2018 Annual Report



日本の力を、世界のために。

Supporting Your Global Challenges

JBIC

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.

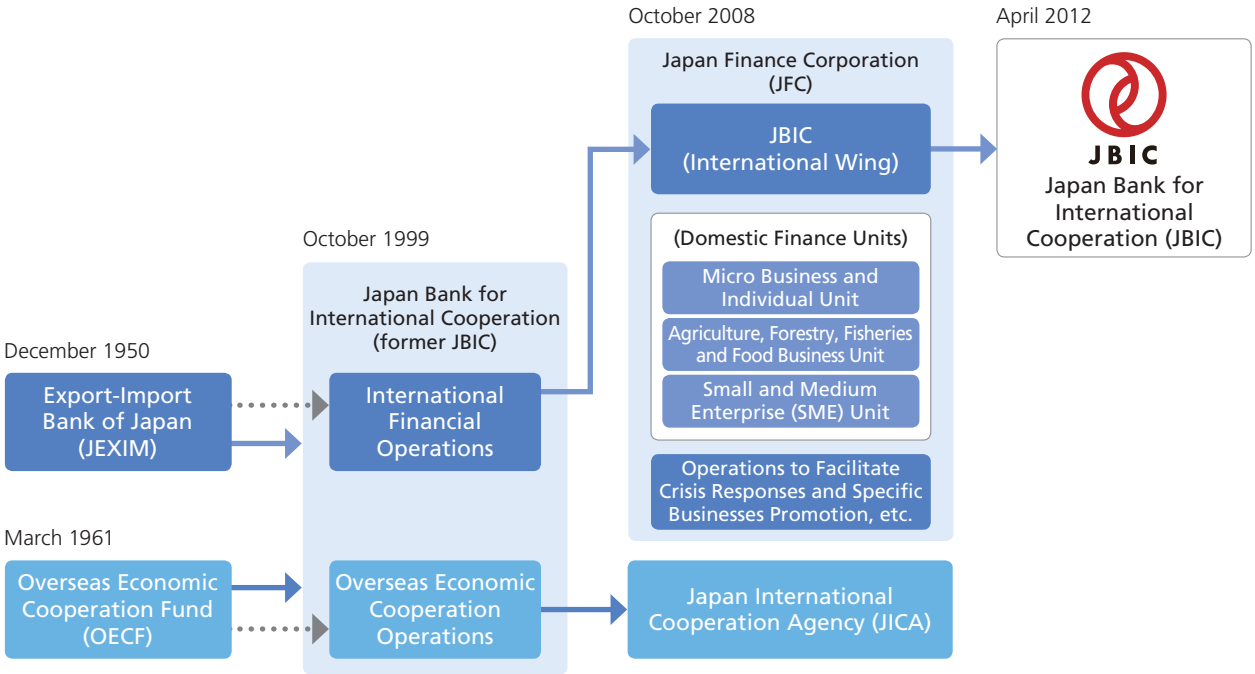
1. **Supplementing the financial transactions implemented by private-sector financial institutions**
   To effectively perform the functions required for policy-based financing, JBIC shall take account of situations where private-sector financial institutions are placed in their international finance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

Mid- to Long-term Vision Setting

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.)

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

	Changes in the environment	Social Issues
Global population and economic growth	i) Increasing demand for energy, water, food, and healthcare services ii) Increasing global demand for infrastructure iii) An ongoing global effort for environmental issues, including greenhouse gas reductions	• Increase global supplies and establish and improve supply chains • Supply funds to fill the gap in financial demand and supply • Achieve the international commitment for the environment
Specific issues in Japan	A fast-aging population with a low birthrate and declining labor force	• Boost the productivity of domestic industries • Benefit from overseas economic growth
Industry	Progress in the Fourth Industrial Revolution	• Japanese industries to collaborate across different sectors to generate new products and businesses • Pursue new technological development through innovation

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

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

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	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	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	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	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	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	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	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	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 finance[1] 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.

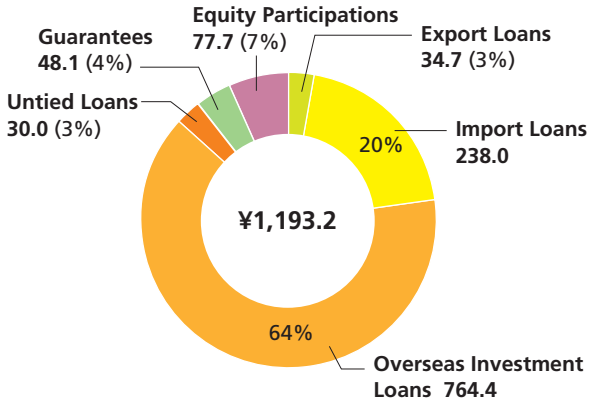
■ Supporting Overseas Infrastructure Business Deployment by Japanese Companies

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

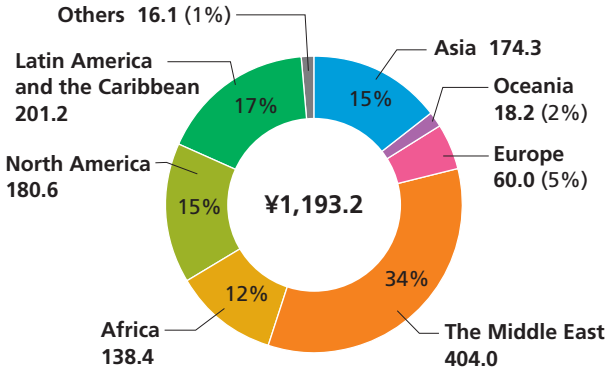
Commitments by Purpose of Financing

(FY2017; unit: billions of yen)

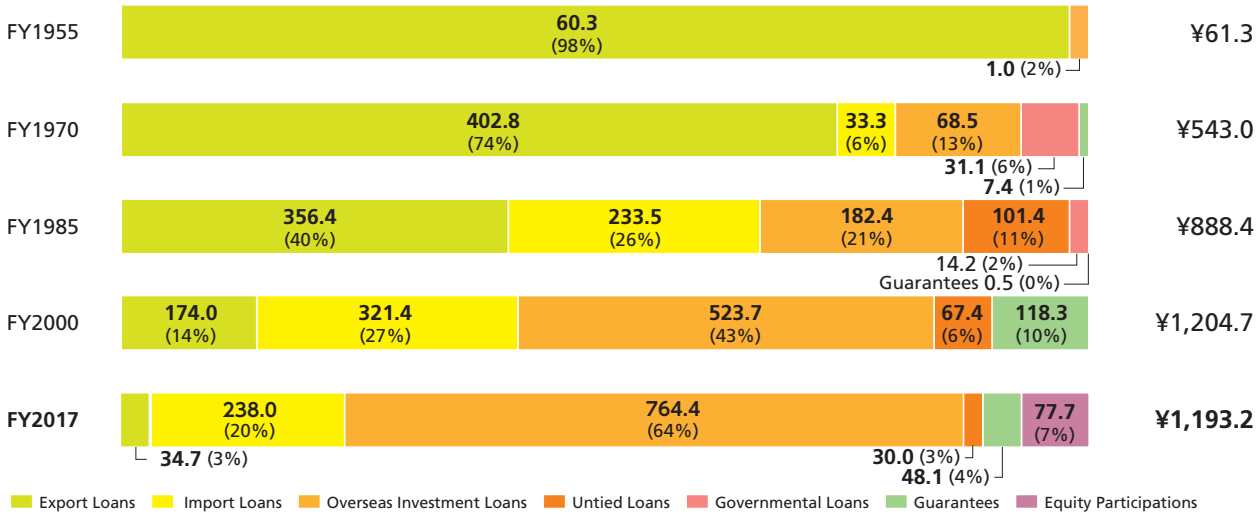


Commitments by Region

(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 loans[2] 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 bonds[3] (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**

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.

[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**

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**

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**

[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	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.

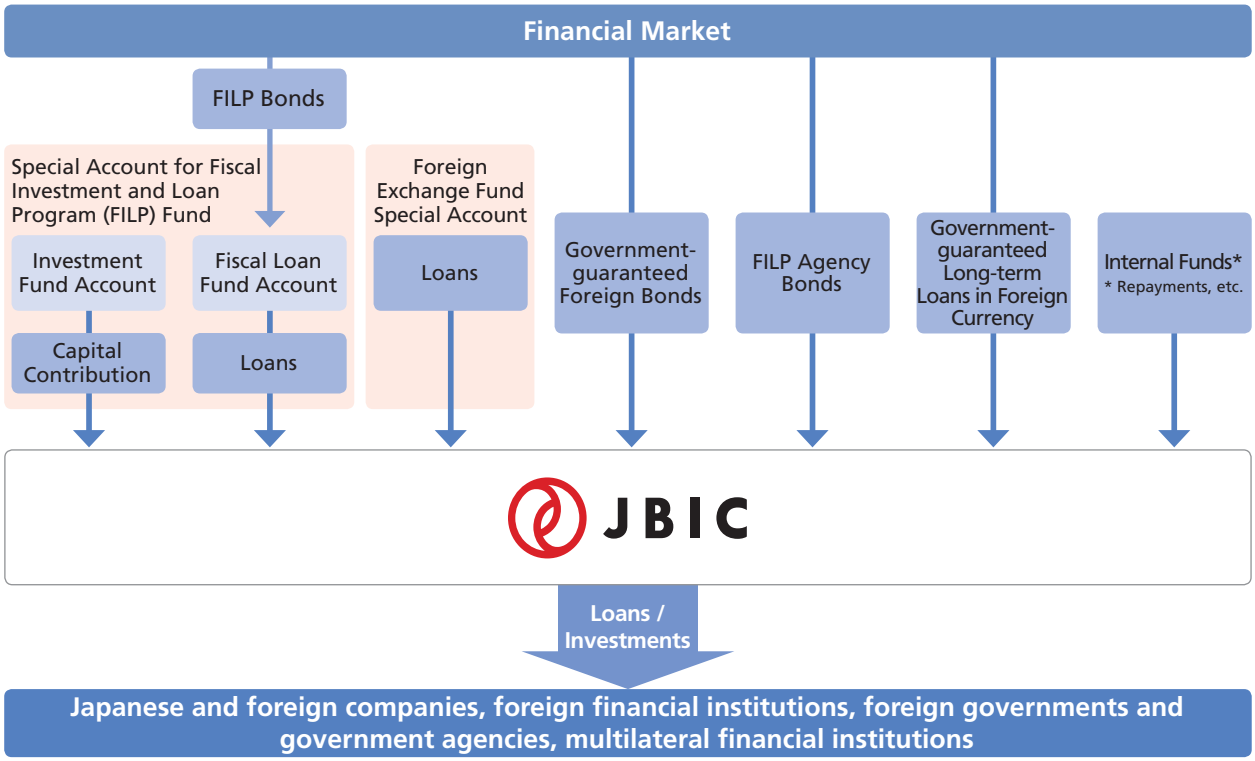
Funding Sources: Actual and Planned

(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+

2 The Environment Surrounding JBIC and Its Challenges

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1 Energy and Natural Resources Finance Group

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 CO_2 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

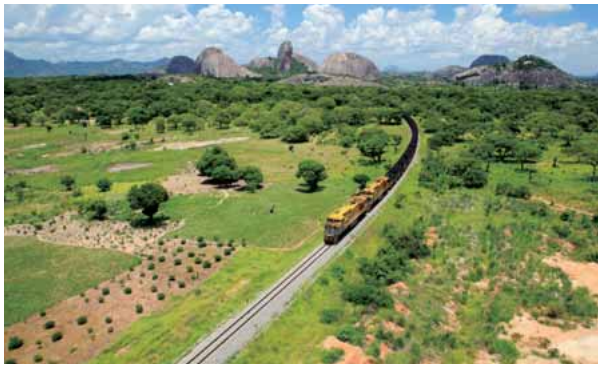
The Japanese government formulated the Strategy for Securing Natural Resources in June 2012 based on the Guidelines for Securing Natural Resources (approved by the Cabinet on March 28, 2008). This strategy aims to make strategic efforts to secure mineral resources by maximizing the use of public-private 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 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.



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

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 Ferroviárias 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.



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

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.

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 projects[1]

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 20[3] 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 commitments[4] 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

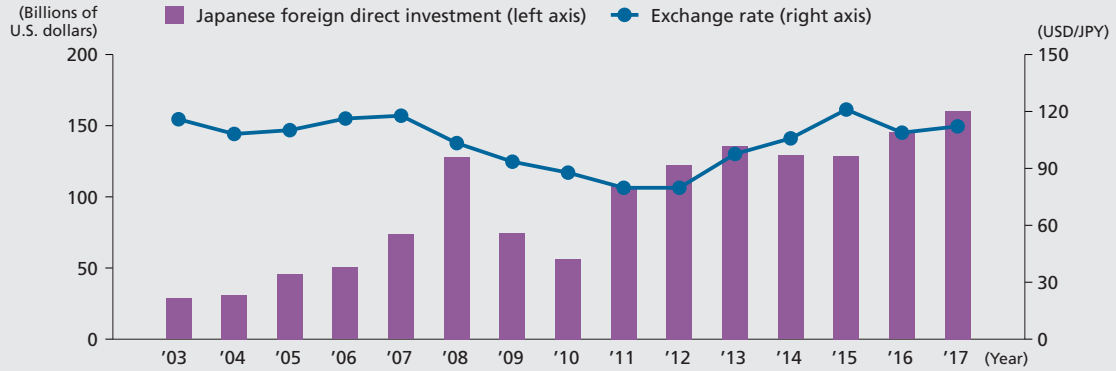
Overseas Business Deployment of Diverse Industries

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,

Figure 1. Value of Japanese Foreign Direct Investment

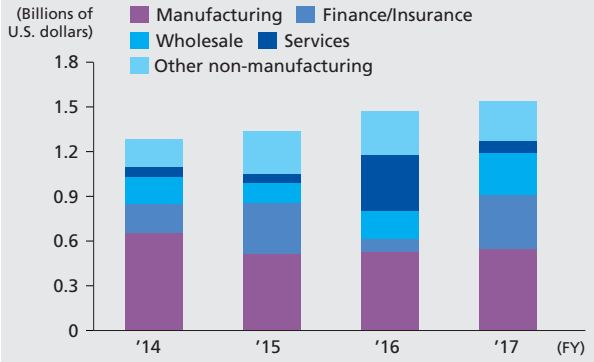


Source: Bank of Japan (exchange rate). UNCTAD (Japanese Foreign Direct Investment)

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.

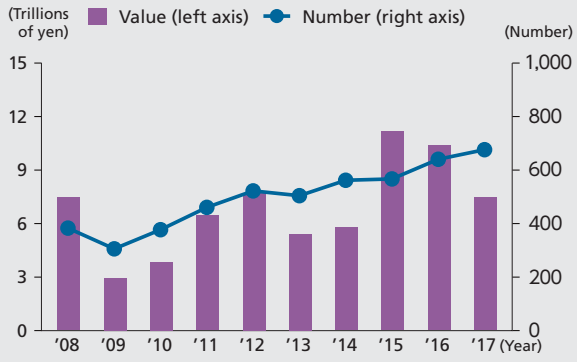
In order to put the Japanese economy back on a growth trajectory amid structural issues such as a shrinking population and an aging society with a falling birthrate and to create a much more affluent society, it is indispensable to increase the productivity of the entire economy and strengthen earning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

Figure 2. Foreign Direct Investment by Japanese Companies (Breakdown by Industry)



Source: Japan External Trade Organization (JETRO)

Figure 3. Changes in the Value and Number of Overseas M&A by Japanese Companies



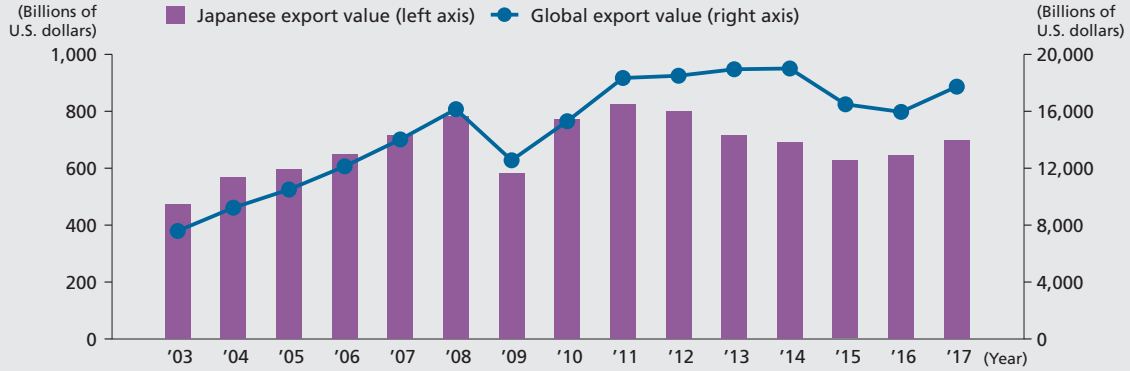
Source: RECOF Corporation

■ 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.

Figure 4. Global and Japanese Export Value



Source: UNCTAD

■ 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.

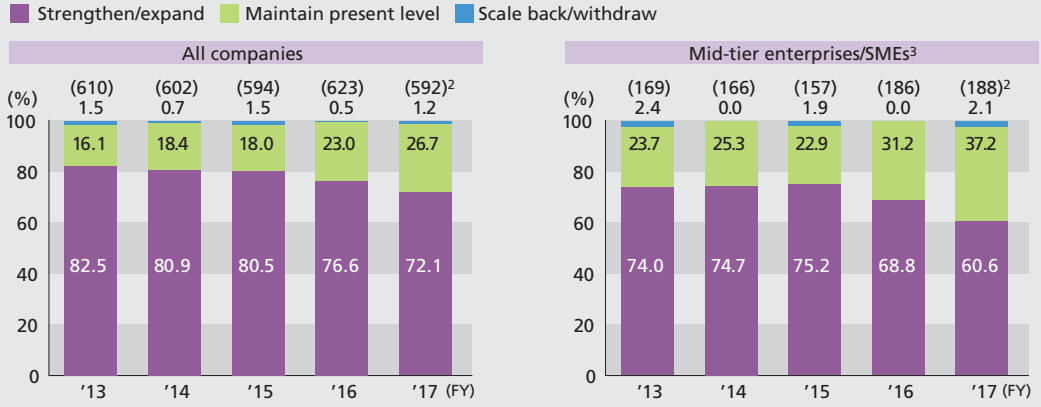
Figure 6.
Business Prospects (in the Mekong Region) of Mid-tier Enterprises and SMEs (in the manufacturing sector)
Proportion of response indicating "strengthen/expand" overseas business

	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 Operations[1]



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.



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

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.

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.

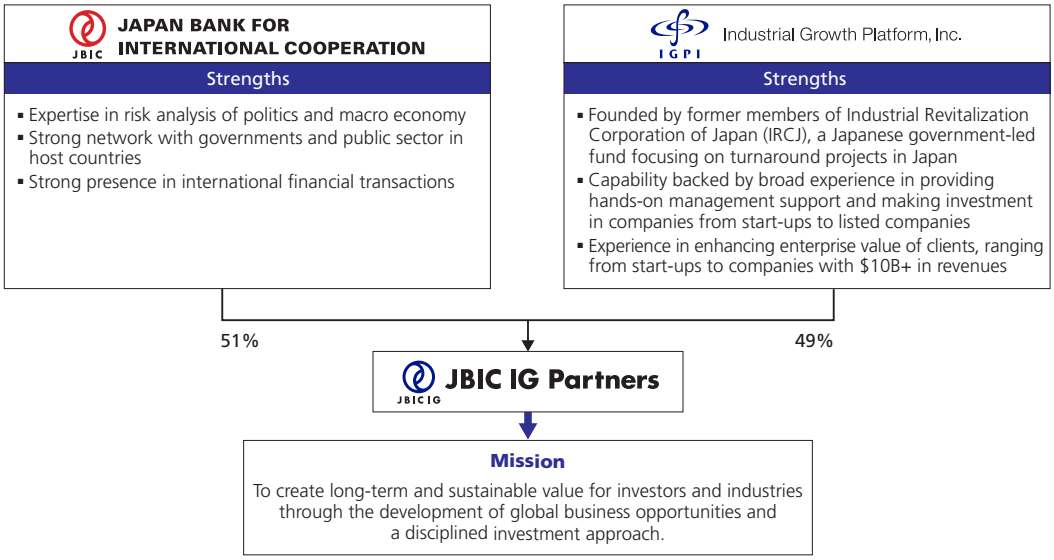
■ Future Business Strategy

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

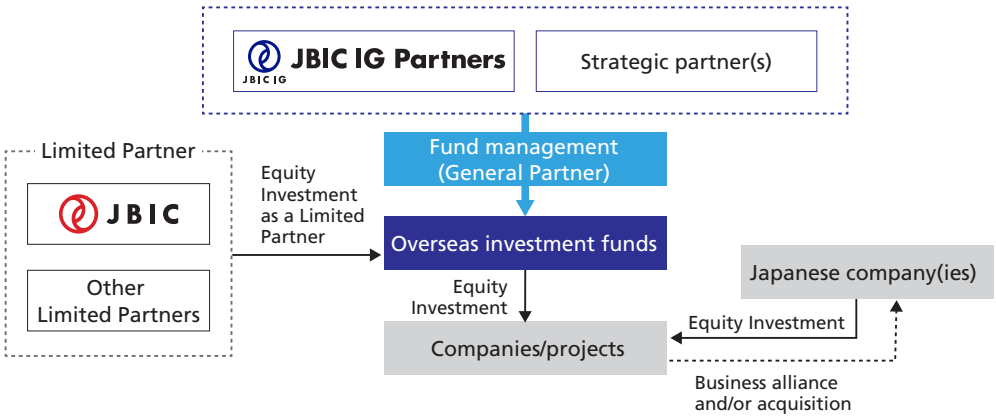


Business Model of JBIC IG

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



3 Examples of Business Outcomes in FY2017

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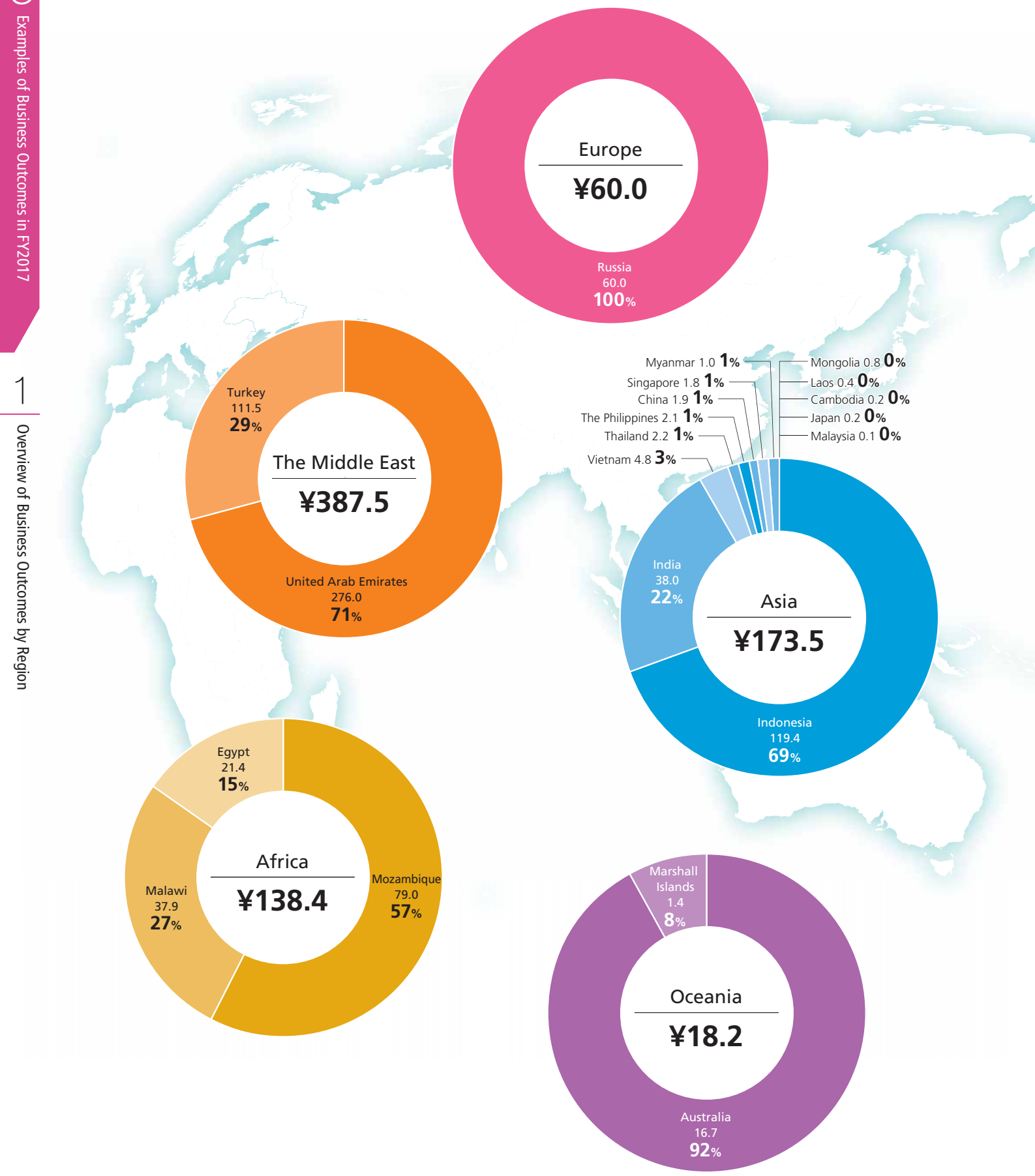
5 Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Governmental Organizations and International Organizations ····· 58



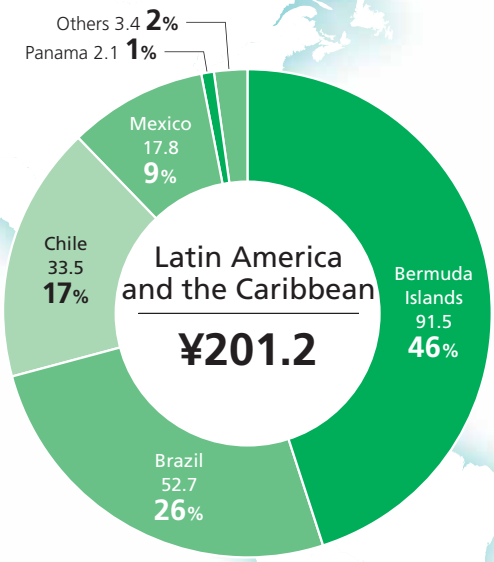
1 Overview of Business Outcomes by Region

Geographical Distribution of Loan and Equity Participation Commitments

(FY2017; unit: billions of yen)

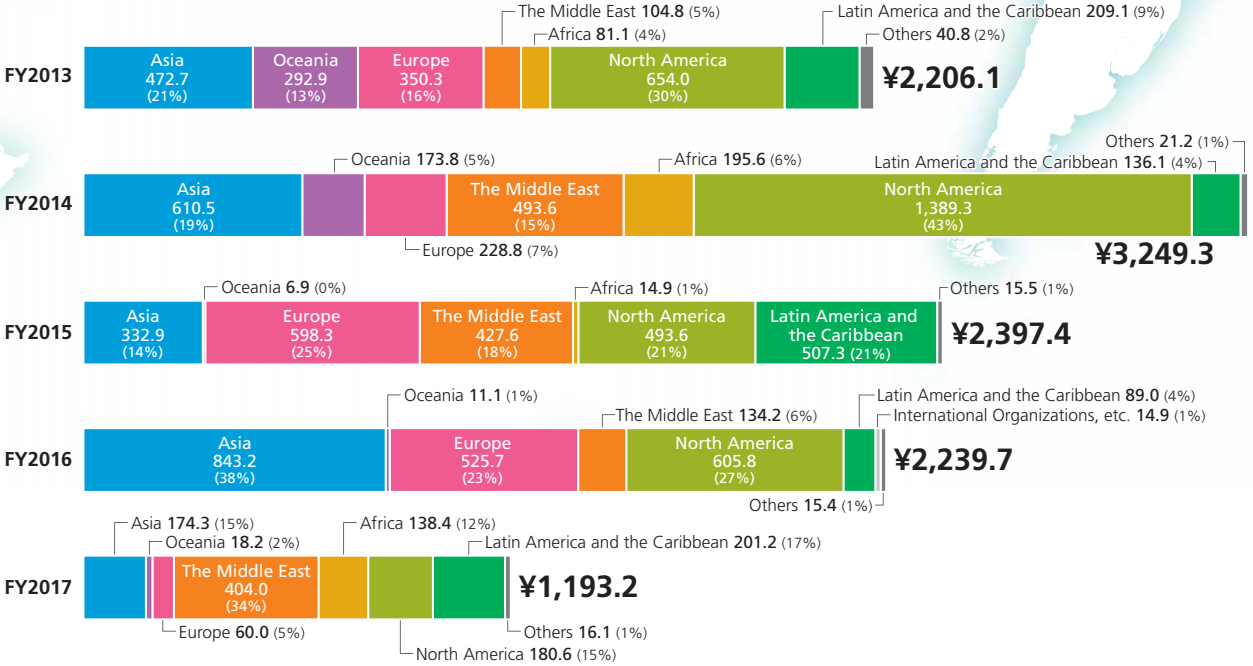






Transition in Composition of Commitments by Region (Loans, Equity Participations, and Guarantees) over the Last 5 Years

(Unit: billions of yen)



2 Examples of Business Outcomes by Region

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 line[1] 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 Silvertech Concrete Private Limited[1] (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 products[2] 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 controllers[3] 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 Agency[1] (FEIA) and JSC The Far East and Baikal Region Development Fund[2] (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 Zones[3] ("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 finance[5] with Istanbul PPP Saglik Yatirim A.S. (IPSY), a Turkish corporation in which Sojitz Corporation, a Japanese company, and Ronesans 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 CORORATION (INPEX) to provide the funds necessary for INPEX to acquire, through its subsidiary, interests in ADCO oilfields[6], 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 ratio[7] 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 Mozambique[1] and two corporations in Malawi[2], 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 FAITH2[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 MacLin 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 DWT[1] 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 FPSO[2] vessel chartering services to be provided to Petróleo Brasileiro S.A. (Petrobras), a state-owned oil company in Brazil, for developing the Sepia oilfield[3] 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 counterweights[1] 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 WIREHARNESS 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 technology[1]. 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 (CO_2) emissions; urban transportation projects such as railroads that help alleviate traffic jams and air pollution; smart grid projects that supply electricity efficiently using IT technology; and eco-city projects that aim to realize environmentally sustainable cities.

Amid such developments, JBIC not only takes into consideration the environmental and social aspects of individual projects, but is also committed to support environmental conservation and improvement projects, such as measures against global warming.

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 FAITH2[1].

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

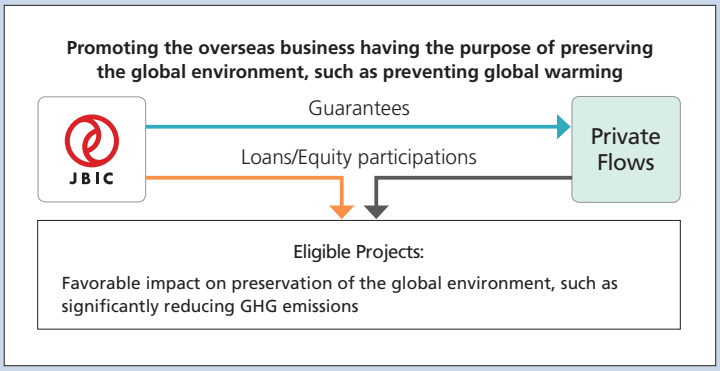
Amid growing expectations for the implementation of environment-related projects toward global environmental conservation and a low-carbon society in various parts of the world, JBIC supports Japanese overseas business deployment as well as efforts being made by foreign governments in this field, not 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.

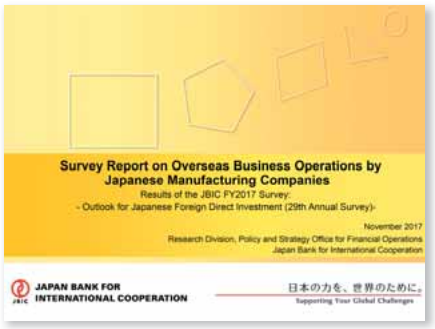


5 Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Governmental Organizations and International Organizations

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.



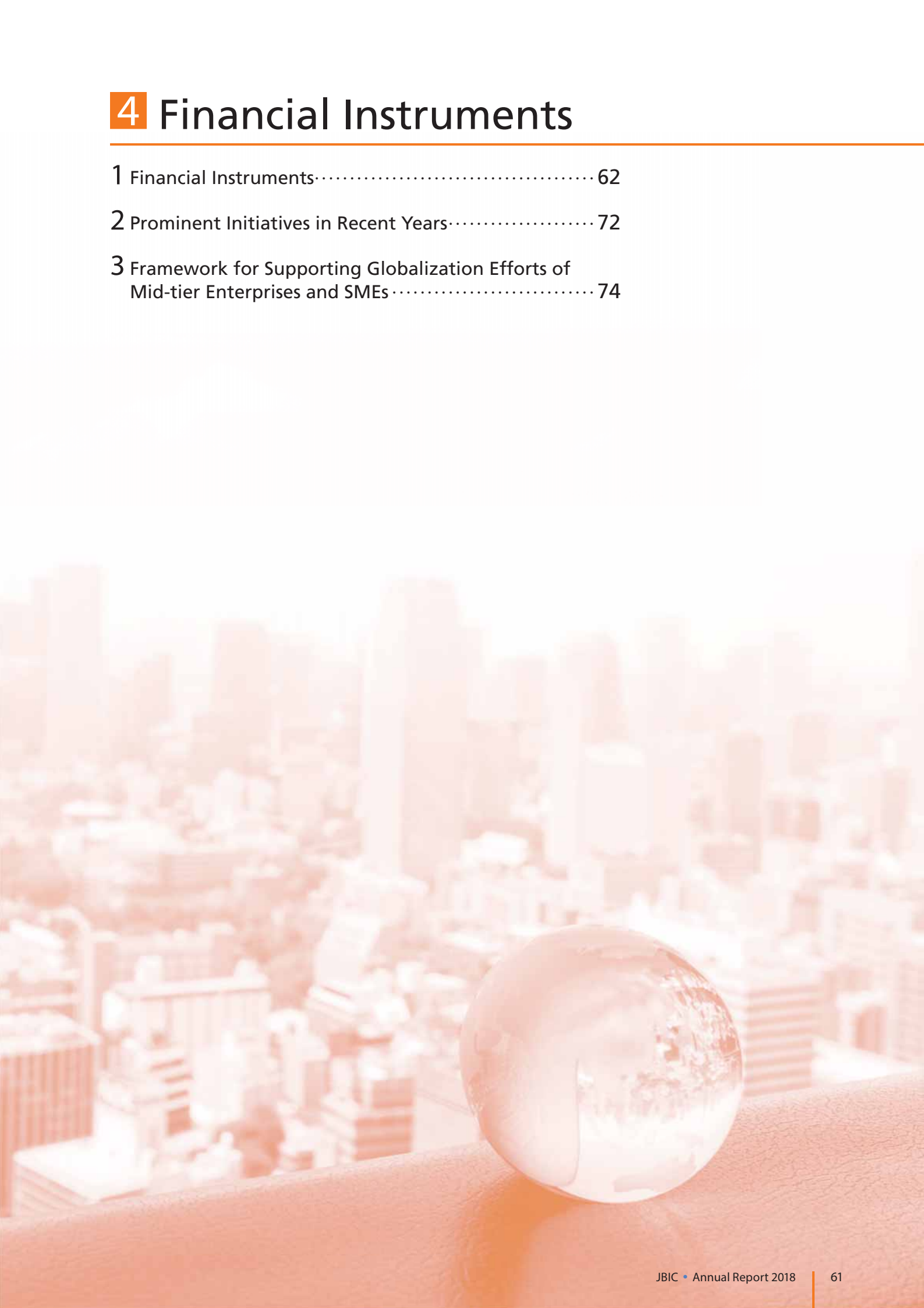
High-level Workshop on International Finance for Regional Financial Institutions

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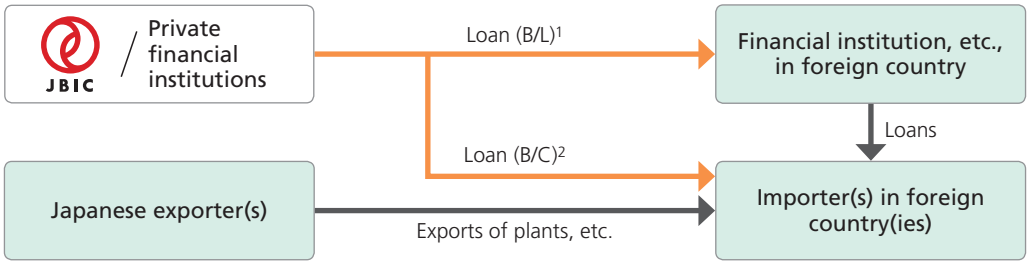
1 Financial Instruments

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 line[1] 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 Ultranav 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.

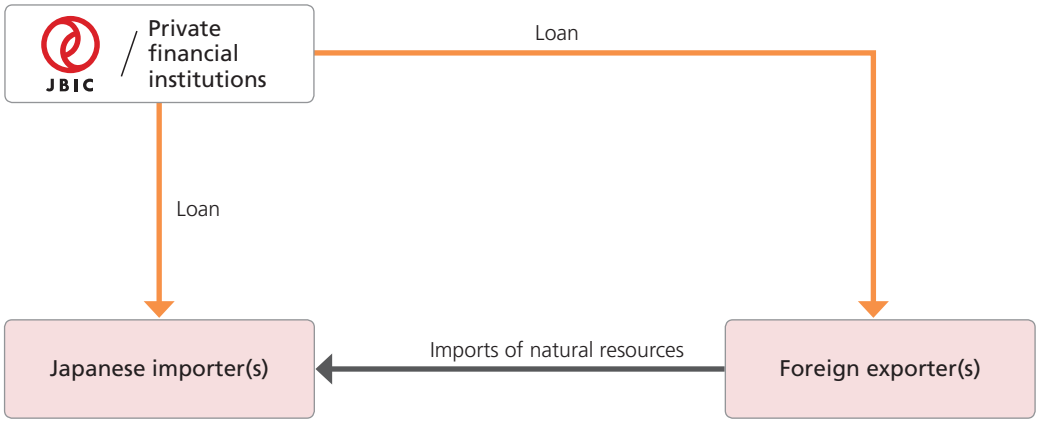
Import Loans

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.

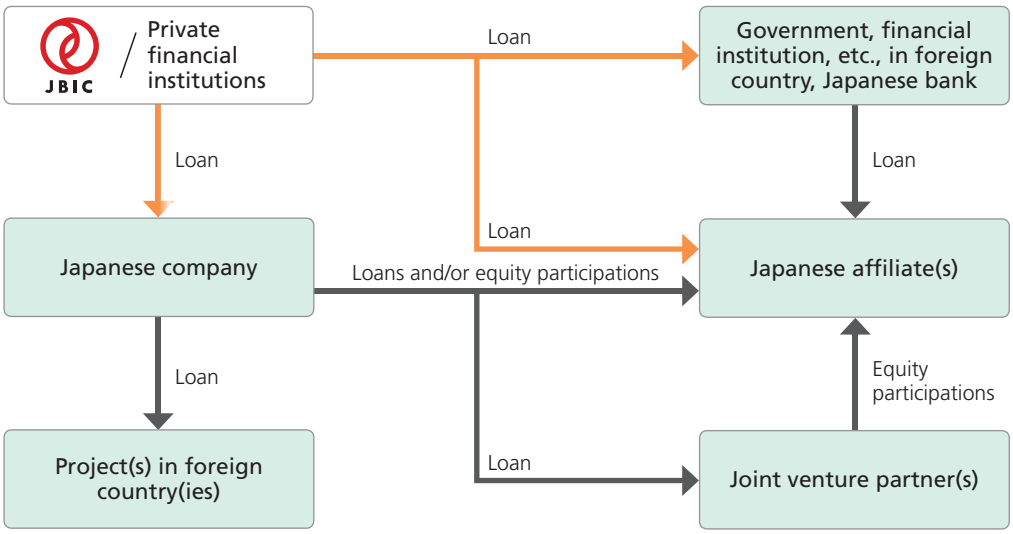
Abu Dhabi is vital to Japan's energy resource strategy as it has been a stable source of crude oil for more than 30 years. Additionally, Abu Dhabi allows foreign oil companies to conduct business based on oil concession agreements. This facility aims to support Japanese companies in renewing their existing 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



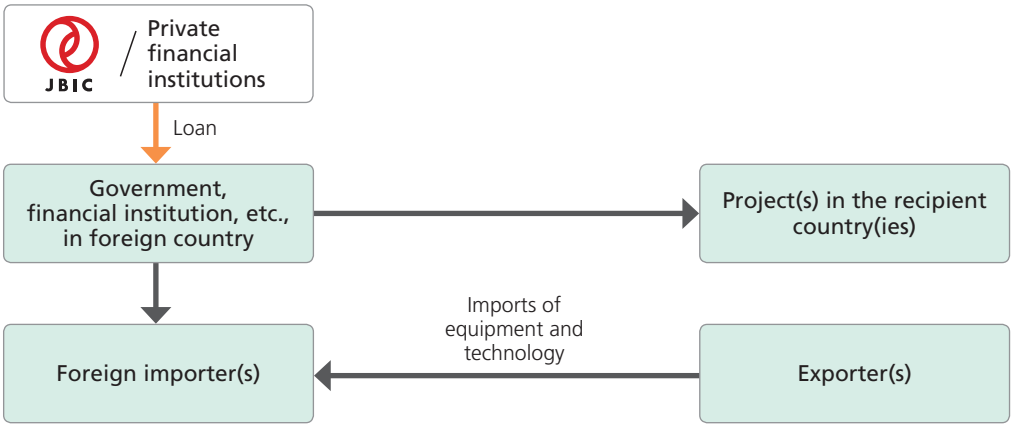
JBIC concluded a loan agreement with Chilean company Minera Escondida Limitada (MEL), in which Mitsubishi Corporation, JX Nippon Mining & Metals Corporation, Mitsubishi Materials Corporation, and others have stakes. This loan is provided to the expansion project of the Escondida Copper Mine in Región 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

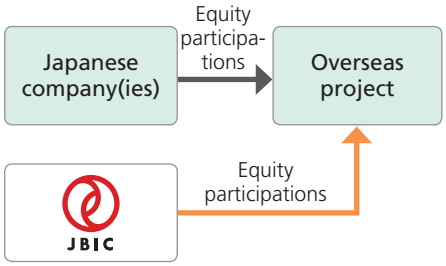
JBIC made a partial acquisition of a yen-denominated bond issued in the Japanese bond market (Samurai bonds)[1] by the Government of Turkey (GOT) under JBIC's facility of the Guarantee and Acquisition toward Tokyo market Enhancement (GATE)[2]. This acquisition follows three previous Samurai bonds issued 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.

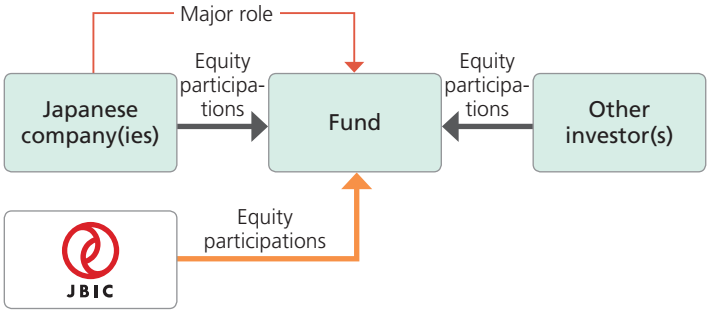
Equity Participations

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.

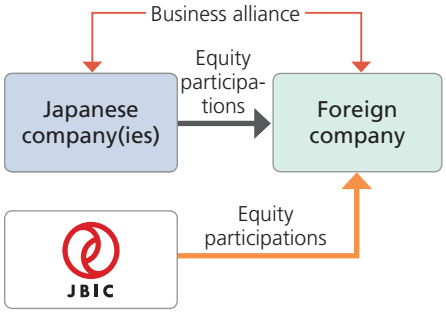
Japanese companies make equity participations in an overseas project



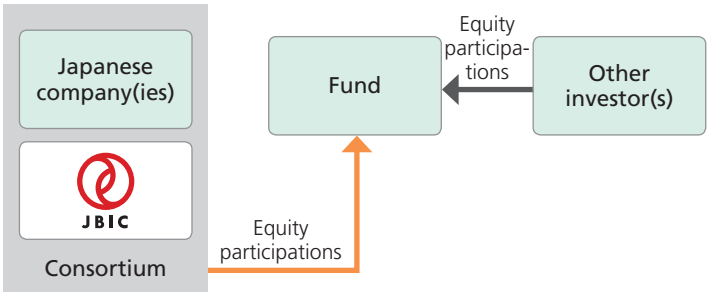
Japanese companies participate in a fund (and perform such a major role as general partner in their management and investment decisions)



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



Japanese companies form a consortium and participate in an international fund

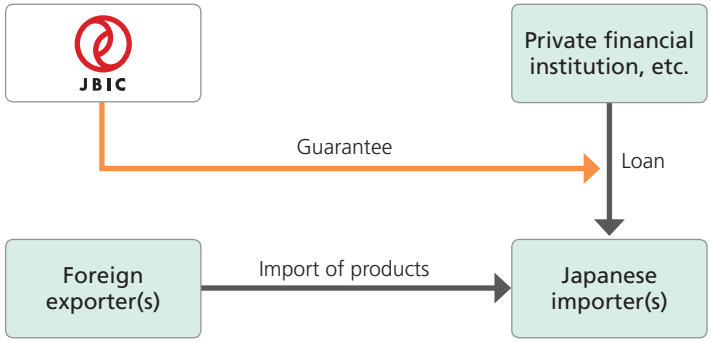


Guarantees

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 reassurance for guarantees from export credit agencies in other countries.

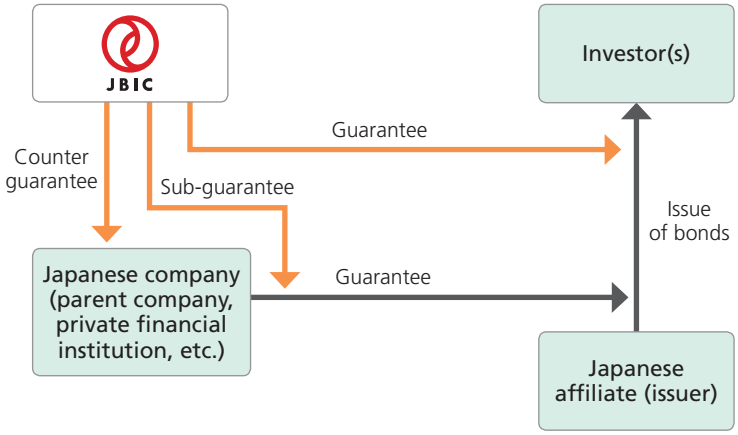
Guarantees for Imports of Manufactured Products

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





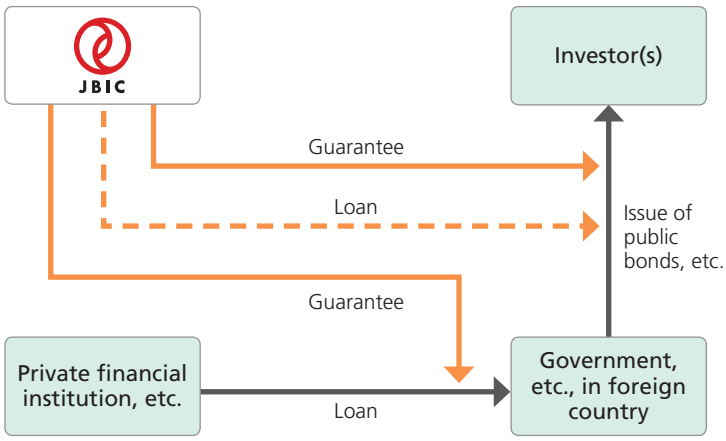
JBIC concluded a guarantee agreement with two private financial institutions for the principal and interest of private financial institution loans related to the import of aircraft by ANA HOLDINGS INC. (ANAHD). This guarantee will assist TLC Citron Co., Ltd. and FK Utopia Leasing Ltd. in borrowing from 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.

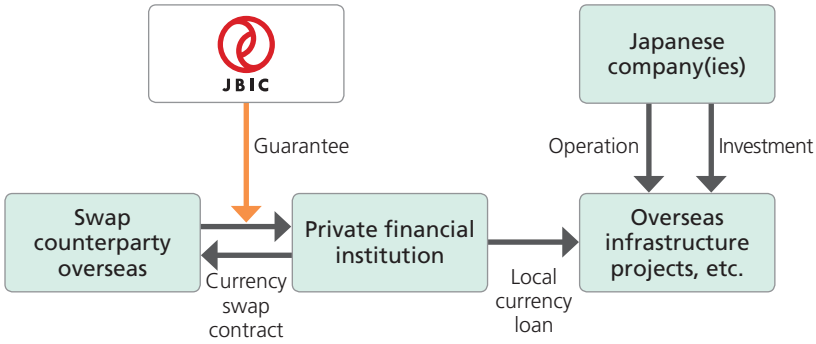
Guarantees for Cofinancing, Overseas Syndicated Loans, and Public Sector Bonds

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.



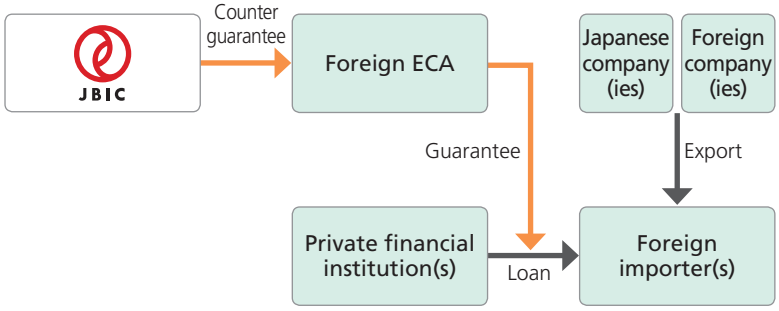
Guarantees for Currency Swaps

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



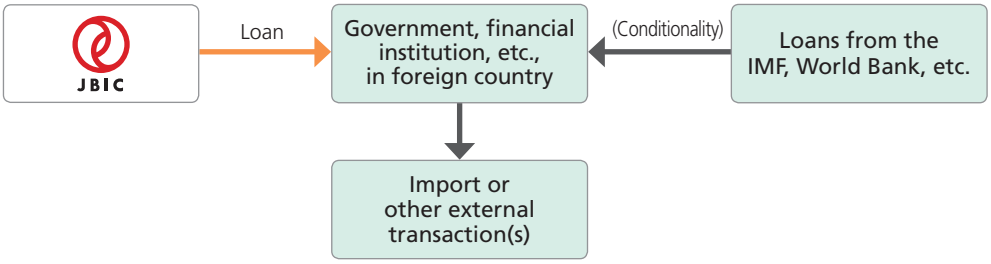
JBIC concluded contracts with the MUFG Bank, Ltd. (MUFG) and PT Bank CIMB Niaga Tbk (CIMB Niaga) of Indonesia concerning a currency swap guarantee arrangement under which JBIC will guarantee currency swap transactions executed for providing funds in Indonesian rupiah (Rupiah) to Japanese companies in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

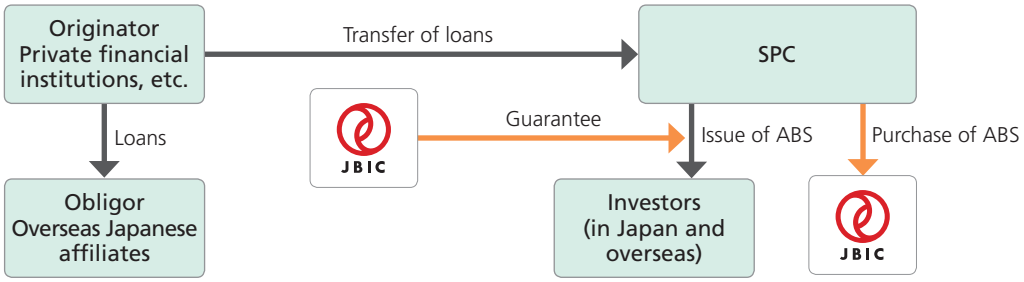
1. Securitization (Guarantees)

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.

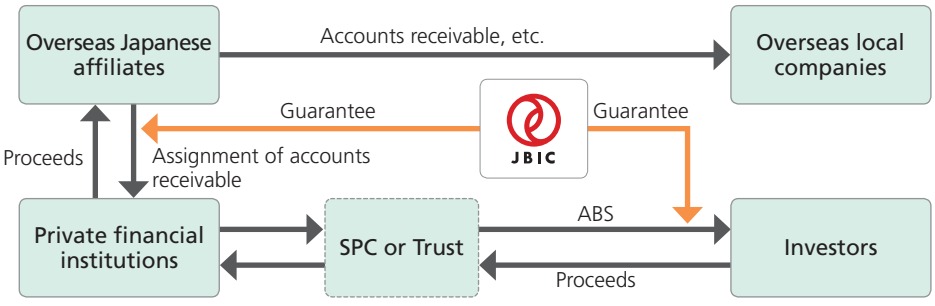
* An originator is the original owner of assets to be securitized and obtain funding through securitization.



* 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.

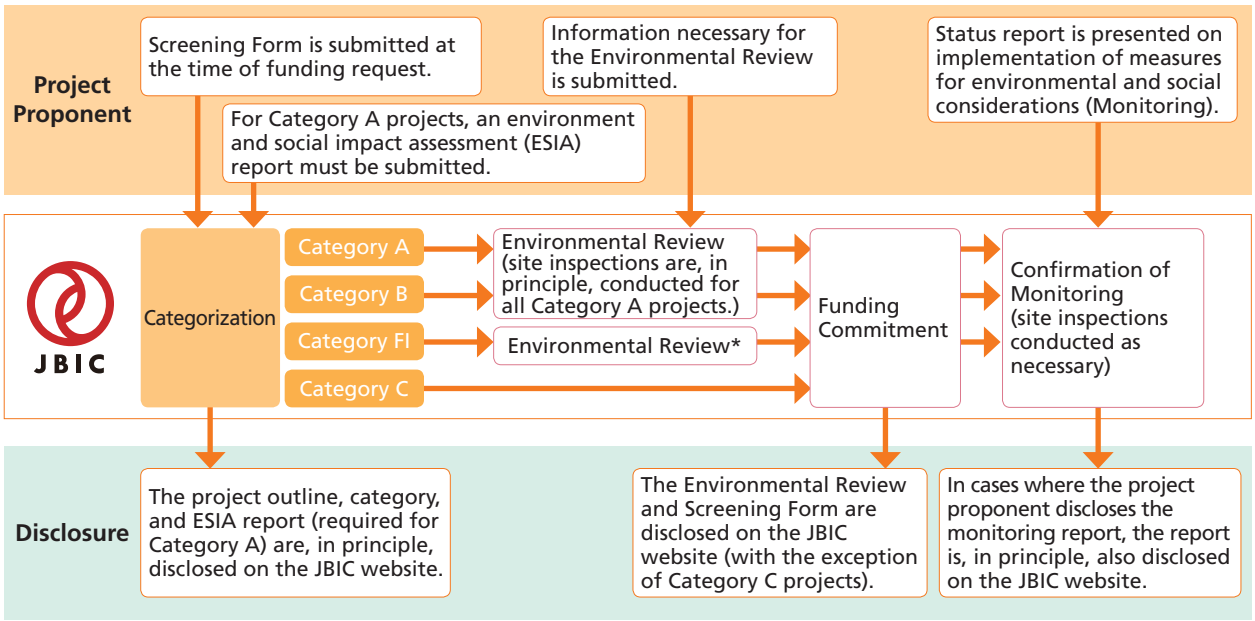
In conducting these operations, JBIC confirms whether the borrower has made appropriate consideration for local communities and the natural environment in all the JBIC-financed projects based on the "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations" (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	• Solar energy, wind energy, geothermal energy, biomass energy, hydro energy, etc. • Essential equipment/machinery, etc.
	Other energy saving	• 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	• High-efficiency equipment/technology, etc. • Use of waste heat and exhaust gas
Green innovation	Smart energy	• Smart grid, etc. • Storage batteries, etc.
	Green mobility	• Modal shift (including intercity traffic) • Next-generation mobility (electric vehicles, electric ships, etc.)
	Smart cities	• Regional energy management system, energy-saving consumer electronics
Other global environmental preservation activities		• Recovery of methane, fluorocarbon, etc. • Carbon dioxide absorption • Air pollution prevention (Desulfurization/Denitrification equipment) • Water supply/Water pollution prevention • 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

Public sector projects

Finance for governments, governmental agencies, or local governments in foreign countries with relatively high risk profile

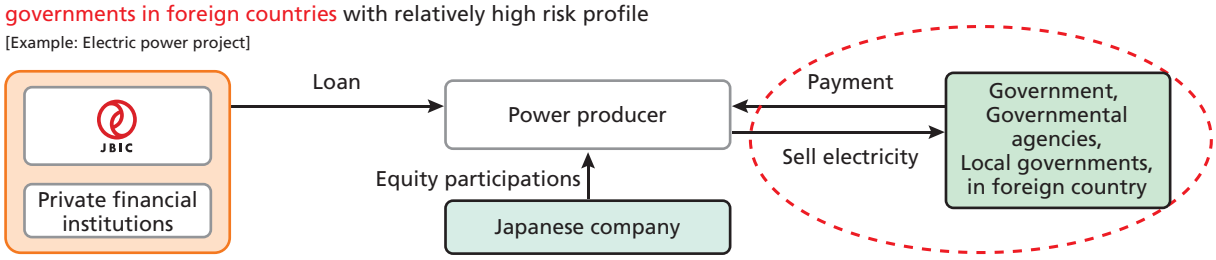
[Example: Exports of plants for infrastructure project]



Public-private partnerships (PPP)

Finance for PPP projects with the principal revenue coming from governments, governmental agencies, or local governments in foreign countries with relatively high risk profile

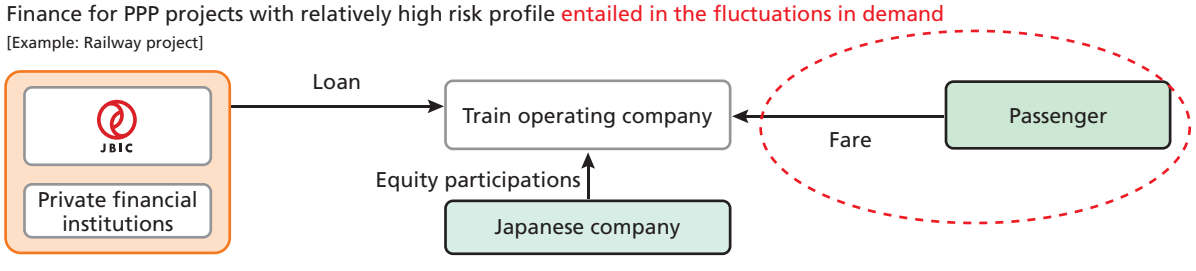
[Example: Electric power project]



Public-private partnerships (PPP)

Finance for PPP projects with relatively high risk profile entailed in the fluctuations in demand

[Example: Railway project]



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).

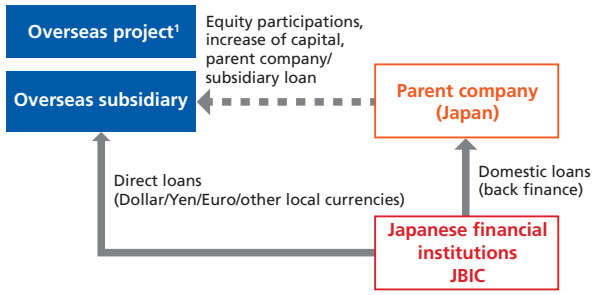
JBIC is also collaborating with local financial institutions overseas by signing memorandums to develop a support system for mid-tier enterprises and SMEs overseas business expansion that involves regional financial institutions in Japan.

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

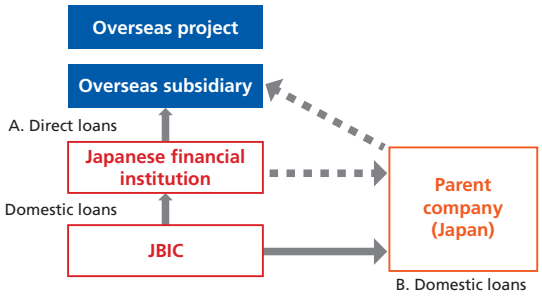
(1) Response to small loans (several tens of millions of yen): Loans for replacement of machinery, in addition to new capital investment
(2) U.S. dollar, Euro, and local currency-denominated loans: Financing of long-term with U.S. dollar, Euro, and local currency
(3) Support for M&A overseas: Loans for 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

Example of mid-tier enterprises and SMEs support schemes

1) Individual loan scheme



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

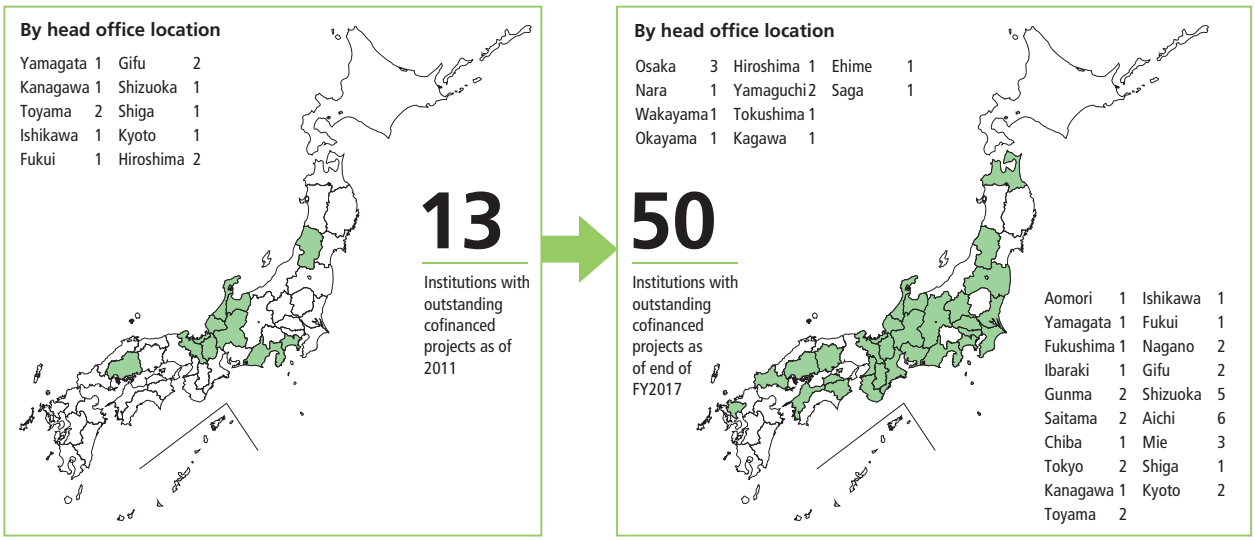


1. In principle, intended to developing countries
* Definition of mid-tier enterprises and SMEs: Companies capitalized at less than ¥1 billion or with not more than 300 employees. Consolidated subsidiaries of large companies are excluded.

■ 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

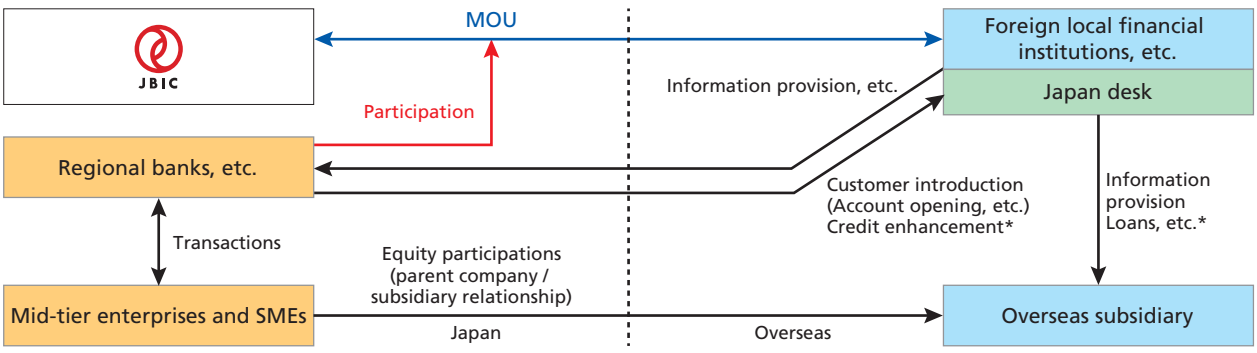
Securing the support of local financial institutions in developing countries well acquainted with the local area is also vital for mid-tier enterprises and SMEs.

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.

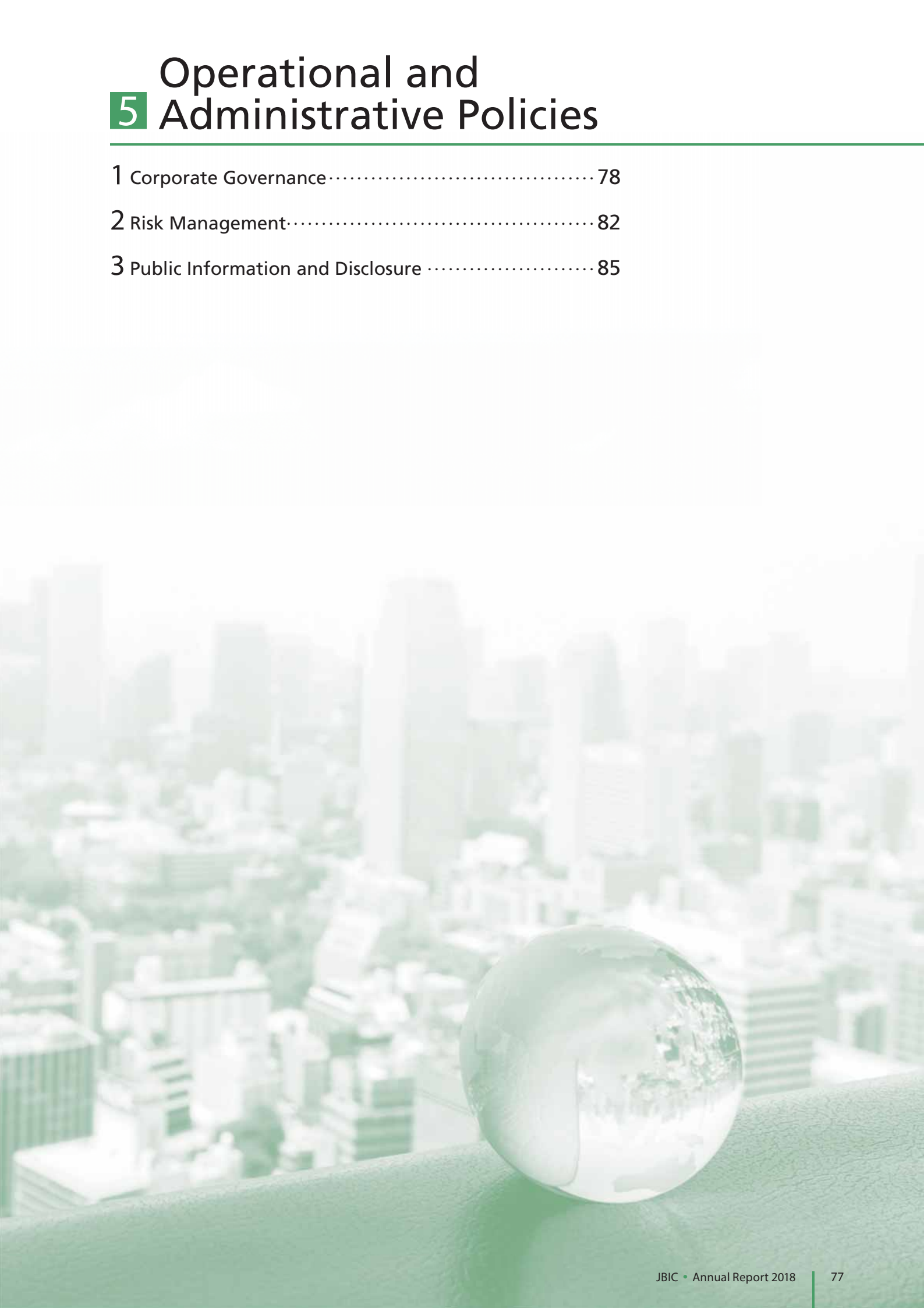
Moreover, JBIC offers an itinerant advisory service in many parts of Japan in cooperation with prefectural and municipal governments, as well as local chambers of commerce and industry which support local companies in expanding their operations overseas. This service, which is available on a regular 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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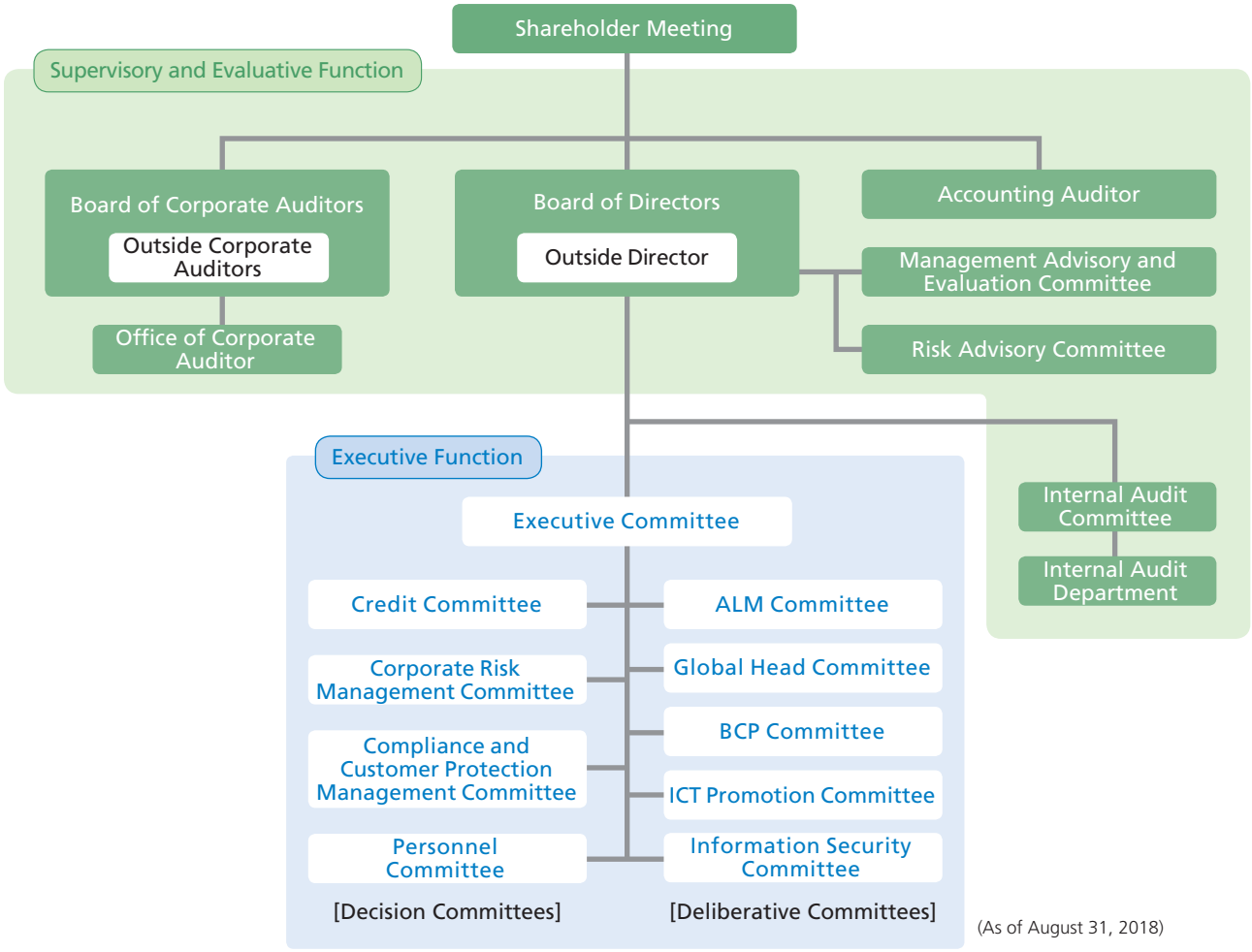
3 Public Information and Disclosure ····· 85



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.



(As of August 31, 2018)

■ 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 *Diplomacy*)
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
Shuhei 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 Club[1], 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	● Available at the Head Office and the West Japan Office ● Distributed to the National Diet Library and economic organizations, etc.
Annual Report, Public Relations Magazine, etc.	● Available at the Head Office, the West Japan Office, and Representative Offices ● Distributed to interested persons/institutions
Website: ● Type of Business Operations, Operational Results, Overview of Organization, Financial Composition, etc.	● On the internet Address: https://www.jbic. go.jp/en/