, adjusted net profit in accordance with IFRS before IFRS adjustments for hedge accounting and net profit in accordance with Japanese GAAP for the fiscal years ended March 31, 2018 and 2017



* See "A. Derivative financial instrument assets and liabilities" for the difference between Japanese GAAP and IFRS regarding the accounting policies for derivative financial instruments.

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Organizational Chart (As of September 1, 2018)

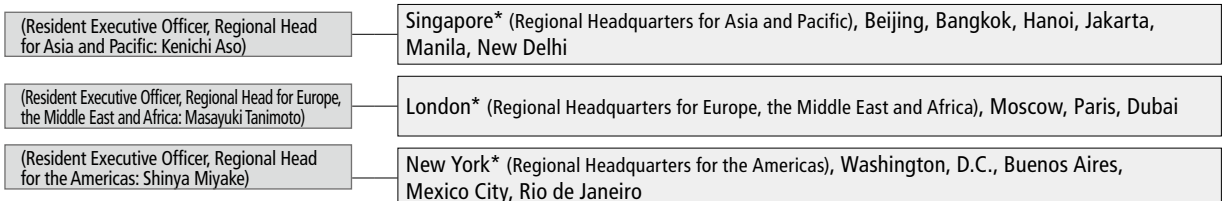
JBIC is constituted by four mission/sector-specific finance groups (Energy and Natural Resources Finance Group; Infrastructure and Environment Finance Group; Industry Finance Group; and Equity Finance Group) and the Corporate Planning Group, the Credit, Assessment and Risk Management Group and the Treasury and Systems Group which support these finance groups.

This organizational structure was intended to strengthen the capacity to formulate projects by bringing together

know-how and expertise in each sector and area, thereby creating an institution that can execute the functions in its mission more flexibly and strategically: the mission directly linked to Japan's economic policy. In the network of overseas representative offices, Singapore, London and New York are assigned as core regional headquarters to supervise business and administrative activities as well as support project formulation in Asia and Pacific; Europe, the Middle East and Africa, and the Americas respectively.



Overseas Representative Offices



* Singapore, London and New York are assigned as core regional headquarters to supervise business and administrative activities and support project formulation in Asia and Pacific; Europe, the Middle East and Africa; and the Americas, respectively.



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3 History

Events related to The Export-Import Bank of Japan (JEXIM)

December 1950	The Japan Export Bank Act promulgated and enforced; The Japan Export Bank established
April 1952	The Japan Export Bank changed its name to The Export-Import Bank of Japan

Events related to the Japan Bank for International Cooperation (former JBIC)

April 1999	The Japan Bank for International Cooperation Act promulgated and enforced
September 1999	Order for the Japan Bank for International Cooperation Act promulgated and enforced
October 1999	The Japan Bank for International Cooperation (former JBIC) established (taking over operations of the Export-Import Bank of Japan and those of the Overseas Economic Cooperation Fund)

Events related to the Japan Finance Corporation

June 2006	The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government promulgated and enforced
May 2007	The Japan Finance Corporation Act promulgated and enforced
April 2008	Order for the Japan Finance Cooperation Act promulgated and enforced
October 2008	The Japan Finance Corporation established
March 2010	The Revision of Japan Finance Corporation Act enforced (Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming was added to JBIC mission)
April 2010	The Account for Facilitating Realignment of United States Forces in Japan created

Events related to the Japan Bank for International Cooperation (JBIC)

May 2011	The Japan Bank for International Cooperation Act promulgated and partially enforced
July 2011	Order for Enforcement of the Japan Bank for International Cooperation Act and Cabinet Order for Revising Part of the Japan Finance Corporation Act promulgated and enforced (The scope of operations was expanded, including the rule on export financing to developed countries)
April 2012	The Japan Bank for International Cooperation (JBIC) established
November 2012	The Account for Facilitating Realignment of United States Forces in Japan closed
May 2016	The Act for Partial Amendment of the Japan Bank for International Cooperation Act promulgated and partially enforced The Cabinet Order for Revising Part of the Order for Enforcement of the JBIC Act promulgated and enforced
October 2016	The account for the Special Operations created

Excerpt of the Japan Bank for International Cooperation Act (Act No. 39 of 2011)

Article 1: Purpose

Japan Bank for International Cooperation shall be a *Kabushiki-Kaisha*, which has the purpose of contributing to the sound development of Japan and the international economy and society, by taking responsibility for the financial function to promote the overseas development and securement of resources which are important for Japan, to maintain and improve the international competitiveness of Japanese industries and to promote the overseas business having the purpose of preserving the global environment, such as preventing global warming, also providing the financial services that are necessary to prevent disruptions to international financial order or to take appropriate measures with respect to damages caused by such disruption, while having the objective of supplementing the financial transactions implemented by ordinary financial institutions.

Article 3: Holding of Shares by Government

The Government shall, at all times, hold the total number of outstanding shares of JBIC.

Article 4: Government's Contribution

1. The Government may, when it finds it to be necessary, make contributions to JBIC within the amount appropriated in the budget.
2. When a contribution is made by the Government pursuant to the provisions of the preceding Paragraph, JBIC shall, notwithstanding the provisions of Paragraph 2 of Article 445 of the Companies Act (Act No. 86 of 2005), be allowed not to record the amount exceeding half of such contribution amount as the capital. In this case, "this Act" referenced in Paragraph 1 of the same Article shall be deemed to be replaced with "this Act or Japan Bank for International Cooperation Act (Act No. 39 of 2011)."
3. When a contribution is made by the Government pursuant to the provisions of Paragraph 1, JBIC shall allocate the capital and reserves increased thereby, to the accounts related to the operations listed in each Item of Article 26-2, in accordance with the separation of accounting set forth in Article 26-2.

Article 5: Limitation, etc. on Use of Name

1. No person other than JBIC shall use the words "Japan Bank for International Cooperation" in its name.
2. The provisions of Paragraph 2 of Article 6 of the Banking Act shall not be applied to JBIC.

Article 6: Resolution for Appointment and Removal, etc. of Officers, etc.

1. The resolution for the appointment and removal of the Officers, etc. (meaning Directors, Executive Officers and Auditor(s); the same shall apply hereinafter) of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.
2. The resolution for selection and displacement of a Representative Director or Representative Executive Officer of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.

Article 11: Scope of Operations

JBIC shall, for attaining its purpose, engage in the operations listed below:

- (1) The loan of funds necessary for the Export of Equipment, etc., the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds, in the case where the Foreign Financial Institutions, etc. or the Foreign Governments, etc. provide the Guarantee, etc. of Liabilities with respect to such funds, the Guarantee, etc. of Liabilities related to such Guarantee, etc. of Liabilities, or the acquisition of the Public/Corporate Bonds, etc. issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (2) The loan of funds necessary to ensure the reliable and timely Import of Important Goods, etc., the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds or the acquisition of the Public/Corporate Bonds, etc. to be issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (3) The loan of funds to be used directly or indirectly for the business which the Juridical Persons, etc. of Japan, Foreign Governments, etc. or Foreign Juridical Persons, etc. Invested in conduct outside Japan, the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds, in the case where the Juridical Persons, etc. of Japan, Foreign Juridical Persons, etc. Invested in, Foreign Financial Institutions, etc. or Foreign Governments, etc. provide the Guarantee, etc. of Liabilities to the Juridical Persons, etc. of foreign countries with respect to such funds, the Guarantee, etc. of Liabilities related to such Guarantee, etc. of Liabilities, or the acquisition of the Public/Corporate Bonds, etc. to be issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (4) (i) The loan to the Foreign Governments, etc., Foreign Financial Institutions, etc. or international organizations, such as the International Monetary Fund, of long-term funds (meaning the funds required to be provided for more than one (1) year) required for their overseas business or the import of goods or introduction of technologies by the foreign country concerned, or funds required to attain the international balance of payments or achieve the stability of the currency of the foreign country concerned, (ii) the acquisition by assignment of loan receivables related to such funds or the Guarantee, etc. of Liabilities related to such funds or (iii) the acquisition of the Public/Corporate Bonds, etc. issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (5) When it is found remarkably difficult for a foreign government or foreign resident to conduct overseas transactions, such as import by reason of the international balance of payments of the foreign country concerned, and it is found urgently necessary, the loan to the governments, governmental agencies or banks of the foreign country concerned, of the short-term funds (meaning the funds required necessary to be provided for one (1) year or less than one (1) year; the same shall apply hereinafter) necessary to facilitate overseas transactions, such as import, until the International Monetary Fund, etc. (meaning international organizations, such as the International

Monetary Fund, or governments, governmental agencies or banks of more than two (2) countries other than that foreign country concerned; the same shall apply hereinafter) provides funds to assist the development of the economy of the foreign country concerned (hereinafter referred to as the "Funds for Economic Assistance");

- (6) The provision of contributions to persons who are carrying on business outside Japan (including those Juridical Persons, etc. of Japan whose sole purpose is to make overseas investments and who make contributions to those carrying on the aforesaid business) to contribute funds required for their business;
- (7) The carrying out of the necessary studies related to the operations listed in each of the preceding Items;
- (8) The provision of information to the users of operations provided by JBIC that pertains to such operations; and
- (9) Any other operations incidental to those listed in each of the preceding Items (excluding those listed in Item (7)).

Article 12:

1. Among the operations listed in Item (1) of the preceding Article, those which are related to the Export of Equipment, etc. destined for any area other than developing overseas areas (hereinafter referred to as the "Developing Areas") may be conducted only in the cases listed below:
 - (1) when necessary countermeasures are taken in accordance with multilateral arrangements in the case where the Foreign Governments, etc., in which exporters conduct the export destined for the said area, grant credit, underwrite insurance or provide an interest (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an interest; the same shall apply hereinafter in Paragraph 2 of Article 16) support with more favorable conditions than usual in order to promote the export from such foreign countries; or
 - (2) when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries.
2. Among the operations listed in Item (1) of the preceding Article, those relating to the funds provided to the Juridical Persons, etc. of Japan may be conducted only in the cases listed below:
 - (1) where Banks, etc. provide Foreign Juridical Persons, etc. with the loan of funds with respect to the Export of Equipment, etc. necessary for the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas, and JBIC provides the loan of necessary funds for such loan to the Banks, etc.; or
 - (2) where the execution of the export by the Juridical Persons, etc. of Japan has become remarkably difficult due to disruptions to international financial order and the Minister of Finance determines that the exceptions of operations of JBIC are necessary in order to deal therewith.
3. Among the operations listed in Item (2) of the preceding Article, other than those conducted in order to promote overseas development and securement of resources important for Japan, only those relating to the funds listed below that are the Guarantee, etc. of Liabilities may be conducted:

- (1) funds necessary to import the products, such as aircraft, specified by the Minister of Finance, with respect to which the products made in Japan are not sufficient to replace and the import to Japan is essential; or
 - (2) funds necessary to introduce such technologies specified by the Minister of Finance, with respect to which the technologies of Japan are not sufficient to replace and the introduction to Japan is essential.
4. Among the operations listed in Item (3) of the preceding Article, those relating to the short-term loans may be conducted only in the case where JBIC has agreed to make loan of funds (excluding short-term funds) set forth in the same Item for the execution of business conducted by the Juridical Persons, etc. of Japan and the Foreign Juridical Persons, etc. Invested in and such loan of funds is recognized especially necessary in order to execute such business.
 5. Among the operations listed in Item (3) of the preceding Article, the loan of funds necessary for the overseas business to be conducted by the Juridical Persons, etc. of Japan, other than those listed in Item (2) of the following Paragraph, may be conducted only if such loan is provided directly to such Juridical Persons, etc.
 6. Among the operations listed in Item (3) of the preceding Article (excluding those conducted in order to promote overseas development and securement of resources important for Japan), loans to the Juridical Persons, etc. of Japan, other than the loans to the Small and Medium Enterprises, etc. (meaning the Small and Medium Enterprises or medium enterprises specified by the Minister of Finance; hereinafter the same shall apply) may be conducted only in the cases listed below.
 - (1) When the Juridical Persons, etc. of Japan begin or expand overseas business, or improve the efficiency thereof by contributing to the foreign juridical persons or accepting the assignment of all or part of the business of the foreign juridical persons (hereinafter referred to as "Contributions, etc." in this Item), in the case where the loan of funds necessary for such Contributions, etc. is provided (only when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries).
 - (2) When the Banks, etc. provide the loan of funds listed below, in the case where the loan of funds necessary for such loan by such Banks, etc. is provided to such Banks, etc.:
 - a. loan of funds set forth in Item (3) of the preceding Article to the Small and Medium Enterprises, etc. or the Foreign Juridical Persons, etc. Invested in related to the contribution of the Small and Medium Enterprises, etc.;
 - b. loan of funds set forth in the preceding Item to the Juridical Persons, etc. of Japan (limited to those prescribed by the Cabinet Order set forth in the same Item); or
 - c. loan of funds set forth in Item (3) of the preceding Article to the Juridical Persons, etc. of Japan, Foreign Governments, etc., or Foreign Juridical Persons, etc. Invested in (limited to those related to the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas).
 - (3) When the loan of necessary funds is provided to the Juridical Persons, etc. of Japan for such Juridical Persons, etc. to conduct a business of leasing equipment made in Japan to overseas market (limited to those prescribed

by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries).

- (4) When the execution of overseas business of the Juridical Persons, etc. of Japan has become remarkably difficult due to disruptions to international financial order, in the case where the Minister of Finance determines that the exceptions of operations of JBIC are necessary in order to deal therewith.
7. Among the operations listed in Item (3) of the preceding Article (excluding those conducted in order to promote overseas development and securement of resources important for Japan), with respect to the business in any area other than the Developing Areas may be conducted only when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries.
8. The loan to the governments, governmental agencies or banks of foreign countries listed in Item (5) of the preceding Article may be conducted by obtaining the authorization of the Minister of Finance only when the provision of the Funds for Economic Assistance from the International Monetary Fund, etc. is expected to be certain and only in the cases listed below:
 - (1) where, by appropriating all or part of the Funds for Economic Assistance from the International Monetary Fund, etc. (excluding JBIC) for the redemption of the funds related to the loan, the redemption is expected to be secured; or
 - (2) where adequate underlying assets are secured for the loan.
9. Among the operations listed in Items (1) through (4) of the preceding Article, the Guarantee, etc. of Liabilities related to the liabilities of any person other than the Juridical Persons, etc. of Japan (excluding those related to the Public/Corporate Bonds, etc.) may be provided only in the cases listed below:
 - (1) When the Banks, etc., Foreign Financial Institutions, etc. or Foreign Governments, etc. provide the loan of such funds set forth in Items (1) through (4) of the preceding Article, in the case where the Guarantee, etc. of Liabilities related to such loan is provided (including the case in which the loan receivables related to such loan are assigned to the persons specified by the Minister of Finance);
 - (2) In the case where the Guarantee, etc. of Liabilities related to the Guarantee, etc. of Liabilities set forth in Items (1) and (3) of the preceding Article is provided;
 - (3) When, among the Guarantee, etc. of Liabilities related to the funds set forth in Item (3) of the preceding Article, the Juridical Persons, etc. of Japan or the Foreign Juridical Persons, etc. Invested in assign the monetary claims related to the overseas business to be conducted by the Juridical Persons, etc. of Japan or the Foreign Juridical Persons, etc. Invested in to the Banks, etc. or Foreign Financial Institutions, etc. and use the proceeds from the assignment for such business, in the case where the Guarantee, etc. of Liabilities related to such monetary claims is provided; or
 - (4) When the Banks, etc. or Foreign Financial Institutions, etc. provide the loan of funds set forth in Item (3) of the preceding Article in foreign currency, in the case where the Guarantee, etc. of Liabilities related to swap transactions (transactions listed in Item 5 of Paragraph 22 of Article 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948)) related to such funds conducted by such Banks, etc. or Foreign Financial Institutions, etc., is provided.
10. Among the operations listed in Items (1) through (4) of the preceding Article, the Guarantee, etc. of Liabilities (limited to those related to the Public/Corporate Bonds, etc.) and the acquisition of the Public/Corporate Bonds, etc. may be conducted only in the cases listed below (with respect to the operations listed in Items (1) through (3) of the same Article, the cases listed in Items (2) through (7) below shall apply):
 - (1) where part of the Public/Corporate Bonds, etc. (limited to those with a redemption period of more than one (1) year; the same shall apply in the following Item and Item (3) below) that were issued by the Foreign Financial Institutions, etc., the Foreign Governments, etc. or international organizations, such as the International Monetary Fund, are acquired;
 - (2) where the Public/Corporate Bonds, etc. are acquired and then such Public/Corporate Bonds, etc. are assigned to the Specific Purpose Company, etc. within the period specified by the Minister of Finance or where the Specific Trust is established, the Public/Corporate Bonds, etc. are entrusted to the Trust Company, etc. as assets of such Specific Trust, and then all or part of beneficial interests in such Specific Trust is assigned;
 - (3) where the Public/Corporate Bonds, etc. to be issued by the Specific Purpose Company, etc. or the Trust Company, etc. which are secured by loan receivables or the Public/Corporate Bonds, etc. are acquired;
 - (4) where the Guarantee, etc. of Liabilities relating to the Public/Corporate Bonds, etc. to be issued by the Foreign Juridical Persons, etc. Invested in, the Foreign Financial Institutions, etc., the Foreign Governments, etc. or international organizations, such as the International Monetary Fund, is provided;
 - (5) where the Guarantee, etc. of Liabilities related to such loan receivables, Public/Corporate Bonds, etc. or the monetary claims, which constitute such underlying assets, or the Public/Corporate Bonds, etc. to be issued by the Specific Purpose Company, etc. or the Trust Company, etc. is provided (excluding the Guarantee, etc. of Liabilities related to the Public/Corporate Bonds, etc. to be issued by the Banks, etc.) when the Specific Purpose Company, etc. or the Trust Company, etc. issues the Public/Corporate Bonds, etc. which are secured by loan receivables, the Public/Corporate Bonds, etc. or the monetary claims set forth in Item (3) of the preceding Paragraph;
 - (6) where the Guarantee, etc. of Liabilities related to the borrowing of funds by the Specific Purpose Company, etc. for the purpose of acquiring by assignment, or acquiring, such loan receivables or Public/Corporate Bonds, etc., which constitute such underlying assets, is provided when the Specific Purpose Company, etc. issues the Public/Corporate Bonds, etc., which are secured by loan receivables or the Public/Corporate Bonds, etc.; or
 - (7) where corporate bonds, any equivalent bond certificates or beneficial interests in trust (limited to those with a redemption period of more than one (1) year) that were issued by Juridical Persons, etc. in order to procure the funds necessary for the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas, are acquired.

11. Among the operations listed in Items (1) through (4) of the preceding Article, those listed below shall be conducted only when the loan thereof or the loan related to the loan receivables to be assigned is the Co-financing; provided, however, that this shall not apply, with respect to the operations listed in Item (1) below, in the case where it is recognized that it is remarkably difficult for the Banks, etc. to provide a loan of funds together with JBIC and the loan from JBIC is urgently necessary to attain the purpose of such loan, or if the case falls under any of the cases listed in Item (1) of Paragraph 2 or Item (2) of Paragraph 6 hereof, with respect to the operations listed in Item (2) below, in the case where the loan receivables to the Foreign Juridical Persons, etc. Invested in with a redemption period of more than one (1) year are acquired by assignment within the period specified by the Minister of Finance for the purpose of assigning the same to the Specific Purpose Company, etc. or for the purpose of establishing the Specific Trust, with respect to the same, in the Trust Company, etc. and assigning all or part of the beneficial interest in such Specific Trust:
- (1) loan of funds pursuant to the provisions of Items (1) through (3) of the preceding Article made to the Juridical Persons, etc. of Japan; or
 - (2) acquisition by assignment of the loan receivables pursuant to the provisions of Items (1) through (4) of the preceding Article.
12. The operations listed in Item (7) of the preceding Article may be conducted only if they are the minimum necessary to promote the performance of the operations listed in Items (1) through (6) of the same Article smoothly and effectively.

Article 13: Practice of the Operation

1. The loan of funds, the acquisition by assignment of loan receivables, the acquisition of the Corporate/Public Bonds, etc., the Guarantee, etc. of Liabilities or the provision of contributions pursuant to the provisions of Items (1) through (6) of Article 11 hereof may be conducted only in the cases listed below:
 - (1) when the repayment of the funds so loaned, the collection of loan receivables so acquired, the redemption of Corporate/Public Bonds, etc. so acquired, the performance of the liabilities so guaranteed, etc. or the realization of profits that enable the payment of dividends resulting from business so contributed is recognized as being certain; or
 - (2) when the conditions, such as the interest rates (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to interest rates; the same shall apply hereinafter in the following Paragraph) of loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a loan; the same shall apply hereinafter in the following Paragraph and Paragraph 2 of Article 16) and yield on loan receivables related to such loan (excluding loan of funds pursuant to the provisions of Items (2) and (5) of Article 11), such acquisition by assignment (excluding acquisition by assignment of loan receivables pursuant to the provisions of Item (2) of the same Article), such acquisition (excluding the acquisition of the Public/Corporate Bonds, etc. pursuant to the provisions of the same Item), such Guarantees, etc. of Liabilities (excluding guarantee, etc. of liabilities pursuant to the provisions of the same Item) or such contribution (for all such operations, limited to

those related to the businesses with respect to the development of infrastructure and other foundation for socioeconomic activities overseas), are recognized as being appropriate, in light of the risks, etc. of such loans, such assigned loan receivables and other assets becoming irrecoverable (excluding the cases listed in the preceding Item).

2. The conditions, such as the interest rates of loans and yield on assigned loan receivables related to the operations listed in Items (1) through (6) of Article 11, shall be determined in light of usual conditions for transactions by the Banks, etc. or the trends of financial markets, so that revenue of each of the accounts of the respective operations listed in each of the Items of Article 26-2 will be sufficient to cover the expenses therefor.

Article 13-2: Special Operations Guidelines

1. The Minister of Finance shall prescribe and make public the guidelines (hereinafter referred to as the "Special Operations Guidelines" in the following Paragraph and Paragraph 1 of the following Article) that JBIC shall follow upon conducting the operations listed below (hereinafter referred to as the "Special Operations"):
 - (1) Operations listed in Items (1), (3), (4) and (6) of Article 11 that are conducted in the cases listed in Item (2), Paragraph 1 of the preceding Article;
 - (2) Operations listed in Item (7) of Article 11 related to the operations listed in the preceding Item;
 - (3) Operations listed in Item (8) of Article 11 related to the operations listed in the preceding two (2) Items; or
 - (4) Operations listed in Item (9) of Article 11 related to the operations listed in the preceding three (3) Items (excluding operations listed in Item (2)).
2. The Special Operations Guidelines shall set forth the following matters:
 - (1) Standards to follow upon conducting the loan of funds, the acquisition by assignment of loan receivables, acquisition of the Public/Corporate Bonds, etc., the Guarantee, etc. of Liabilities or conducting the contributions related to the Special Operations;
 - (2) Matters regarding appropriate financial management of the Special Operations;
 - (3) Matters regarding supplement of financial transactions implemented by ordinary financial institutions in respect of the Special Operations;
 - (4) Matters regarding the system for conducting evaluation and monitoring with respect to the status of the implementation of the Special Operations;
 - (5) Matters regarding reports to the Minister of Finance with respect to the status of the implementation of the Special Operations; and
 - (6) Other matters necessary to ensure appropriate implementation of the Special Operations.

Article 13-3: Basic Policy concerning the Special Operations

1. JBIC shall set forth a basic policy concerning the Special Operations (hereinafter referred to as the "Special Operations Basic Policy" in the following Paragraph) with respect to the implementation of matters regarding the Special Operations as prescribed by the Ordinance of the Ministry of Finance, pursuant to the Special Operations Guidelines, and obtain the authorization of the Minister of Finance. The same shall apply if JBIC intends to make any changes thereto.
2. When the Minister of Finance determines that the Special Operations Basic Policy, approved pursuant to the provisions

of the preceding Paragraph, has become inappropriate for JBIC to conduct the Special Operations appropriately, the Minister of Finance may order JBIC to change it.

Article 15: Business Year

The business year of JBIC shall begin on April 1 of each year and end on March 31 of the following year.

Article 16: Budget

1. JBIC shall prepare the budget for revenues and expenditures and submit it to the Minister of Finance for each business year.
2. The revenues set forth in the preceding Paragraph mean interest on loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an interest), interest on the Corporate/Public Bonds, etc., dividends on contributions, debt guarantee fees and other incomes related to asset management and miscellaneous incidental income, and the expenditures set forth in the same Paragraph mean expense of operations, business entrustment fees, interest on borrowings (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a borrowing; the same shall apply hereinafter in Paragraphs 1 and 3 of Article 33), interest on bonds and notes and incidental expenses.
3. Upon receipt of the budget submitted pursuant to the provisions of Paragraph 1 above, the Minister of Finance shall examine such budget and make any necessary adjustments thereto, and obtain the Cabinet's decision thereon.
4. After the Cabinet's decision is made pursuant to the provisions of the preceding Paragraph, the Cabinet shall submit such budget to the Diet together with the national budget.
5. The form and content of the budget and procedures for the preparation and submission thereof shall be specified by the Minister of Finance.

Article 26: Submission of Financial Statements

1. JBIC shall prepare the list of assets every business year.
2. JBIC shall, within three (3) months after the end of every business year, submit to the Minister of Finance the balance sheets, statements of operations and list of assets (hereinafter referred to as the "Balance Sheets, etc.") and business report (including the Electro-Magnetic Record (which means the record specified by the Minister of Finance as a record which is produced by electronic, magnetic, or any other means unrecognizable by human perception and which is used for data-processing by a computer; the same shall apply hereinafter) which has recorded the matters to be described in such Balance Sheets, etc. and its business report) for each business year.

Article 26-2: Separate Accounting

JBIC shall separate the accounting for each category of operations listed below and allocate it by establishing the respective accounts for each category:

- (1) Operations other than the Special Operations (referred to in Article 33 as "Ordinary Operations"); and
- (2) Special Operations.

Article 26-3: Mutatis Mutandis Application of the Companies Act, etc. in respect of Separate Accounting

1. The provisions of Article 295, 337, 374, 396, Articles 431 through 443, and Articles 446 and 447 of the Companies Act shall apply *mutatis mutandis* to the separate accounting

implemented by JBIC pursuant to the provisions of the preceding Paragraph. In such case, the term, "of a Stock Company", referenced in Article 446 of the same Act, shall be deemed to be replaced with "that belongs to the account established under the provision of Article 26-2 of Japan Bank for International Cooperation Act (Act No. 39 of 2011)"; the term, "the amounts listed in item (v) through (vii) from the sum", also referenced therein, shall be deemed to be replaced with "the amounts listed in item (v) through (vii), which is recorded in the account to which the said surplus belongs to, from the sum which is recorded in the account to which the said surplus belongs to"; and the term, "stated capital", referenced in Paragraphs 1 and 2 of Article 447 of the same Act, shall be deemed to be replaced with "stated capital belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act"; the term, "reserves", referenced in Item 2 of Paragraph 1 of the same Article, shall be deemed to be replaced with "reserves belonging to the account established pursuant to the provision of the same Article"; and the term, "and the reserves", also referenced therein, shall be deemed to be replaced with "and such reserves"; the term "the stated capital", referenced in Paragraph 3 of the same Article, shall be deemed to be replaced with "the stated capital belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act"; and the term, "the stated capital", also referenced therein, shall be deemed to be replaced with "the stated capital belonging to the account established pursuant to the provision of the same Article"; and any other necessary technical replacement of terms shall be specified by a Cabinet Order.

2. The provisions of Article 448, 449, and Paragraphs 1 (limited to the portions related to Item 5 thereof) and 2 (limited to the portions related to Item 5 thereof) of Article 828 of the Companies Act shall apply *mutatis mutandis* to the accounting practices implemented by JBIC by separating it pursuant to the provisions of the preceding Article, except for the case where any surplus is accumulated as a reserve under the provisions of Paragraph 1 of Article 31 hereof and the case where such reserve is drawn down pursuant to the provision of Paragraph 2 of Article 31 hereof. In this case, the term "the reserves", referenced in Paragraphs 1 and 2 of Article 448 of the same Act, shall be deemed to be replaced with "the reserves belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act"; the term "the stated capital", referenced in Item 2 of Paragraph 1 of the same Article shall be deemed to be replaced with "the stated capital that shall belong to the account established pursuant to the provision of the same Article"; the term, "and the stated capital", also referenced therein, shall be deemed to be replaced with "and such stated capital"; the term, "the reserves", referenced in Paragraph 3 of the same Article, shall be deemed to be replaced with "the reserves belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act"; and the term, "the reserves", also referenced therein in the same Paragraph, shall be deemed to be replaced with "the reserves belonging to the account established pursuant to the provision of the same Article"; and any other necessary technical replacement of terms shall be specified by a Cabinet Order.
3. In the case where JBIC increases or reduces the amount of its stated capital belonging to the account established pursuant to the provisions of the preceding Article, an amount of JBIC's stated capital shall be the sum of the amounts of

stated capital belonging to all the accounts of JBIC after the implementation of such increase or reduction; and in the case where JBIC increases or reduces the amount of its reserves belonging to the account established pursuant to the provision of the same Article, the amount of JBIC's reserves shall be the sum of the amounts of the reserves belonging to all the accounts of JBIC after the implementation of such increase or reduction. In this case, the provisions of Articles 447 through 449, and Paragraphs 1 (limited to the portions related to Item 5) and 2 (limited to the portions related to Item 5) of Article 828 of the Companies Act shall not apply.

Article 27: Preparation and Submission of Report on Settlement of Accounts

1. After submitting the Balance Sheets, etc. pursuant to the provisions of Paragraph 2 of Article 26, JBIC shall, every business year, prepare a report on the settlement of accounts for the relevant business year (including the Electro-Magnetic Record which has recorded the matters to be described in such report on the settlement of accounts; the same shall apply hereinafter) and submit it to the Minister of Finance, without delay, by attaching the opinion of the Auditor(s), Audit and Supervisory Committee or Audit Committee concerning such report on the settlement of accounts, together with such submitted Balance Sheets, etc.
2. Upon receiving the report on the settlement of accounts pursuant to the provisions of the preceding Paragraph, the Minister of Finance shall send it to the Cabinet, together with the Balance Sheets, etc. referenced in the same Paragraph.
3. Upon making the submission pursuant to the provisions of Paragraph 1 of this Article, JBIC shall, without delay, keep the report on the settlement of accounts and the document stating the opinion of the Auditor(s), Audit and Supervisory Committee or Audit Committee at its head office and branch offices and make them available for public inspection during the period prescribed by the Ordinance of the Ministry of Finance.
4. The form and content of the report on the settlement of accounts shall be specified by the Minister of Finance.

Article 28: Sending of Report on Settlement of Accounts to Board of Audit of Japan

Upon receiving JBIC's report on the settlement of accounts pursuant to the provisions of Paragraph 2 of the preceding Article, the Cabinet shall send it, together with the Balance Sheets, etc. set forth in Paragraph 1 of the same Article, to the Board of Audit of Japan no later than November 30 of the following business year.

Article 29: Submission of Report on Settlement of Accounts to Diet

The Cabinet shall submit JBIC's report on the settlement of accounts for which the Board of Audit of Japan has finished its inspection, to the Diet, by attaching the Balance Sheets, etc. set forth in Paragraph 1 of Article 27 hereof, together with the settlement of accounts for national revenues and expenditures.

Article 31: Payment to National Treasury

1. In each of the accounts related to the operations listed in each Item of Article 26-2, in the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero, JBIC shall accumulate, as a reserve, the amount calculated in accordance with

the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JBIC shall pay the amount of such surplus into the National Treasury within three (3) months after the end of such business year.

2. In the event that the amount of the surplus recorded in the settlement of accounts for each business year falls below zero in the respective accounts set forth in the preceding Paragraph, JBIC shall allocate such surplus by drawing down the reserve set forth in the same Paragraph until the amount of such surplus becomes zero.
3. The procedures for the payment into the National Treasury pursuant to the provisions of Paragraph 1 of this Article, the account into which such payment is to be made and other necessary matters concerning the payment to the National Treasury shall be prescribed by a Cabinet Order.
4. The reserves set forth in Paragraph 1 shall be allocated for each category of the accounts related to the operations listed in each Item of Article 26-2.
5. JBIC shall not be allowed to make any appropriation of its surplus, such as dividend of its surplus, nor any appropriation of its surplus belonging to the accounts related to the operations listed in each Item of Article 26-2, such as dividends of such surplus, unless such disposition is made pursuant to the provisions of Paragraphs 1 and 2 of this Article.

Article 32: Provision of Loans by Government

The Government may provide monetary loans to JBIC.

Article 33: Borrowings and Corporate Bonds

1. Borrowing of funds (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a borrowing; the same shall apply hereinafter in this Article, Paragraph 1 of Article 35 and Item 5 of Article 46) made in order to meet JBIC's fund requirements for the performance of its operations shall be limited to the borrowings of short-term loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to short-term loans; the same shall apply hereinafter in the following Paragraph and Paragraph 6), or long-term loans in foreign currency (meaning a borrowing of an amount in foreign currency with a repayment period of more than one (1) year; the same shall apply hereinafter in this Article and Paragraph 1 of Article 35), from financial institutions, such as banks, or the borrowings related to the monetary loans obtained from the Government pursuant to the provisions of the preceding Article.
2. The short-term loans (excluding those in foreign currency) set forth in the preceding Paragraph shall be repaid during the business year in which these borrowings are made; provided, however, that in cases where repayment cannot be made due to shortage of funds, JBIC may reborrow (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an act of reborrowing; the same shall apply hereinafter in the following Paragraph and Paragraph 7) only the amount which cannot be so repaid, with the authorization of the Minister of Finance.
3. Loans reborrowed pursuant to the proviso of the preceding Paragraph shall be repaid within one (1) year.
4. Pursuant to the provisions of a Cabinet Order, JBIC shall, every business year, prepare a basic policy concerning the issuance of corporate bonds and the borrowing of long-term loans in foreign currency made in order to meet fund

requirements for the performance of its operations and obtain the authorization of the Minister of Finance. When JBIC intends to make any change to the policy, the same shall apply.

5. When JBIC has issued corporate bonds or borrowed the long-term loans in foreign currency pursuant to the provisions of preceding Paragraph, it shall, without delay, make a notification of such fact to the Minister of Finance pursuant to the provisions prescribed by a Cabinet Order; provided, however, that this shall not apply if JBIC issues the certificates of corporate bonds, as prescribed by a Cabinet Order, in order to deliver to anyone who has lost such certificates of corporate bonds and, as a result of the issuance of such certificates of corporate bonds, JBIC assumes new liabilities.
6. The total amount of (i) the outstanding amounts of the short-term loans, the long-term loans in foreign currency and the borrowings related to the monetary loans obtained from the Government as set forth in Paragraph 1 of this Article that are made in order to meet JBIC's fund requirements for the performance of its Ordinary Operations, and (ii) the outstanding amount of liabilities relating to the principal amount of corporate bonds set forth in Paragraph 4 of this Article that are issued in order to meet JBIC's fund requirements for the performance of its Ordinary Operations shall not exceed the amount (hereinafter referred to as the "Limitation Amount Related to Ordinary Operations" in this Article) equivalent to ten (10) times the total amount of the capital and reserves belonging to the account related to the Ordinary Operations of JBIC (hereinafter referred to as the "Base Amount Related to Ordinary Operations" in this Article).
7. Notwithstanding the provisions of the preceding Paragraph, when the issuance of new bonds is necessary to reborrow the issued corporate bonds with respect to corporate bonds set forth in Paragraph 4 of this Article that were issued in order to meet JBIC's fund requirements for the performance of its Ordinary Operations, the corporate bonds may be issued in excess of the Limitation Amount Related to Ordinary Operations only within the period necessary to make such reborrowing.
8. Among the Ordinary Operations, the total amount of the outstanding amounts of (i) monetary loans, (ii) acquisition of the receivables related to assignment and the Corporate/Public Bonds, etc., (iii) liabilities relating to the Guarantee, etc. of Liabilities and (iv) contributions, all of which are made pursuant to the provisions of Items (1) through (6) of Article 11 hereof, shall not exceed the aggregate amount of the Base Amount Related to Ordinary Operations and the Limitation Amount Related to Ordinary Operations.
9. The provisions set forth in the preceding three (3) paragraphs shall apply *mutatis mutandis* to the Special Operations. In this case, the term, "Base Amount Related to Ordinary Operations", referenced in Paragraphs 6 and the preceding Paragraph, shall be deemed to be replaced with "Base Amount Related to Special Operations"; the term, "Limitation Amount Related to Ordinary Operations", referenced in the preceding three (3) paragraphs, shall be deemed to be replaced with "Limitation Amount Related to Special Operations"; and the term, "through (6)", referenced in the preceding Paragraph, shall be deemed to be replaced with "Item (3), (4) and (6)".
10. The monetary funds financed through the borrowing of funds or the issuance of the corporate bonds pursuant to the provisions of this Article shall, in accordance with the separate accounting set forth in Article 26-2 hereof, be allocated to the respective accounts relevant to the

operations listed in each Item of the same Article.

Article 34: Statutory Lien

1. A holder of JBIC's corporate bonds shall, with respect to the property of JBIC, have the right to have his/her receivables satisfied in preference to other creditors.
2. The order of the statutory lien set forth in the preceding Paragraph shall be next to the general liens prescribed by the provisions of the Civil Code (Act No. 89 of 1896).

Article 35: Government Guarantee

1. Notwithstanding the provisions of Article 3 of the Act Concerning Restrictions on Financial Assistance by the Government to Corporations (Act No. 24 of 1946), the Government may execute a guarantee agreement with respect to the liabilities related to JBIC's corporate bonds (excluding the liabilities with respect to which the Government may execute a guarantee agreement under Paragraph 2 of Article 2 of the Act on Special Measures Pertaining to the Acceptance of Foreign Capital from the International Bank for Reconstruction and Development, etc. (Act No. 51 of 1953) (referred to as the "Foreign Capital Acceptance Act" in the following Paragraph and Paragraph 1 of Article 16 of the Supplementary Provisions)) or the liabilities related to the long-term loans in foreign currency, within the scope of the amount fixed by the budget.
2. Among the amount fixed by the budget set forth in the preceding Paragraph, the amount of liabilities related to the corporate bonds issued in a foreign country and denominated in Japanese currency may be fixed by adding up to the amount fixed by the budget as set forth in Paragraph 2 of Article 2 of the Foreign Capital Acceptance Act, when it is difficult to fix the said amount of liabilities separately from the said amount fixed by the budget set forth in the same paragraph of the Foreign Capital Acceptance Act.
3. The Government may, in addition to the provisions of Paragraph 1 of this Article, execute a guarantee agreement with respect to the liabilities related to the certificates of corporate bonds or coupons thereof, which are issued by JBIC, pursuant to the provisions prescribed by a Cabinet Order, in order to deliver to a person who has lost the certificates of corporate bonds or coupons thereof.

Article 36: Investment of Surplus Funds

JBIC shall not invest any surplus funds of its business except by means of:

- (1) Acquisition of national government bonds, local government bonds or government-guaranteed bonds (which mean the bonds for which the redemption of its principal and payment of interest thereon are guaranteed by the Government) and other securities designated by the Minister of Finance;
- (2) Deposit with the Fiscal Loan Fund;
- (3) Deposit with banks or other financial institutions designated by the Minister of Finance;
- (4) Holding of negotiable deposit certificates;
- (5) Money trust to the financial institutions engaging in trust business (which mean the financial institutions that have obtained the authorization set forth in Paragraph 1 of Article 1 of the Act on Provision, etc. of Trust Business by Financial Institutions);
- (6) Lending of call funds; or
- (7) Means prescribed in the Ordinance of the Ministry of Finance as the means equivalent to the means listed in each of the preceding Items.

Article 38: Supervision

1. The Minister of Finance shall supervise JBIC in accordance with the provisions of this Act.
2. With respect to the management or administration of JBIC, in the case where the Minister of Finance finds that there is a violation of laws and regulations or the Articles of Incorporation or any grossly unjust matter exists and in other cases where they find it necessary for the enforcement of this Act, the Minister of Finance may issue JBIC orders concerning its operations as are necessary for the supervision.

Article 39: Report and Inspection

1. If the Minister of Finance finds it necessary for the enforcement of this Act, the Minister of Finance may cause JBIC or the Juridical Person Delegated to submit reports or may cause its officials to enter the facilities of JBIC or of the Juridical Person Delegated, such as the offices to inspect the accounting books, documents and other necessary objects; provided, however, that, with respect to the Juridical Person Delegated, such action shall be limited to the scope of operations delegated to it by JBIC.
2. When an official of the Minister of Finance carries out an on-site inspection pursuant to the provisions of the preceding Paragraph, he/she shall carry with him/her identification certifying his/her status and present it to parties concerned.
3. The authority to carry out the on-site inspection pursuant to the provisions of Paragraph 1 above shall not be construed to be that given for the investigation of a criminal offense.

Article 40: Delegation of Authority

1. The Minister of Finance may, as prescribed by a Cabinet Order, delegate part of the authority to carry out an on-site inspection pursuant to the provisions of Paragraph 1 of the preceding Article to the Prime Minister.
2. If the Prime Minister has carried out an on-site inspection pursuant to the provisions of Paragraph 1 of the preceding Article on the basis of the delegation pursuant to the provisions of the preceding Paragraph, he/she shall promptly submit a report of the results of the inspection to the Minister of Finance.
3. The Prime Minister shall delegate both the authority delegated pursuant to the provisions of Paragraph 1 above and the authority set forth in the provisions of the preceding Paragraph to the Commissioner of Financial Services Agency.
4. The Commissioner of Financial Services Agency may, as prescribed by a Cabinet Order, delegate all or part of the authority delegated pursuant to the provisions of the preceding Paragraph, to Director-General of the Local Finance Bureau or the Director-General of the Local Finance Branch Bureau.
5. Part of the authority of the Minister of Finance set forth in this Act (excluding that delegated to the Prime Minister pursuant to the provisions of Paragraph 1 above) may, as prescribed by a Cabinet Order, be delegated to the Director-General of the Local Finance Bureau or the Director-General of the Local Finance Branch Bureau.

Article 41: Articles of Incorporation

1. In the Articles of Incorporation of JBIC, in addition to the matters listed in each of the Items of Article 27 of the Companies Act, matters relating to the procedures and requirements for the appointment of a person to assume management responsibility from among the Representative Directors or Representative Executive Officers shall be described or recorded.

2. With respect to the matters related to the requirements for the appointment of a person to assume management responsibility set forth in the preceding Paragraph, the provisions that the requirements listed below be satisfied shall be incorporated:
 - (1) A person who has discernment and the capability recognized as necessary in light of the purposes set forth in Article 1 hereof and the operations set forth in Article 11 hereof shall be appointed; and
 - (2) Due consideration shall be required in order to avoid automatically appointing such persons who have held certain specific governmental positions.
3. The resolution for the amendment of the Articles of Incorporation of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.

Article 42: Merger, Company Split, Share Exchange, Assignment and Acceptance of Assignment of Business and Dissolution

Notwithstanding the provisions of Part II, Chapters VII and VIII and Part V, Chapters II, III and IV, Section I of the Companies Act, the merger, company split, share exchange, assignment and acceptance of assignment of all or part of business, to which JBIC becomes a party, and dissolution of JBIC shall be provided for separately by an Act.

Article 43: Exclusion from Application, etc. of Financial Instruments and Exchange Act

1. When JBIC performs the actions listed in each of the Items of Paragraph 8 of Article 2 of the Financial Instruments and Exchange Act pursuant to the provisions of Article 11, the provisions of Article 29 of the same Act shall not apply.
2. In the case set forth in the preceding Paragraph (excluding the case set forth in the following Paragraph), JBIC shall be deemed as the Financial Instruments Business Operator defined in Paragraph 9 of Article 2 of the Financial Instruments and Exchange Act, and the provisions of Chapter III, Section I, Subsection V and Section II (excluding Article 35, Article 35-2, Articles 36-2 through 36-4, Item (2) of Paragraph 1 of Article 37, Item (2) of Paragraph 1 of Article 37-3, Article 37-7 and Item (7) of Article 38) of the same Act and the provisions of Chapters VIII and VIII-II of the same Act relating to such provisions shall apply.
3. When JBIC performs the actions listed in each of the Items of Paragraph 1 of Article 63 of the Financial Instruments and Exchange Act pursuant to the provisions of Article 11 hereof, the provisions of Paragraph 2 of the said Article 63 shall not apply.
4. In the case set forth in the preceding Paragraph, JBIC shall be deemed as the Financial Instruments Business Operator defined in Paragraph 9 of Article 2 of the Financial Instruments and Exchange Act, and the provisions of Chapter III, Section I, Subsection V, Paragraph 1 of Article 36, Article 37 (excluding Item (2) of Paragraph 1), Article 37-3 (excluding Item (2) of Paragraph 1), Article 37-4, Article 38 (limited to the portions related to Items (1), (2) and (9)), Article 39 (excluding Paragraphs 4 and 6), Article 40, Article 40-3, Article 40-3-2, Article 42, Article 42-2, Article 42-4, Article 42-7 and Article 45 of the same Act and the provisions of Chapters VIII and VIII-II of the same Act related to such provisions shall apply.

This English version of the Act has been prepared purely for information purpose, and should not be considered as an official translation of the Japan Bank for International Cooperation Act or any authorities of Japanese Government.

Article 1. Ensuring Compliance with Laws, Regulations, and Articles of Incorporation in Performance of Duties by Directors and Employees

1. The Japan Bank for International Cooperation ("JBIC") and its subsidiaries (both collectively called "JBIC Group") shall establish a corporate philosophy, code of conduct, as well as the policy for compliance with laws and regulations and other internal rules for compliance, and notify directors and employees of those principles and rules, for the purpose of ensuring that directors and employees including temporary workers (this definition is applied throughout this document) perform their duties in compliance with laws, regulations, and the articles of incorporation ("Laws and Regulations").
2. Directors and employees of the JBIC Group shall abide by the internal rules for compliance.
3. JBIC shall set up a department responsible for compliance and appoint a compliance officer in order to establish and reinforce a framework for compliance with Laws and Regulations within the JBIC Group.
4. JBIC shall establish a committee chaired by the Governor to deliberate important matters related to compliance within the JBIC Group and monitor the status of compliance with Laws and Regulations.
5. JBIC shall establish an effective internal anonymous reporting system and implement it in an appropriate manner so that important facts related to compliance within the JBIC Group can be detected earlier and necessary corrective measures can be taken.
6. The JBIC Group shall not have any connections whatsoever with antisocial forces. It shall adopt an uncompromising attitude, throughout its organization, toward antisocial forces, and decisively reject all improper demands from such forces.

Article 2. Retention and Management of Information concerning Performance of Duties by Directors

1. JBIC shall establish the information asset management regulations and other internal rules for retention and management of information in order that information concerning the performance of duties by directors, customer information and other information handled by JBIC can be appropriately retained and managed.
2. JBIC shall retain and manage the minutes of Board of Directors meetings and other documents relating to the performance of duties by directors, in accordance with laws, regulations, or internal rules for retention and management of information.
3. Directors and employees shall retain and manage information in an appropriate manner according to the internal rules for retention and management of information.

Article 3. Rules and Structures for Managing Risk of Loss

1. In recognition of the importance of risk management practices throughout its entire organization, JBIC and its subsidiaries shall individually control various risks in an appropriate manner by establishing the integrated risk management regulations and other internal rules for risk management, which stipulate the management of various risks that should be recognized in the course of business operations at the JBIC Group as well as the organizational structure that is needed for integrated risk management.
2. JBIC shall set up a department responsible for risk management and appoint a risk management officer. In addition, JBIC shall establish a committee chaired by the Governor to conduct deliberations and considerations on

implementing effective risk management practices.

3. JBIC and its subsidiaries shall strive to create a crisis management structure in preparation for disasters and other crisis situations, by individually establishing the crisis management regulations and other internal rules for crisis management.
4. In the case where normal business operations of the JBIC Group are disrupted or might be affected by crisis situations, JBIC shall set up an emergency response office as necessary, in accordance with the internal rules for crisis management, to restore operations in a prompt and efficient manner.

Article 4. Ensuring Efficient Execution of Directors' Duties

1. The Board of Directors shall establish business plans and properly manage business of the JBIC Group.
2. JBIC shall establish the Executive Committee to which authority is delegated by the Board of Directors for approval of certain matters. In addition to making decisions on those specific matters by exercising the delegated authority, the Executive Committee shall deliberate matters requiring approval of the Board of Directors prior to Board of Directors meetings, in order to aid decision-making among the Board of Directors. Moreover, JBIC shall establish an advisory body to the Executive Committee or other various committees to which authority is delegated by the Executive Committee for approval of certain matters.
3. JBIC shall establish the internal rules for organizational structure stipulating the roles and responsibilities of the Board of Directors, for the purpose of efficiently executing matters approved by a Board of Directors meeting.
4. To expedite the decision-making process, JBIC shall introduce a function-based organization and an executive officer system in which authority is delegated by management for approval of specific matters in accordance with the organization rules, authority rules and other related internal rules.

Article 4 (2). Structures for Ensuring Proper Operations of JBIC Group's Business

1. JBIC shall take appropriate measures for business management and operations in its subsidiaries, to ensure proper operations of JBIC Group's business.
2. JBIC shall establish a structure where its subsidiaries report to JBIC, in a proper manner, the important matters that their Board of Directors execute.

Article 5. Internal Audit for Ensuring Proper Operations of JBIC's Business

1. JBIC shall establish the internal audit regulations and other internal rules for internal audit to ensure the appropriateness and soundness of its operations.
2. JBIC shall set up the Internal Audit Committee to make decisions or deliberations on important matters related to internal audit for the JBIC Group.
3. JBIC shall set up the Internal Audit Department, separated from the departments subject to audit, to supervise the operations of internal audit.
4. The Internal Audit Department shall conduct an internal audit for JBIC and its subsidiaries as necessary, and report to the director responsible for internal audit on the results, pursuant to the internal rules for internal audit.
5. The Internal Audit Department shall periodically and as necessary, as well as upon request of a director or a corporate auditor of JBIC ("Corporate Auditor"), report the results of internal audits to the Board of Directors, other bodies or committees.

6. The Internal Audit Department shall strive to perform an internal audit in an efficient manner by collaborating and exchanging necessary information with Corporate Auditors and accounting auditors.

Article 6. Assignment of Employees who Assist Corporate Auditors in Performing Their Duties

1. JBIC shall set up the Office of Corporate Auditor and assign employees to assist Corporate Auditors in performing their duties.
2. Those employees shall perform their duties in accordance with the instructions from the Corporate Auditors.
3. When deemed necessary, the Corporate Auditors may assign employees other than those stipulated in the above paragraph 1, on a temporary basis, to assist in conducting audit work, by obtaining prior approval from the Governor.

Article 7. Securing Effectiveness of Instructions to Employees Assisting Audit Work and Independence of Instructions from the Director of Organization where They Concurrently Work

1. JBIC shall obtain prior approval of the full-time Corporate Auditor on the personnel evaluation and transfer of, and other personnel matters relating to employees who assist Corporate Auditors in auditing ("the auditor's office staff"), before making decisions on those matters.
2. JBIC shall make the auditor's office staff engaged in audit work only as per the instructions given by corporate auditors, to secure the effectiveness of their instructions to the auditor's office staff. However, in the case where the auditor's office staff need to concurrently works in another department/office, JBIC shall obtain prior approval of the full-time Corporate Auditor on their duties in another position, by clearly stating the following points in writing:
 - (1) There is a rational reason why the auditor's office staff need to concurrently serve in another organization.
 - (2) In assisting with the duties of the Corporate Auditors, the auditor's office staff shall follow the instructions from the Corporate Auditors and not the instructions from a director in an organization where the auditor's office staff serve concurrently.
 - (3) The scope of duties of and instructions to the auditor's office staff in the position other than the Office of Corporate Auditor shall be expressly limited.
 - (4) The auditor's office staff shall not share, with others in another department/office where he/she concurrently serves, the information obtained from performing their duties at the Office of Corporate Auditor.
 - (5) The auditor's office staff shall always give priority to the duties of assisting the Corporate Auditors ahead of the duties in another organization where the staff serve concurrently, to ensure the effectiveness of audits by the Corporate Auditors.
 - (6) When deemed necessary, the full-time Corporate Auditor may withdraw his/her approval of the auditor's office staff's duties in another position while working at the Office of Corporate Auditor.

Article 8. Internal Reporting by Directors and Employees to Corporate Auditors and Preventing Unfair Treatment of Individuals who Reported to Corporate Auditors

1. Directors and employees of the JBIC Group, as well as corporate auditors of JBIC's subsidiaries shall, directly or indirectly, report the status of performance of their duties to the Corporate Auditors when required, in an accurate manner.

2. In the event that any fact that has the potential to inflict substantial harm upon the JBIC Group, or material facts of wrongdoing or violations of Laws and Regulations are detected, both directors and employees of the JBIC Group, as well as corporate auditors of JBIC's subsidiaries shall, directly or indirectly, report the fact to the Corporate Auditors without any delay.
3. JBIC Group shall ensure that an individual who reports unlawful, improper conduct or activity pursuant to the preceding paragraph shall be protected from being treated unfairly as a result of reporting such information.

Article 9. Securing Effectiveness in Auditing by Corporate Auditors

1. The Corporate Auditors shall be allowed to request directors and employees of the JBIC Group, as well as the corporate auditors of JBIC's subsidiaries, to report the status of performance of their duties, whenever they determine such reports are necessary to conduct audits in an effective manner. A director or employee of the JBIC Group as well as the corporate auditors of JBIC's subsidiaries who receive such a request shall promptly submit a report to the Corporate Auditors.
2. The Corporate Auditors may express their opinions as necessary at the Board of Directors meetings, Executive Committee meetings and other important committee meetings. The Corporate Auditors shall also be allowed to review the minutes of those committee meetings and other related documents.
3. The Governor shall hold periodic meetings with the Corporate Auditors to exchange opinions.
4. The Corporate Auditors may request the cooperation of the Internal Audit Department and departments responsible for compliance matters.
5. The Corporate Auditors may seek advice on audits from lawyers and certified public accountants when they consider it necessary for conducting audits in an effective manner.

Article 10. Procedures for Advance Payment and Payment of Fees, and Treatment of Other Fees and Liabilities Incurred by Corporate Auditors in Executing Their Duties

In the case where Corporate Auditors seek advice from lawyers and/or certified public accountants regarding audits pursuant to the provision of the preceding article, JBIC shall pay fees, expenses and liabilities arising from the execution of their duties based on the advice received from those specialists.

6 Security Policy

Japan Bank for International Cooperation (hereinafter "JBIC") adopts the following fundamental policy concerning the use and management of information assets and will properly handle, manage, protect, and maintain information assets to achieve information security that meets the highest standards so as to support its proper and efficient operations.

(1) Basic Principles

JBIC shall use and manage information assets in line with the basic principles set forth hereunder while complying with all applicable laws, regulations, and rules.

- A. Information assets shall be used appropriately and only for their intended purposes.
- B. Authority concerning the management of information assets shall be granted only after careful consideration of the nature of the work and necessity.
- C. When adopting and implementing information security measures, the following matters shall be taken into consideration, based on the nature of the work:
 - (a) Clarification of responsibilities and roles within implementation structures
 - (b) Timely and prompt implementation of necessary, sufficient, effective, and efficient measures

(2) Proper Management of Information Assets

Information assets refer to information and information systems. JBIC classifies them according to such factors as their degree of confidentiality, completeness, usability, and importance, and manages them appropriately in accordance with their classification.

(3) Information Asset Management Structures

JBIC shall establish a structure for ensuring the security of information assets.

(4) Protection of Personal Information

JBIC shall protect and manage personal information by establishing and making public our Privacy Policy and pursuant to the provisions of the Act on the Protection of Personal Information Held by Independent Administrative Agencies (Law No. 59 of 2003).

(5) Protection of Client Information

JBIC shall establish the basic policy for protecting its clients and increasing their convenience for the purpose of appropriate protection and management of information pertaining to them in accordance with this basic policy.

(6) Training on Information Asset Management

JBIC shall provide necessary training to all officers and employees who handle information assets to ensure that they understand requirements in the applicable laws and regulations, as well as in this policy and other applicable rules, and prevent the occurrence of information security problems.

(7) Outsourcing Work

In the event that JBIC engages persons other than its officers and employees to manage its information assets by outsourcing such work, it shall verify that information security is ensured and that appropriate measures have been taken in accordance with the content of the information assets.

(8) Responses to Incidents Concerning Information Assets

In the event of improper disclosure of personal or client information or other incidents causing a problem on information security, JBIC shall promptly take appropriate measures.

(9) Evaluation and Review

JBIC shall evaluate and review this policy, as necessary, to make flexible responses to changes in the external environment, such as the enactment, amendment, or repeal of applicable laws and regulations, as well as innovations in information security technology, and to changes in the internal environment, including organizational and operational changes and updates to JBIC's information systems.

7 Outline of Conflict of Interest Management Policy

The Japan Bank for International Cooperation (“JBIC”) and its subsidiary financial institutions, etc. (collectively, the “JBIC Group”), in accordance with the Financial Instruments and Exchange Act, have established the Conflict of Interest Management Policy (the “Policy”) and will appropriately manage the transactions that may cause conflicts of interest in order to prevent the interests of our clients from being unjustly impaired. The summary of the Policy is hereby published as provided below.

1. Identification of Transactions That May Cause Conflicts of Interest

(1) Subject Transactions

“Transactions that may cause conflicts of interest”, which are subject to the Policy, mean such transactions conducted by the JBIC Group that may unjustly impair the interests of its clients (“Subject Transactions”) in the following situations: i) when the JBIC Group’s interests conflict or compete with the interests of its clients or ii) when the interests of multiple clients of the JBIC Group conflict or compete with each other.

(2) Scope of the Subject Clients

“Clients” who are subject to this Policy mean any client who is utilizing, had previously been utilizing, or may enter into business relations in relation to, the services provided by the JBIC Group in its “Financial Instruments Related Business”.

The “Financial Instruments Related Business” refers to the business specified in Article 70-3 of the Cabinet Office Order on Financial Instruments Business, etc.

2. Companies Requiring Conflict of Interest Management

As stated in 1 (1) above, the Subject Transactions are transactions conducted by the JBIC Group (i.e. JBIC and its subsidiary financial institutions, etc.). JBIC’s “subsidiary financial institutions, etc.” mean a subsidiary or affiliated company of JBIC which meets the definition of the term “Subsidiary Financial Institution, etc.” specified in Article 36, Paragraph 5 of the Financial Instruments and Exchange Act.

As of March 31, 2018, the companies listed below are the subsidiary financial institutions, etc. of JBIC.

- IFC Capitalization (Equity) Fund, L.P.
- Delhi Mumbai Industrial Corridor Development Corporation Limited
- JBIC IG Partners
- RJIF Management Limited
- Russian-Japan Investment Fund, L.P.

3. Method of Managing Transactions That May Cause Conflicts of Interest

If the JBIC Group identifies any situations where conflicts of interest may arise in connection with transactions with its clients, the JBIC Group will take measures in accordance with the relevant situation, including, for example, the following methods:

- The method of separating the department conducting the Subject Transaction, from the department conducting the transaction with such client;
- The method of amending the conditions or method of the Subject Transaction or the transaction with such client;
- The method of discontinuing the Subject Transaction or the transaction with such client;
- The method of properly disclosing to such client the possibility that the interests of the client may be unjustly impaired in connection with the Subject Transaction; and/or
- Any other methods to properly manage the Subject Transaction.

4. Conflict of Interest Management System

The JBIC Group will centrally manage the group’s overall conflict of interest by establishing a department which will manage and control conflicts of interest. The JBIC Group will continue to establish and maintain proper internal systems and comply with laws and regulations and other rules concerning the management of conflicts of interest.

Japan Bank for International Cooperation (hereinafter "JBIC") positions the trust of our clients as our first priority, deeply recognizes the importance of our clients' personal information, and believes that it is our duty to our clients to properly manage and protect their personal information.

With a view to protecting our clients' personal information, JBIC will conduct our operations in a manner whereby we observe the Act on the Protection of Personal Information Held by Independent Administrative Agencies, etc. (hereinafter "Act"), the Guidance concerning the Measures to Properly Manage the Personal Information held by Independent Administrative Agencies, etc. and so forth.

(1) Acquisition of Personal Information

JBIC will acquire our clients' personal information through proper and lawful means. When we acquire personal information from our clients directly in writing, we will specify in advance the purposes for its use that are within the necessary scope of JBIC's operations.

(2) Use of Personal Information

JBIC will specify the purposes for use in obtaining the necessary personal information of our clients as listed below, and will use it within the scope that is necessary to achieve such purposes:

- A. Loan, equity participation, and guarantee operations, and their related due diligence exercise and research (or their supplementary work)
- B. Execution of agreements with JBIC, and exercise of rights and performance of obligations under laws, etc.
- C. Confirmation of personal identity as per such laws as Foreign Exchange and Foreign Trade Act (Act No. 228, 1949)
- D. Invitation to events (such as seminars) organized by JBIC
- E. Delivery of various JBIC-related materials
- F. Issuance and collection of surveys and questionnaires, and statistical processing and analysis of such outcomes
- G. Operations necessary for responding to questions and inquiries, and for dealing with transactions including queries from JBIC, in a proper and smooth manner

(3) Provision of Personal Information to Third Parties

JBIC will not provide the personal information acquired from its clients to third parties except in the following cases:

- A. It is required by law.
- B. It is provided within the scope of the purposes for use as prescribed above.
- C. Consent is obtained from the clients.
- D. There are convincing reasons why executive agencies, independent administrative agencies, local municipal entities or local independent administrative agencies would use it to the necessary extent to carry out the law-stipulated operations.
- E. It is used for statistics compilation or academic research.
- F. It is clearly beneficial to the clients or there exist special reasons to provide personal information.

(4) Subcontract

JBIC may subcontract the handling of our clients' personal information to conduct such operations more smoothly. In such cases, JBIC will attempt to select a trustworthy subcontractor, enter into a confidentiality agreement, adequately supervise the handling and administering of the personal information, and assure the protection of personal information.

(5) Personal Information Management (PIM)

- A. JBIC will attempt to keep our clients' personal information correct and updated, and take prevention and safety measures against unauthorized access, leakage, loss, damage, and alteration of personal information.
- B. JBIC will constantly educate its employees about the protection and proper management of our clients' personal information to thoroughly make sure of its proper handling in its daily operations.
- C. JBIC will audit and inspect whether the protection and management of personal information is undertaken properly.

(6) Disclosure, Correction, and Disuse

If a client wishes to make a request to disclose, correct or disuse the clients' personal information held by JBIC, we will deal with such a request by following the procedure of disclosure etc. stipulated in the Act. Meanwhile, there are some cases when such disclosure etc. could be made out of the procedure of disclosure etc. stipulated in the Act, for which please contact our Head Office or West Japan Office.

(7) Inquiries about Personal Information Management (PIM)

For inquiries or complaints about the clients' personal information management (PIM) at JBIC, please contact our Head Office or West Japan Office.

(8) Continuous Improvement

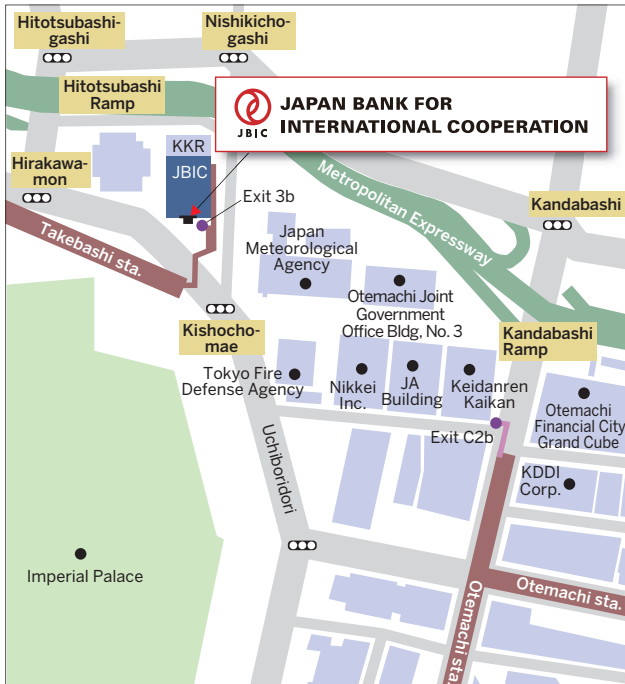
JBIC will continuously improve the clients' personal information management (PIM) as necessary.

JBIC separately stipulates its basic policy on the safe management of Individual Numbers and Personal Information that includes Individual Numbers (hereinafter "Specific Personal Information"; Individual Number and Specific Personal Information shall hereinafter be collectively referred to as "Specific Personal Information, etc."). "Personal information" as used in this Privacy Policy shall not include Specific Personal Information, and it is not contemplated that JBIC will obtain our clients' Specific Personal Information, etc.

Access to JBIC Head Office and West Japan Office

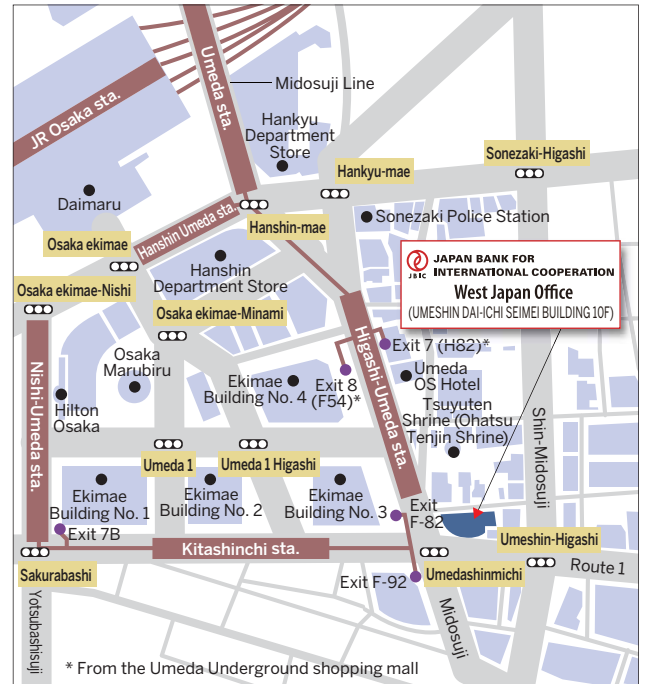
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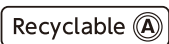
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Annual reports, news releases, and bulletins, etc., are
available on the JBIC website.

Website (URL) <https://www.jbic.go.jp/en/>



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Recyclable Ranking
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This publication has been printed using eco-friendly vegetable oil ink.

Printed in Japan

