2019 Annual Report



日本の力を、世界のために。

Supporting Your Global Challenges

JBIC

JAPAN BANK FOR
INTERNATIONAL COOPERATION

History of JBIC

The Japan Bank for International Cooperation (JBIC) was established in 1950 as the Export Bank of Japan to promote exports of various types of heavy machineries.

Since then, JBIC has fulfilled this responsibility by enhancing and transforming its functions in response to the demands in each era, affected by the international political and economic environment surrounding Japan, and changes in the overseas business strategies of Japanese companies.

With the objective of supplementing the financial transactions implemented by private financial institutions, JBIC will continue to contribute to the sound development of the Japanese and international economic and society.



USIMINAS project in Brazil

1950

- **1950** **Establishment of the Export Bank of Japan**
- **1951** Started operations inside the head office building of the Industrial Bank of Japan, Limited
  Made its first loan commitment
  (for export of hydroelectric generators to Argentina)
- **1952** **Changed its name to The Export-Import Bank of Japan (JEXIM)**
  Added Import Loans and Guarantees
- **1953** Added Overseas Investment Loans and Overseas Project Loans
- **1954** Opened its first overseas representative office (Karachi)



The head office building of the Industrial Bank of Japan, Limited

1960

- **1960** Outstanding amounts exceeded 100 billion yen
- **1963** Relocated to the JEXIM and JDB (Japan Development Bank) Godo Building
  Opened the Osaka office
- **1966** Signed a loan agreement (first loan to international institution) with the Inter-American Development Bank (IDB)
- **1968** Outstanding amounts exceeded 1 trillion yen

1970

- **1971** Set up a special account for the debt relief to Indonesia
- **1972** Started a foreign currency lending system and approved the first loan based on this system
  (Electronic component manufacturing business in Malaysia)
  Added Untied Loans
- **1977** Reorganized the Osaka office into the Osaka Branch
  Launched an emergency import foreign currency loan system (primary)
- **1979** Relocated to Takebashi Godo Building



Amazon aluminum project in Brazil

1980

- **1980** Outstanding amounts exceeded 5 trillion yen
- **1982** Launched an emergency import foreign currency loan system (secondary)
- **1983** Issued first foreign bonds
- **1986** Signed a loan agreement for Western Australian LNG project
  (first project financing)
- **1987** Signed an untied loan agreement with Indonesia
  (first loan based on the Japanese government's financial recycling scheme (-1992))
- **1989** Added Equity Participations

Trends in the international economy and society

- **1952** Japan joined the International Monetary Fund (IMF) and World Bank
- **1956** Japan joined the United Nations (UN)
- **1964** The Tokyo Olympic Games
  Japan joined the Organisation for Economic Co-operation and Development (OECD)
- **1967** The Association of Southeast Asian Nations (ASEAN) was established
- **1971** The Nixon shock
- **1973** The first oil crisis
- **1979** The second oil crisis
- **1982** The Latin American debt crisis
- **1985** The Plaza Accord
- **1987** Black Monday
- **1989** The fall of the Berlin Wall

1990



Panama Canal Expansion Project

- **1992** Added Bridge Loans
- **1993** Signed untied loan agreement with Bulgaria (first loan based on the Japanese government's "Fund for Development initiative" (-1997))
- **1998** Implemented the assistance measures for Asia based on the Japanese government's "New Miyazawa Initiative" Outstanding amounts exceeded 10 trillion yen
- **1999** Established the Environmental guidelines
  Established the Japan Bank for International Cooperation by merging the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund



Sakhalin-Ⅱ oil and gas field development project

2000

- **2001** The Reorganization and Rationalization Plan for Special Public Institutions decided by the Cabinet
- **2003** Established the JBIC Guidelines for Confirmation of Environmental and Social Considerations (Revised in 2009 and in 2015)
- **2008** **Establishment of Japan Finance Corporation** merging JBIC and three domestic policy-based financial institutions
  Implemented emergency measures in response to global financial turmoil (-March 2011)



Intercity Express Programme in the UK



Esperanza copper mine development project in Chile

2010

- **2010** Launched the Global action for Reconciling Economic growth and ENvironmental preservation (GREEN)
  Established the Guidelines for Measurement, Reporting and Verification of greenhouse gas Emission Reductions in JBIC's GREEN (J-MRV Guidelines)
- **2011** Reconstitutes organization structure (mission/sector-oriented business group structure)
- **2012** **Japan Bank for International Cooperation (JBIC)** was spun off from the Japan Finance Corporation and made a new start as the new JBIC.
  Formulated the First Medium-term Business Plan
- **2015** Formulated the Second Medium-term Business Plan
- **2016** Established the Equity Finance Group
  Added the Special Operations
- **2017** Established JBIC IG Partners in collaboration with Industrial Growth Platform, Inc.
- **2018** Formulated the Third Medium-term Business Plan
  Launched the Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)



Moray East offshore wind power generation project in the UK

- **1991** The collapse of Japan's bubble economy
  The dissolution of the Soviet Union
- **1992** Adoption of the United Nations Framework Convention on Climate Change (UNFCCC)
- **1993** Establishment of the European Union (EU)
- **1994** The Mexican peso crisis (Tequila Effect)
- **1997** The Asian Currency Crisis
- **1999** Launch of the Euro currency

- **2001** The September 11 terrorist attacks
- **2005** The Kyoto Protocol entered into force
- **2008** The Bankruptcy of Lehman Brothers

- **2010** The European debt crisis
  The Arab Spring
- **2011** The Great East Japan Earthquake
- **2015** Adoption of "Paris Agreement" at the COP21 (The 21st Conference of the Parties)
- **2016** UK citizens voted to leave the European Union (EU)
  The Paris Agreement entered into force

JBIC 2019

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

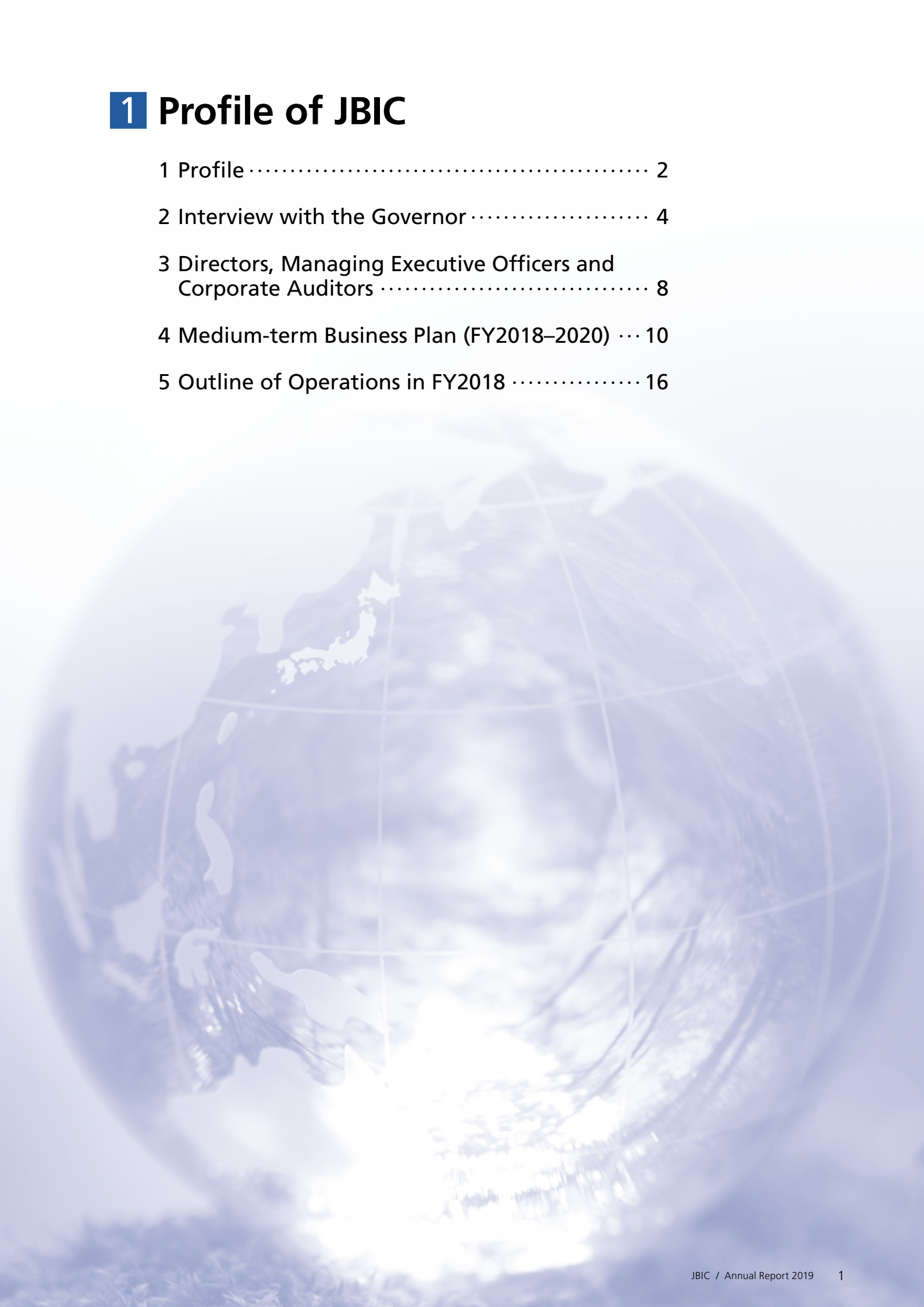
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Profile

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.

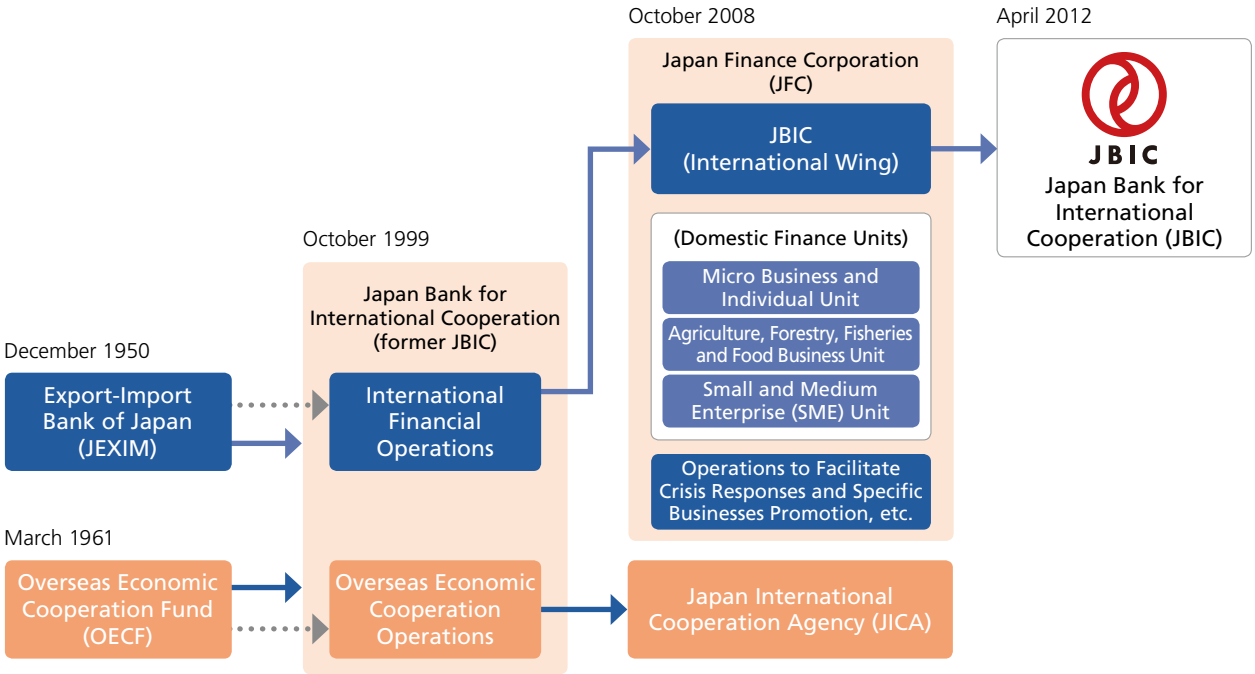
1. **Supplementing the financial transactions implemented by private-sector financial institutions**
   To effectively perform the functions required for policy-based financing, JBIC shall take account of situations where private-sector financial institutions are placed in their international finance 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*	¥1,785.3 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations*	¥14,017.3 billion
Outstanding Guarantees*	¥2,493.3 billion

* As of March 31, 2019

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 facing concerns over downside risks to economies particularly in emerging countries, impacted by volatile U.S. financial markets, facing trade frictions and rising geopolitical uncertainties in the Middle East and other areas.

Under these circumstances, the environment surrounding Japan is also changing dramatically. In the energy and natural resources sector, besides the ongoing challenge of securing stable supplies of energy resources by raising the self-development ratio of natural resources, it is an increasingly important issue to ensure the energy security of the entire Asian region in response to rising energy demand. The global trend towards decarbonization is driving expectations for highly efficient projects that help to improve and preserve the global environment by utilizing Japan's advanced environmental technologies.

Looking at the Japanese industry, the Fourth Industrial Revolution, such as the Internet of Things (IoT) and Artificial Intelligence (AI), is rapidly gaining momentum. Amid this trend, it is an urgent need to create new business opportunities through innovation beyond existing industry boundaries. There is also a notable move by Japanese companies to seek new earnings opportunities outside Japan by strengthening their overseas businesses, because of declining domestic demand as a result of a fast-aging population with a low birthrate. In order to survive in international competition by capitalizing on their "competitive technology and knowledge", it becomes important to promote investment in high-quality infrastructure with economic efficiency and safety, as well as exporting integrated infrastructure systems, including the design, construction, operation and management of infrastructure.



Amid major shifts in the international situation and social issues, JBIC formulated the JBIC Third Medium-term Business Plan (FY2018–FY2020) in June 2018 to provide support in response to new initiatives and changes in the Japanese industry. JBIC aims to create new additional value by pursuing its key focus areas and action plans under the Third Medium-term Business Plan through utilizing its relationships with stakeholders and its overseas networking and information-gathering capabilities. I hope that JBIC will "serve as a 'navigator' for Japanese companies to expand overseas business in an uncertain world," as well as pave the way to a new era through efforts to secure a natural resource supply to Japan, invest in high quality infrastructure and help roll out new products and services offered by new industries for the next generation.

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.

MAEDA Tadashi
Governor
Japan Bank for International Cooperation (JBIC)

— Could you summarize the past one year since assuming the duties of Governor?

To respond effectively to the changing times, I believe JBIC needs to transform its corporate culture to become more proactive. Specifically, going forward, JBIC must be more proactive in taking risks for supporting Japanese companies, including through equity financing. Such a risk-taking approach can be described by the word "spearhead," meaning standing at the forefront. I have taken various opportunities to emphasize that "JBIC must act as a spearhead."

In the Medium-term Business Plan formulated in June 2018, JBIC set objectives as an organization, giving first priority to playing a role as a spearhead. From the perspective of how JBIC can address the issues facing Japanese industries, four high-priority focus areas out of five are explained in the business plan in the order of the most challenging area to less challenging one. These four areas include: "Growth areas, new fields," "Overseas infrastructure development," "Global environmental preservation" and "M&As." Business activities that JBIC has pursued until now are presented in the category of a fifth priority area, titled "Consistent implementation of policy-based finance and restructuring of operations." Clarifying the priority of its objectives, as mentioned above, has enabled JBIC to be a spearhead in proactively supporting Japanese companies in expanding overseas.

— Could you explain JBIC's business results for FY2018, the first fiscal year of the Medium-term Business Plan?

In FY2018, JBIC made 117 financial commitments totaling approximately ¥1,717.1 billion in loans, equity participation and guarantees. Although the number of financial commitments was down from the previous fiscal year, reflecting a sluggish global economy, the amount of loans, equity participation and guarantees rose 43% year-on-year by growth in large-scale overseas M&A deals.

Looking at JBIC's results by key focus area of the Medium-term Business Plan, in "Growth areas, new fields," JBIC launched an investment fund called JB Nordic Fund I SCSp in collaboration with a fund manager in the Baltic region in January 2019. The purpose of this fund, which receives investments from JBIC and Japanese companies, is to invest in local advanced high-tech companies in the Nordic and Baltic region. The fund is expected to help foster business alliances between those Japanese investors and local advanced IT companies, which would lead to more investment opportunities for Japanese companies. JBIC has invested in several companies through the fund, while dispatching staff to the region to organize business-matching activities.

Until now, JBIC has invested in funds as a limited partner to limit risks in relation to the funds it invests in. However, I believe that JBIC is expected to serve as a general partner that independently manages funds and makes investment decisions. In 2017, JBIC, in collaboration with Industrial Growth Platform, Inc. (IGPI), established an



asset management company called JBIC IG Partners. This helped JBIC to strengthen its capacity to supply funding for projects with relatively high risk profiles. Increasing the supply of funding for risk-assuming projects becomes more important in terms of benefitting from overseas growing markets, which is one of the initiatives defined in Japanese government's growth strategy. Besides the financing aspect, JBIC dispatches promising young employees to JBIC IG Partners to accumulate experience and know-how as a venture capitalist. This has enabled JBIC to invest in venture companies where it was never involved in the past.

Turning to "Overseas infrastructure development," JBIC participated in several projects from the early stage of the project development process. Those projects include natural gas-fired thermal power generation projects in Indonesia and in the Emirate of Sharjah, the United Arab Emirates (UAE). Under the Medium-term Business Plan, we also aim to support high-quality infrastructure projects in cooperation between public and private sectors, in "frontier markets" (Africa, the Mekong region and the South Asian region). In January 2019, JBIC signed an agreement to provide an export credit line with the government of Angola for purchase of machinery and equipment used for port development projects from Japanese companies. This is the first financing that JBIC has provided for the port sector in Angola. Sharing information about support for these projects with the International Monetary Fund (IMF), JBIC was able to provide financing that considers debt sustainability of Angola and is consistent with the IMF's new financial assistance program for the country. Looking ahead, JBIC will continue to actively support Japanese companies in conducting business in Africa that leads to African development and raises Japan's presence in the region.

Regarding the area of "Global environmental preservation," we launched a new facility called "JBIC Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)" in July 2018. Under the facility for QI-ESG, JBIC provided a loan through project finance to the world's largest offshore wind power generation project in the

United Kingdom. The project has introduced the latest model turbines commercialized by a joint venture between a Japanese and Danish company, which led to support for business expansion by Japanese companies. In FY2018, JBIC made 10 commitments to environmental projects totaling approximately ¥326.0 billion under the facility for QI-ESG, including a waste treatment project in Sweden.

Looking at M&A by Japanese companies, the use of M&A as a strategy to acquire global market share becomes more common practice among Japanese companies. In December 2018, JBIC provided a Japanese pharmaceuticals company with a loan for part of the funds needed for acquiring a prominent pharmaceuticals company in Ireland. In the pharmaceuticals business where significant amount of investments and time are required for new drug development, the actual size of a company determines competitiveness. Through this M&A deal, the Japanese pharmaceuticals company has entered the ranks of the world's top pharmaceuticals companies based on sales. The company was also able to strengthen their business in various fields where growth is expected, while gaining a foothold in U.S. markets. Among other M&A deals, JBIC supported M&A involving a German company that develops rare metals products as well as a Malaysian healthcare company. For FY2018, JBIC made 10 commitments to M&A deals totaling approximately ¥605.0 billion.

In addition to these activities, we also continue to execute business in our conventional operations.

In the energy and natural resources sector, JBIC offered loans to finance a Japanese company to acquire and extend interests in offshore oilfields in the Emirate of Abu Dhabi, UAE. The loans contribute to an increase in the self-development ratio of oil and the strengthening of strategic relationships with oil-producing countries. Looking at the field of mineral resources, JBIC supported copper mine development projects in Chile and Peru. The Japanese government has set the target of attaining a self-sufficiency ratio of 80% or higher for base metals, including copper, by 2030. JBIC's support for the copper mine projects is aligned with this government's strategy. In FY2018, JBIC made eight commitments in the resource sector, amounting to approximately ¥251.0 billion in loans, equity participation and guarantees.

In loans to Japanese mid-tier enterprises and small- and medium-sized enterprises (SMEs), JBIC made 66 commitments, totaling approximately ¥10.0 billion, in cooperation with regional Japanese financial institutions. In recent years, JBIC has strengthened its support for Japanese mid-tier enterprises and SMEs which have unique advanced technologies and plan to expand abroad. In FY2018 we provided wide-ranging support to those Japanese companies, including a company engaged in international courier services in Thailand.

— What points did you focus on in undertaking organizational reforms?

In order to spearhead support for Japanese companies expanding abroad, JBIC must transform into an organization with operational structures that can respond to risks different from those in the past.

As part of these efforts, JBIC established the Strategic Research Department in August 2018. This department performs advanced analysis of various information from a geo-economics perspective, in cooperation with specialist organizations and professionals in the world, in order to help management make quick and accurate decisions on businesses including financial aspects.

Moreover, JBIC tries to expedite its management and decision-making process, and promote smooth communications by; merging the Corporate Planning Department and the Policy and Strategy Office for Financial Operations, consolidating or abolishing internal committees, optimizing approval process of businesses, as well as streaming operational process. As business operations become more sophisticated and complex, we make efforts to create environments where employees can save time and work more efficiently by adopting various IT, including RPA (Robotic Process Automation). We will continue these organizational and operational reforms to transform into a muscular organization which can spearhead support for Japanese companies.

— Could you talk about your plans for FY2019?

Based on the achievements during the first year of the medium-term plan, JBIC is proactively taking on the challenge of going one step further.

Recently, with projects becoming more sophisticated and complex, JBIC has strengthened collaboration with government agencies around the world and international organizations, with a view to developing future projects. As one example, JBIC concluded a Memorandum of Understanding (MOU) for business collaboration with the European Investment Bank (EIB). EIB is the European Union's public financial institution which provides long-term financing and technical cooperation for projects that contribute to economic integration and balanced development both inside and outside Europe. Renewable energy projects are rapidly increasing in Europe and JBIC will strengthen its support for green investments such as decarbonization, by collaborating with EIB.

In 2017 JBIC entered into an MOU with Overseas Private Investment Corporation (OPIC). Under the agreement, JBIC and OPIC promoted the formation of projects in sectors such as infrastructure, energy, and natural resources in the regions of Asia, the Indo-Pacific, the Middle East and Africa. In 2018, JBIC also signed an MOU with OPIC and the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic), both of Australia. These parties affirmed their shared commitment to maintaining and promoting a free, open, prosperous and inclusive Indo-Pacific region, and to improving regional connectivity through infrastructure development in the region. Specifically, JBIC and the other parties have commenced their support for projects in the infrastructure, energy and natural resources

sectors in South Pacific island countries and Indonesia. In addition, JBIC signed an MOU for business cooperation with an Italian government agency.

JBIC entered into an MOU with the China Development Bank (CDB) to promote cooperation between JBIC and CDB for projects in China and third countries. I believe that it is beneficial not only for Japan and China, but also for a project host country to obtain financial support in accordance with international standards including openness, transparency, economic efficiency, debt sustainability and compliance with laws and regulations. JBIC have already started consultation with CDB regarding potential projects with an aim to finalizing the details of the projects before the end of 2019.

Meanwhile, we will further enhance our risk-taking capability. I think that it is JBIC's another role to support projects that have technological capabilities but are considered to require time before the start of commercial operations. JBIC will be more proactive in taking risks in promoting commercialization of projects, such as those for all solid-state batteries, high-performance sensors for autonomous driving, Carbon Dioxide Capture and Storage (CCS) and coal gasification technologies with little environmental impact.

With regards to support for infrastructure projects, JBIC will encourage Japanese companies to further expand and promote the export of their high-quality infrastructure, by being actively engaged in projects from the initial stage.

— Could you describe initiatives such as work style reforms that create an environment where employees can work more actively and effectively?

I formulated the Plan for Work Style Reform upon assuming the position of Governor in 2018. As "Team JBIC," I also adopted "One for All and All for One" as our slogan. Through the implementation of the work style reform under this slogan, JBIC aims to create an organization where all employees with diverse values can choose work styles suited to their respective values and fully utilize their own capabilities.

As part of the work style reform, we listen carefully to the opinions of employees while promoting initiatives such as further improving flexible working hour arrangements including staggered working hours and shorter working hours, as well as utilizing telecommuting. I received feedback from my employees saying that their working conditions at JBIC were improved not only to juggle work and family responsibilities such as child raising and nursing care, but also to choose to work with work-life balance meeting their values and needs. Continuing to improve employee's working conditions, we will strive to create a work place where employees can work with diverse work style and a sense of reassurance according to the situation of each employee and their values.

As for our human resource development plan to train staffs capable of working on the international environment, I drew on my own experiences when I worked at the Representative office in Washington D.C. of the Export-Import Bank of Japan, JBIC's predecessor, in the 1980s. At that time, the Export-Import Bank of Japan played a central role in negotiating with the World Bank and the IMF. Although I was merely one staff member, I proactively interacted with top U.S. government officials to build good relationships. This experience provided me an opportunity to increase my negotiation abilities. Based on this experience, I recommend that young employees take on challenges that enable them to fully utilize their own capabilities. I have created opportunities for young employees to accompany me on overseas business trips in order to let them see how their top management negotiates on the international stage. Besides, I introduced a system for dispatching new employees to JBIC's overseas representative offices for three months. Through these initiatives, JBIC will pursue its three core values of "Hands-on Policy," "Customer-1st Approach" and "Forward-looking Action," while developing employees with diverse abilities to achieve JBIC's corporate philosophy: " Positioned at the crossroads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy."

— What is your message to stakeholders?

Although the international political-economic situation is shifting dramatically, I believe Japan stands in an extremely favorable position. Infrastructure investment is expected to increase dramatically across the world and the need for natural resource procurement will also rise further. PPP (Public Private Partnership)-based projects mobilizing private-sector funds are vigorously promoted in each country and the range of PPP projects where Japanese companies can participate is expanded.

JBIC will continue to deepen its support for Japanese companies expanding overseas and create environments where private-sector financial institutions can also provide financing in collaboration with JBIC through its enhanced risk-taking ability. In particular, JBIC will actively make investments in business fields that will drive industrial development for the next generation, in anticipation of major transformations of the industrial structure in the world.

To this end, I would like to increase opportunities for policy dialogue with the governments and agencies of various countries with an eye to seeking new partnerships.

JBIC will contribute to driving Japan's growth and increasing its presence in the global markets by "serving as a navigator for Japanese companies expanding overseas in an uncertain world," while spearheading support for projects that help to secure stable supplies of natural resources and energy, increase export of Japan's quality infrastructure as well as develop new industries for the next generation.

Directors, Managing Executive Officers and Corporate Auditors (As of October 1, 2019)



(Back row, from left)	Managing Director KOIZUMI Shinichi	Senior Managing Director KUROISHI Kuninori	Senior Managing Director OYA Toshio	Senior Managing Director TAKESADA Tatsuhiko	Managing Director KAWAMURA Yoshinori
(Front row, from left)	Deputy Governor HAYASHI Nobumitsu		Governor MAEDA Tadashi		Executive Managing Director AMAKAWA Kazuhiko



Corporate Auditor TSUCHIYA Mitsuaki	Corporate Auditor OTA Yasuo	Corporate Auditor TAMAI Yuko

Directors

Governor	**MAEDA Tadashi**
Deputy Governor	**HAYASHI Nobumitsu**
Executive Managing Director	**AMAKAWA Kazuhiko**
Senior Managing Director	**OYA Toshio**
Senior Managing Director	**KUROISHI Kuninori**
Senior Managing Director	**TAKESADA Tatsuhiko**
Managing Director (Outside Director)	**KOIZUMI Shinichi**
Managing Director (Outside Director)	**KAWAMURA Yoshinori**

Corporate Auditors

Corporate Auditor (Full-Time Corporate Auditor)	**OTA Yasuo**
Corporate Auditor (Outside Corporate Auditor)	**TSUCHIYA Mitsuaki**
Corporate Auditor (Outside Corporate Auditor)	**TAMAI Yuko**

Managing Executive Officers

Managing Executive Officer, Global Head of Corporate Planning Group	**HASHIYAMA Shigeto**
Managing Executive Officer, Global Head of Credit, Assessment and Risk Management Group	**FUNADA Yutaka**
Managing Executive Officer, Global Head of Treasury and Systems Group	**TANAKA Kazuhiko**
Managing Executive Officer, Global Head of Energy and Natural Resources Finance Group	**NISHITANI Tsuyoshi**
Managing Executive Officer, Global Head of Infrastructure and Environment Finance Group	**TANIMOTO Masayuki**
Managing Executive Officer, Global Head of Industry Finance Group	**ISOBE Koichi**
Managing Executive Officer, Global Head of Equity Finance Group	**FUJINO Shinji**

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."

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.

Outline of Operations in FY2018

Operational Highlights

The total amount of commitments JBIC made during FY2018 in loans, equity participations, and guarantees was approximately ¥1,717.1 billion, which is an increase of 43.9% from FY 2017. The outstanding amount of loans, equity participations and guarantees as of March 31, 2019 was approximately ¥16,510.6 billion.

The following is a report on JBIC's major operations in each sector during FY2018.

Efforts in the Energy and Natural Resources Sector

As Japan depends on imports from overseas for most of its resources, it is an important challenge that the country secures a stable supply of energy and mineral resources in the medium to long term by increasing its self-development ratio of those resources. In FY2018, JBIC made a total of eight financial commitments in the natural resources sector, amounting to approximately JPY251.0 billion in loans and equity participation.

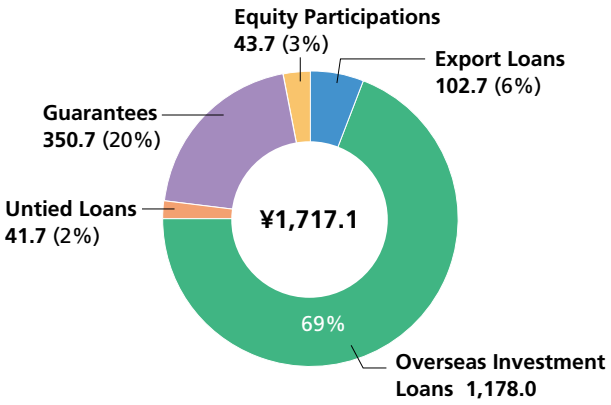
JBIC provided financing for a Japanese company to acquire interests in an offshore oil field in the Emirate of Abu Dhabi in the United Arab Emirates. JBIC also conducted equity participation in a business in Vietnam that manufactures a raw material of zirconium compounds used for various industrial goods, such as emissions purification catalysts for automobiles and other industrial catalysts, and exports them to Japan.

Supporting Strategic Overseas Business Activities by Japanese Companies

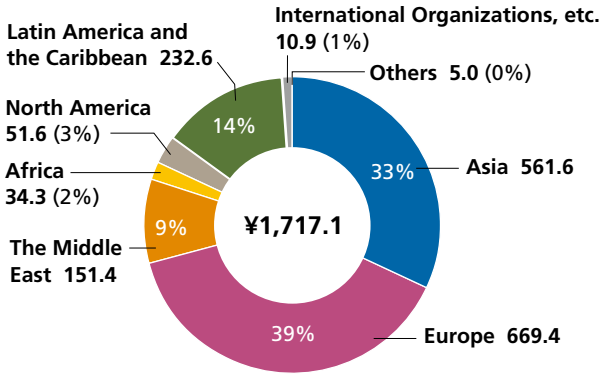
Amid a growing move by Japanese industries to seek business opportunities outside Japan due to declining domestic demand, JBIC supports Japanese companies, through its various financial instruments, in implementing their overseas business strategies as well as maintaining and strengthening their global supply chains.

With the aim of supporting overseas investments by Japanese companies, JBIC together with Japanese

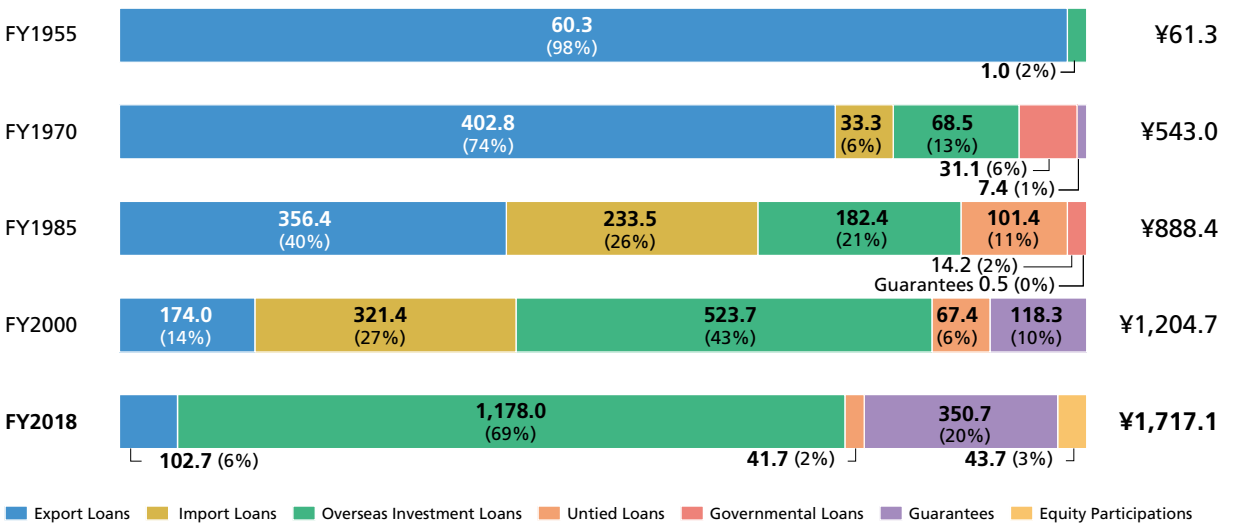
Commitments by Purpose of Financing
(FY2018; unit: billions of yen)



Commitments by Region
(FY2018; unit: billions of yen)



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



companies, invested in a fund that focuses on advanced IT companies in the Nordic and Baltic regions. The fund was launched by JBIC IG Partners[1]. Moreover, to support the overseas M&A activities of Japanese companies, JBIC provided a loan for funds needed for acquiring a pharmaceuticals company in Ireland by a Japanese company.

Supporting Exports by Japanese Companies

JBIC supported Japanese companies in exporting construction-related equipment and services to the port sector in Angola as well as a complete backbone telecommunication network system to Uzbekistan. JBIC also concluded a loan agreement with Banco de la Nación Argentina, the largest commercial bank in Argentina, to set up an export credit line[2] to encourage Japanese exports of infrastructure equipment to Argentina.

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

To assist Japanese mid-tier enterprises and small- and medium-sized enterprises (SMEs) in expanding overseas, JBIC made a total of 66 financial commitments, aggregating approximately ¥10.2 billion in loan, equity participations and guarantees, in co-financing with Japanese private financial institutions, including regional banks and Shinkin (credit) banks. The support included loans for the sales and repairing business for watches in Cambodia and Vietnam, and international courier services business in Thailand. In addition to this, JBIC, in cooperation with Japanese regional financial institutions, hosted various seminars and events to provide information that might help Japanese companies expand overseas as well as opportunities for business matching.

Efforts in the Environment-related Sector

Under its Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) Operations (refer to page 56 for detail), JBIC concluded loan agreements to set up a credit line with the Central American Bank for Economic Integration (CABEI) to finance smart energy projects in Latin America and with Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazilian Development Bank to support renewable energy projects in Brazil. In the environmental sector, JBIC made a total of four financial commitments amounting to approximately ¥21.8 billion in loans and guarantees in FY2018.

In July 2018, JBIC launched its new Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG). The aim of this facility is to provide a wide range of financing support for infrastructure development, including in the renewable energy sector, which is expected to help to preserve the global environment. Under the new facility, JBIC provided project financing[3] to an offshore wind power project in the U.K. and a loan to a waste treatment project in Sweden.

Supporting Japanese Companies with Local Currency Loans

JBIC provided 19 local currency denominated loans[4] totaling the equivalent of approximately ¥122.7 billion. The loans included Mexican peso and Thai baht loans to fund the manufacturing and sales of automobile parts in Mexico and Thailand, as well as a Swedish krona loan to support a waste treatment project in Sweden.

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1. Joint venture established by JBIC and Industrial Growth Platform, Inc., in June 2017 to provide advisory services to overseas investment funds
2. 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.
3. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.
4. Currencies other than JPY, USD, and EUR.

Operation Results

JBIC made total disbursements of ¥1,451.3 billion in FY2018.

Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2015		FY2016		FY2017		FY2018	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Export Loans	200.0	148.8	290.0	227.2	315.0	279.4	352.9	100.0
Import Loans and Overseas Investment Loans	1,450.0	1,867.9	1,560.0	1,922.4	2,115.0	1,357.2	1,730.0	1,269.6
Untied Loans	70.0	44.5	90.0	32.2	50.0	50.3	50.0	39.2
Equity Participations	100.0	42.4	120.0	18.5	130.0	39.8	124.0	42.4
Total	1,820.0	2,103.8	2,060.0	2,200.4	2,610.0	1,726.9	2,256.9	1,451.3

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 FY2018, JBIC recorded ¥450.3 billion in Interest Income and ¥476.7billion 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 ¥423.7 billion in Ordinary Expenses as a result of posting ¥365.8 billion funding costs, such as Interest expenses. Therefore, Net Income totaled ¥53.0 billion, which included Ordinary Profit and Extraordinary Income and others.

(2) Balance Sheet

Total Assets amounted to ¥17,390.6 billion. This was due primarily to a decrease in Cash and Due from Banks (decreased by ¥554.7 billion to ¥946.1 billion compared with FY2017) mainly because of a decrease in excess cash. Total Liabilities amounted to ¥14,961.8 billion. This was mainly due to a decrease in Borrowed Money (decreased by ¥796.0 billion to ¥7,574.7 billion compared with FY2017) because of a decrease in borrowing from the Fiscal Investment and Loan Program (FILP) and the Foreign Exchange Fund Special Account. Total Net Assets was ¥2,428.7 billion. This was due mainly to the capital increase and Net Income of ¥53.0 billion, despite the payment to national treasury through appropriation of retained earnings in FY2017.

Special Operations

(1) Statement of Operations

In FY2018, Ordinary Income was ¥155 million. This was due mainly to Interest Income of ¥154 million. On the other hand, Ordinary Expenses of ¥328 million were recorded since ¥221 million in General and Administrative Expenses such as personnel expenses were incurred. As a result, Ordinary Loss and Net Loss amounted to ¥172 million, respectively.

(2) Balance Sheet

Total Assets amounted to ¥250.5 billion. This was due mainly to an increase in Loans and Bills Discounted (increased by ¥4.3 billion to ¥5.3 billion compared with FY2017) due to the execution of loans while Cash and Due from Banks decreased (decreased by ¥5.0 billion to ¥244.9 billion compared with FY2017). Total Liabilities was ¥320 million. Total Net Assets was ¥250.2 billion. This was due mainly to a Net Loss of ¥100 million.

The Seventh Term for JBIC (FY2018)

[Consolidated Financial Statements]

Consolidated Statement of Operations

(April 1, 2018–March 31, 2019; unit: millions of yen)

Accounts	Amounts
Ordinary Income	**479,113**
Interest Income	450,798
Fees and Commissions	23,030
Other Ordinary Income	272
Other Income	5,012
Ordinary Expenses	**426,085**
Interest Expenses	365,878
Fees and Commissions Payments	2,993
Other Ordinary Expenses	2,638
General and Administrative Expenses	21,200
Other Expenses	33,375
Ordinary Profit	**53,028**
Extraordinary Income	**6**
Extraordinary Loss	**—**
Net Income Before Income Taxes	**53,034**
Income Taxes – Current	**4**
Total Income Taxes	**4**
Net Income	**53,030**
Net Income Attributable to Non-controlling Interests	**7**
Net Income Attributable to Owner of Parent	**53,022**

Consolidated Balance Sheet

(As of March 31, 2019; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,191,463	Borrowed Money	7,574,713
Securities Note 6	367,026	Bonds Payable Note 8	4,583,492
Loans and Bills Discounted Note 7	13,576,561	Other Liabilities	304,718
Other Assets Note 8	280,568	Provision for Bonuses	566
Property, Plant and Equipment Note 9	27,979	Provision for Directors' Bonuses	9
Intangible Assets	6,710	Net Defined Benefit Liability	6,988
Customers' Liabilities for Acceptances and Guarantees	2,491,767	Provision for Directors' Retirement Benefits	31
Allowance for Loan Losses	(293,126)	Acceptances and Guarantees	2,491,767
		Total Liabilities	**14,962,287**
		Capital Stock	1,785,300
		Retained Earnings	905,474
		Total Shareholder's Equity	2,690,774
		Valuation Difference on Available-for-sale Securities	(557)
		Deferred Gains or Losses on Hedges	(11,048)
		Foreign Currency Translation Adjustment	7,260
		Total Accumulated Other Comprehensive Income (Loss)	(4,345)
		Non-controlling Interests	235
		Total Net Assets	**2,686,664**
Total Assets	**17,648,951**	**Total Liabilities and Net Assets**	**17,648,951**

Note: See Notes 6 to 9 on pages 114 to 115 for details.

[Non-consolidated (JBIC only)]

Statement of Operations

(April 1, 2018–March 31, 2019; unit: millions of yen)

Accounts	Amounts
Ordinary Income	**476,885**
Interest Income	450,481
Fees and Commissions	22,713
Other Ordinary Income	272
Other Income	3,416
Ordinary Expenses	**424,013**
Interest Expenses	365,878
Fees and Commissions Payments	2,323
Other Ordinary Expenses	2,695
General and Administrative Expenses	20,801
Other Expenses	32,314
Ordinary Profit	**52,871**
Extraordinary Income	**6**
Extraordinary Loss	**—**
Net Income	**52,877**

Balance Sheet

(As of March 31, 2019; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,191,040	Borrowed Money	7,574,713
Securities	362,975	Bonds Payable	4,583,492
Loans and Bills Discounted	13,576,561	Other Liabilities	304,608
Other Assets	277,353	Provision for Bonuses	566
Property, Plant and Equipment	27,940	Provision for Directors' Bonuses	9
Intangible Assets	6,701	Provision for Retirement Benefits	6,988
Customers' Liabilities for Acceptances and Guarantees	2,491,767	Provision for Directors' Retirement Benefits	31
Allowance for Loan Losses	(293,126)	Acceptances and Guarantees	2,491,767
		Total Liabilities	**14,962,176**
		Capital Stock	1,785,300
		Retained Earnings	905,343
		Total Shareholder's Equity	2,690,643
		Valuation Difference on Available-for-sale Securities	(557)
		Deferred Gains or Losses on Hedges	(11,048)
		Total Valuation and Translation Adjustments	(11,606)
		Total Net Assets	**2,679,037**
Total Assets	**17,641,214**	**Total Liabilities and Net Assets**	**17,641,214**

[Ordinary Operations Account]

Statement of Operations

(April 1, 2018–March 31, 2019; unit: millions of yen)

Accounts	Amounts
Ordinary Income	**476,750**
Interest Income	450,327
Fees and Commissions	22,713
Other Ordinary Income	272
Other Income	3,436
Ordinary Expenses	**423,705**
Interest Expenses	365,856
Fees and Commissions Payments	2,303
Other Ordinary Expenses	2,694
General and Administrative Expenses	20,601
Other Expenses	32,249
Ordinary Profit	**53,044**
Extraordinary Income	**6**
Net Income	**53,050**

Balance Sheet

(As of March 31, 2019; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	946,130	Borrowed Money	7,574,713
Securities	362,975	Bonds Payable	4,583,492
Loans and Bills Discounted	13,571,215	Other Liabilities	304,321
Other Assets	276,949	Provision for Bonuses	560
Property, Plant and Equipment	27,940	Provision for Directors' Bonuses	9
Intangible Assets	6,701	Provision for Retirement Benefits	6,975
Customers' Liabilities for Acceptances and Guarantees	2,491,767	Provision for Directors' Retirement Benefits	30
Allowance for Loan Losses	(293,039)	Acceptances and Guarantees	2,491,767
		Total Liabilities	**14,961,871**
		Capital Stock	1,534,300
		Retained Earnings	905,802
		Total Shareholder's Equity	2,440,102
		Valuation Difference on Available-for-sale Securities	(557)
		Deferred Gains or Losses on Hedges	(10,775)
		Total Valuation and Translation Adjustments	(11,333)
		Total Net Assets	**2,428,769**
Total Assets	**17,390,640**	**Total Liabilities and Net Assets**	**17,390,640**

[Special Operations Account]

Statement of Operations

(April 1, 2018–March 31, 2019; unit: millions of yen)

Accounts	Amounts
Ordinary Income	**155**
Interest Income	154
Other Income	1
Ordinary Expenses	**328**
Interest Expenses	22
Fees and Commissions Payments	20
Other Ordinary Expenses	0
General and Administrative Expenses	221
Other Expenses	64
Ordinary Loss	**172**
Net Loss	**172**

Balance Sheet

(As of March 31, 2019; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	244,910	Other Liabilities	300
Loans and Bills Discounted	5,345	Provision for Bonuses	6
Other Assets	419	Provision for Directors' Bonuses	0
Allowance for Loan Losses	(87)	Provision for Retirement Benefits	13
		Provision for Directors' Retirement Benefits	0
		Total Liabilities	**320**
		Capital Stock	251,000
		Retained Earnings	(458)
		Total Shareholder's Equity	250,541
		Deferred Gains or Losses on Hedges	(272)
		Total Valuation and Translation Adjustments	(272)
		Total Net Assets	**250,268**
Total Assets	**250,588**	**Total Liabilities and Net Assets**	**250,588**

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, Government-guaranteed 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 FY2019 are shown in the table below.

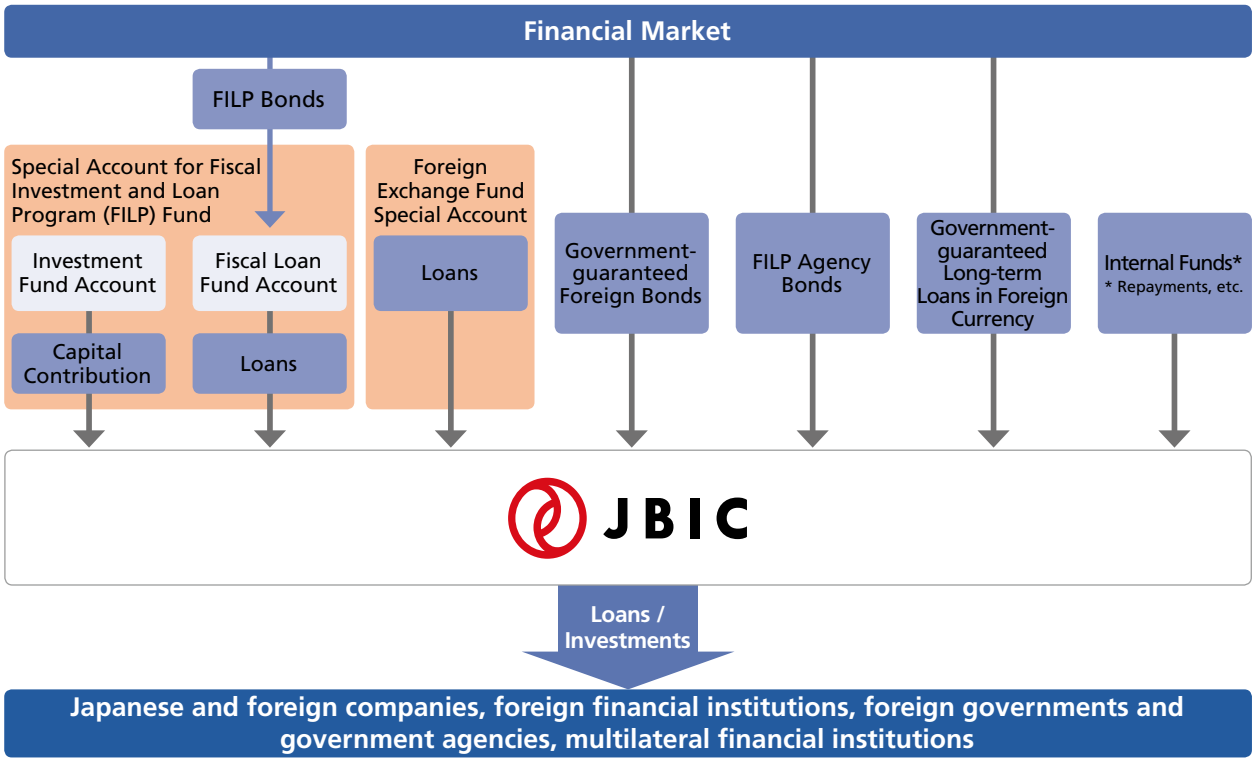
Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Planned
Capital Contribution from FILP Industrial Investment	—	142.0	82.2	20.1	63.5
Borrowing from FILP Fiscal Loan	244.9	530.5	209.5	109.6	289.3
Borrowing from Foreign Exchange Fund Special Account	1,595.8	1,142.7	854.4	654.9	—
Government-guaranteed Long-term Loans in Foreign Currency		—	—	—	40.0
Government-guaranteed Foreign Bonds*	419.0	1,106.2	1,629.7	724.2	1,079.2
FILP Agency Bonds*	—	—	60.0	—	20.0
Other Sources of Funds, Including Repayments	(155.9)	(721.0)	(1,108.9)	(57.4)	729.6
Total	2,103.8	2,200.4	1,726.9	1,451.3	2,221.6

* 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 FY2018 amounted to ¥4,423.5 billion at face value, which accounts for 36.35% 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.

In the FY2019 budget, JBIC plans to issue in the total amount of up to ¥1,079.2 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, 2019). 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 ¥20.0 billion in FY2019.

FILP agency bonds that JBIC has already issued received the same ratings as the Government of Japan (as of July 31, 2019) 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+

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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 for maintaining and strengthening 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.

The global environment surrounding energy and natural resources faces important challenges such as: i) development of financing schemes to respond to the changes in the liquefied natural gas (LNG) market, including diversified LNG pricing mechanisms 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.

NISHITANI Tsuyoshi
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. At present, 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 trend, demand for oil and natural gas is increasing across the entire Asian region. Under the Paris Agreement adopted at the 21st annual session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, all participating countries are required to submit greenhouse gas reduction targets. Amid increased interest in global warming, attention is directed to the use of natural gas, which produces less CO_2 compared to other thermal power-generating fuels.

Under these circumstances, the global crude oil supply and demand balance have temporarily loosened in recent years due to increased shale oil production in the U.S. However, the OPEC's (Organization of the Petroleum Exporting Countries) production cut agreement and regional conflicts have pushed oil prices higher, increasing uncertainty over crude oil supply. 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 trend, Japan is required to create its strategic initiatives in response to global trends in LNG supply and demand, mainly 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 necessary to secure a stable supply of the resources amid growing demand in emerging countries such as China and India, as well as increasing needs for the transition to a low-carbon society and next-generation industries. With regards to iron ore, it is important to secure high-quality iron ore amid the deteriorating quality of that obtained from existing mines, in addition to securing the necessary quantities of iron ore. 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 an aim to eliminate major bottlenecks in existing mine operations.

JBIC's Activities

In FY2018, JBIC performed the following activities 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 provides financial support for securing a stable supply of energy to Japan as well as for increasing Japan's self-development ratio of energy.

For example, JBIC provided a loan to a Japanese company to acquire and extend its interests in offshore oilfields in the Emirate of Abu Dhabi (Abu Dhabi), the United Arab Emirates (UAE), which is a vital country in Japan's resource strategy. JBIC signed a loan agreement with INPEX CORPORATION (INPEX). This loan is intended to provide necessary funds for INPEX to acquire a 40-year interest in the Lower Zakum offshore oil field (approximately 450,000 barrels per day). Additionally, JBIC provided a loan to Japan Oil Development Co., Ltd. (JODCO), a subsidiary of INPEX, to finance the extension of interests in the Satah and Umm Al-Dalkh offshore oil fields for 25 years, respectively. Abu Dhabi, which is a vital country in terms of Japan's resource strategy, allows foreign companies to enter the domestic business based on concession agreements. In light of the policy guidelines of the Abu Dhabi Supreme Petroleum Council's, JBIC has so far signed a memorandum of understanding (MOU) for business cooperation with Abu Dhabi National Oil Company (ADNOC) in order to establish a mutual understanding of the importance of acquisition of new interests in oil fields in Abu Dhabi by Japanese companies. Under these MOUs, JBIC has supported these Japanese companies in acquiring their interests in oil fields in Abu Dhabi through loans.

Turning to the LNG field, JBIC participated in the LNG Producer-Consumer Conference, which is held annually to bring together both LNG producers and consumers in Japan. At the conference, JBIC announced that it had revised its financial framework in order to consider financing LNG projects that will be developed according to the contracts with no destination clauses, provided by Japanese companies develop LNG projects and hold the rights to handle LNG as a product.

In November 2018, JBIC concluded an MOU with Overseas Private Investment Corporation (OPIC), of the U.S., and with the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic), both of Australia, to promote business cooperation for energy infrastructure development in third countries, including those in the Indo-Pacific region. JBIC will consider support for specific projects based on this framework.

Mineral Resources

The Japanese government set a goal of increasing its self-sufficiency ratio for base metals, including iron and copper, to 80% or more by 2030 in the Basic Energy Plan approved by the Cabinet on July 3, 2018. In response to this, JBIC provides financial support for securing a stable supply of mineral resources to Japan.

Japan relies on imports for all of its copper concentrates, a raw material for copper metals, and securing a long-term, stable supply of copper resources is an immediate issue. Copper is used for various applications that include electrical wiring, electrical and electronic equipment, automobiles and construction materials, making this an essential metal resource for the Japanese industry. Global demand for copper is expected to continue expanding on the back of growing demand for infrastructure in emerging countries, especially in China and India, and increasing ownership and use of hybrid and electric vehicles. JBIC signed a loan agreement with Mitsubishi Corporation (Mitsubishi) for the Quellaveco Copper Mine Development Project in Peru. Mitsubishi owns a 40%



Abu Dhabi offshore oil field project (provided by INPEX)



Los Pelambres copper mine expansion project in Chile
(provided by Antofagasta Minerals S.A.)

interest in the Quellaveco Copper Mine and will offtake the equivalent proportion of copper ore and supply this to smelters in Japan. JBIC also signed a loan agreement with Chilean corporation Minera Los Pelambres, which is invested by four Japanese companies, to provide funds for building an additional concentrator and desalinated water supply facilities to reinforce the ore processing capacity at the Los Pelambres copper mine.

Strengthening Ties with Resource Countries and Major Global Resource Companies

JBIC continues to hold consultations and dialogues with the governments and governmental 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.

Russia

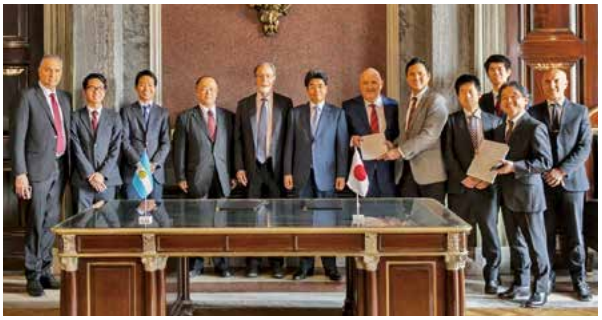
JBIC established an export credit line with Sberbank of Russia (Sberbank), the largest commercial bank in Russia, at the annual International Economic Forum held in St. Petersburg, Russia, in May 2018. There are expected to be numerous business opportunities in Russia, particularly in infrastructure and energy sectors. The purpose of the export credit line is to promote Japanese exports to Russia and its neighboring countries, including the countries of the Commonwealth of Independent States (CIS) and Central Asia.

JBIC also provided a guarantee for yen-denominated foreign bonds issued in the Japanese bond market (Samurai bonds) by Public Joint Stock Company Gazprom (Gazprom). To the present, JBIC and Gazprom have concluded an MOU aimed at building long-term cooperative relationships, while having promoted collaboration in resource and energy fields in Russia through continuous dialogue with the Russian government. The guarantee for the Samurai bonds issued by Gazprom is provided as part of cooperation in "promoting industrial diversification and enhancing productivity in Russia," which is one of the initiatives in the "Eight-point Cooperation Plan" proposed by Japanese Prime Minister ABE Shinzo to Russian President Vladimir Putin during the Japan-Russia Summit in May 2016. This will also help further deepen Japan-Russia economic relationships, which is pursued by the Japanese government.

In addition, at the Eastern Economic Forum in Vladivostok held in September 2018, JBIC concluded MOUs with State Development Corporation VEB.RF (VEB), a Russia's state financial institution, and with the Republic of Sakha, respectively for cooperation on promoting business with Japan. These MOUs are aimed at undertaking discussions on financial support for projects involving Japanese companies that help to improve quality of life mainly in the Far East and Siberia regions and in the Republic of Sakha. This is also expected to contribute to "developing industries and export bases in the Far East," one of the initiatives of the previously mentioned "Eight-point Cooperation Plan," as well as to strengthening relationships with the Republic of Sakha, which is blessed with natural resources.

Argentina

With abundant mineral resources such as copper and lithium, Argentina is an important country for Japan in terms of strengthening relationships. JBIC set an export credit line to Banco de la Nación Argentina (BNA), the largest commercial bank in Argentina, under its "Special Operations[1]" at the G20 Leaders' Summit held in Buenos Aires, Argentina in November 2018. There are expected to be numerous business opportunities in Argentina, mainly in infrastructure and energy fields. This export credit line intends to support an expansion of Japanese exports to Argentina and an increase of business transactions between Argentina and Japanese companies with operations in Argentina. JBIC also concluded separate MOUs with BNA and Corporación Andina de Fomento (CAF), respectively, with the aim of promoting the development of natural resources and infrastructure in Argentina. The MOUs help to further increase cooperation between Japan and Argentina, including cooperation on identifying specific projects which are supported under the above-mentioned export credit line.



Signing ceremony with BNA (provided by BNA)

Mexico

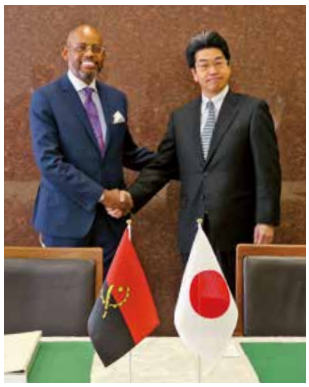
On the occasion of the seventh annual policy dialogue meeting with the Mexican Government, JBIC signed an MOU with Petróleos Mexicanos (PEMEX) for strengthening cooperative relationship in oil and natural gas, energy-related infrastructure and environment fields. The aim of the MOU is to further strengthen cooperation and partnership with PEMEX through regular consultations, while encouraging Japanese companies to participate in upstream development and the oil refinery improvement projects in Mexico implemented by PEMEX.



Signing ceremony with PEMEX (provided by PEMEX)

Angola

Angola is one of the largest countries in Africa that is well endowed with natural resources such as oil, iron ore and diamonds. JBIC signed loan agreements to finance the Namibe Port container terminal expansion project and the Sacomar Port export terminal rehabilitation project, which are both executed by the government of Angola. The loans will provide necessary funds to export construction materials, equipment and services by Toyota Tsusho Corporation and Toa Corporation. In Angola, acquiring foreign currencies through greater logistics efficiency and the promotion of mineral resource exports is an important issue. Therefore, these port projects are positioned as the highest-priority projects under Angola's public investment plan.



Signing ceremony with the government of Angola

Future Business Strategy

In the natural resources sector, of which market environment is approaching a big 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 promote 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 securing the stable supply of natural resources to Japan 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 diversify their supply sources of LNG, seeking flexibility and liquidity in the LNG market such as diversification in pricing mechanism and removal of destination clauses from LNG contracts.

Under this environment, the Japanese government published 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 not only to upstream investments and LNG projects by Japanese companies, but also to 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 and 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 for increasing productivity through the use of cloud services for data and automated mining operations, as well as projects for securing new strategic resources required to support innovation.

Strengthening Strategies on Economic Frontiers

To diversify resource supply sources, JBIC will proactively provide financing to natural resource development projects particularly in Africa and the South Asia region, that involve Japanese companies for acquiring interests in and purchasing natural resources. These regions are viewed as "The Last Frontiers" for foreign exploration as the regions are expected to be a source of extraction of natural resources-particularly oil, natural gas and minerals. There are countries which have started investing in resource development projects in these regions. Resource development projects especially in Africa contribute not only to job creation and acquisition of foreign currencies by the project host countries, but also to the promotion of related infrastructure and industrial development which drives sustainable growth of Africa. JBIC will support Japanese companies in expanding their business to Africa, including resource development, by proactively taking risk in projects as well as collaborating 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 partnerships while meeting the needs of these countries in relation to various fields such as: infrastructure development, industrial diversification, employment creation, technology transfer and reduced environmental burden through the use of renewable energy and energy saving technology. JBIC will maintain and strengthen the multi-layered and positive relationships with the governments of resource countries by making comprehensive efforts to support projects in infrastructure development and manufacturing sectors of the resource countries.

1. This is JBIC's financing operations which reinforce its risk-taking mechanism in further supporting Japanese companies in participating in overseas infrastructure projects with higher-risk profiles.

2 Infrastructure and Environment Finance Group

Message from the Global Head of the Group



The global economy and industrial structure are facing dramatic changes amid the rise of emerging countries, ongoing globalization, the digitization of economies and the progress of innovation. Under these conditions, there continues to be an enormous gap between supply and demand for financing in the global infrastructure field. Due to the SDGs (Sustainable Development Goals[1]), there is growing global demand for low carbonization. In order to adequately respond to such a trend, it is important to promote the mobilization of private funds by proactively taking risks in financing, while working on low carbonization and global environmental protection towards reduced environmental burden.

Under such an environment and in accordance with JBIC's Medium-term Business Plan (FY2018–2020) formulated in June 2018, the Infrastructure and Environment Finance Group will collaborate with other financial institutions on identifying and developing the following projects: i) projects that promote innovation of technology, ii) social infrastructure projects such as airports, seaports and railways that are highly important on the policy front, iii) projects for building energy value chains such as for gas and hydrogen and iv) projects for low-carbon infrastructure. Geographically, we will strengthen our business activities in areas such as the Mekong region, South Asia and Africa in addition to regions where many Japanese companies have already expanded.

TANIMOTO Masayuki
Managing Executive Officer
Global Head of Infrastructure and Environment Finance Group

Business Environment and Key Challenges

Toward Enhancing International Competitiveness of Japanese Companies

There is enormous global demand for infrastructure, particularly in emerging countries, and overseas markets are expected to continue expanding in response to rapid urbanization and economic growth. On the other hand, there is concern about a shrinking of the domestic market due to further declines in birthrates and aging of the population, which makes it more important for Japanese companies to expand abroad. Moreover, the business environment surrounding Japanese companies is changing significantly as a result of the emergence of new business models driven by innovation of technologies such as the Internet of Things (IoT), Artificial Intelligence (AI) and Big Data. When looking at climate change measures and the environmental field, it is further required to work towards a sustainable world and a low-carbon society.

In view of this business environment, the Infrastructure and Environment Finance Group will strengthen its activities in the following fields.

(1) Growth areas, new fields

In January 2016, the Japanese government announced "Society 5.0," an initiative aimed at solving various social issues utilizing the most advanced latest technologies. This initiative aims at creating a society where people can supply power stably based on power demand forecast "achieve local production of energy consumed locally"; "shift energy supply between regions"; "optimize energy savings at home using supply predictions." The initiative also states that these objectives can be achieved by analyzing data, using AI, such as the operational status of power stations as well as the discharge/charge status of electric vehicles (EVs) and energy usage of every household. With such new type of infrastructure anticipated to be exported from Japan, it is important to take this changing business environment as an opportunity to respond to innovation of technology in a flexible and appropriate manner.

Benefitting from growth in emerging markets is one of the challenges Japan faces. As Japanese companies are expected to further expand overseas, it will be necessary to strengthen relationships with and cultivate markets in countries in the Mekong region, South Asia and Africa, which are defined as "frontier markets" in our Third Medium-term Business Plan.

(2) Support infrastructure projects that are highly important on the policy front

The "Export Strategy for Infrastructure System" revised in June 2019 emphasizes the importance of encouraging Japanese companies with technological strengths and knowledge to go overseas markets not only by exporting equipment, but also by obtaining more orders for infrastructure as systems including design, construction, operation and management of infrastructure as well as increasing investments in local businesses.

(3) Low-carbonization and global environmental preservation

The Paris Agreement, an international framework for cooperative action on climate change after 2020, was adopted in December 2015. Following this, guidelines for implementing the Paris climate accord were developed in December 2018. Against these backdrops, there is rising demand for low-carbon or carbon-free infrastructure across the entire world, including in developing countries. The developing countries are facing demand for high-quality drinking and industrial water due to the progress of rapid urbanization and that for infrastructure for treating increasing volume of waste. In addition to this, plastic rubbish floating in the seas of the world is recognized as a global issue.



Gas turbine to be exported to Sharjah Electricity and Water Authority (SEWA) in the UAE

Approach to Identifying and Developing Potential Projects

JBIC will strengthen its business activities in the above-mentioned fields and encourage Japanese companies to participate in infrastructure projects and receive orders of infrastructure system by being proactively engaged in identifying and developing potential projects. In order to achieve these objectives, JBIC will take the following actions:

Responding to various risks: Infrastructure projects are considered to be exposed to various risks as the projects are 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, infrastructure projects might carry a counterparty risk of central or local government of a host country with a low credit rating, i.e. the risk of failure to perform their contractual obligations, as well as a risk of uncertainty in future demand or sales of products and services delivered by the project. Profits generated by infrastructure projects are denominated in local currencies. However, if the domestic financial market of a host country is not mature enough and if they need to rely on long-term overseas financing sources denominated in foreign currencies, a currency exchange risk is also an issue to be addressed. In this case, the investment appetite of investors who are interested in the project might decline or long-term funds enough to implement the project might not be provided by financial institutions.

Promoting to develop bankable projects[2]: In recent years, there has been an increase in infrastructure projects on a public-private partnership (PPP) basis. When it comes to the development of projects in cooperation between public and private sectors such as PPP projects and the Build-Operate-Transfer (BOT) model, especially in developing countries, there are cases where risks associated with the projects might not be properly assessed and shared among project participants, including the government of a host country. This results in private-sector participants being exposed to excessive risk. This situation occurs as a result of: i) a lack of integrity and clarity in the legal system in the host country, ii) a lack of ability and experience of the government agencies or organizations of the host country to organize the project, or iii) an absence of proper feasibility studies on the project. Under these circumstances, PPP projects face difficulty in obtaining funds from the private sector and the projects therefore do not progress in the way the host country's government expects. It is pointed out that it is important to share risk among all involved parties in a PPP project in an appropriate and equitable manner.

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 to address the above-mentioned issues as well as mobilize funds from various private-sector financial organizations including life insurance companies, pension funds or investment funds. Financing from Multilateral Development Banks (MDBs) and public financial institutions alone in each country, such as JBIC, is not enough to meet the global demand for infrastructure investment in terms of quantity.

1. International targets for sustainable development by 2030 that were adopted at the UN Summit in September 2015
2. 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 participation of private-sector companies and long-term funding by financial institutions can be expected.

JBIC's Activities

The Infrastructure and Environment Finance Group performed the following activities in FY2018:

(1) Support for building energy value chains

In FY2018, JBIC provided support for a gas-to-power project in West Java, Indonesia, to build a gas power station and related facilities in an integrated manner. This is the first gas-to-power project in Asia supported through project financing[3] as well as the first time for JBIC to finance such a project. In this project, JBIC not only provided financing for building the gas power plant, but also made a proposal to establish the entire gas value chain including construction of LNG gas terminals. As this suggests, JBIC facilitates the transition of energy to gas power generation in the host country and contributes to introducing low carbon energy.

(2) Low-carbonization and global environmental preservation

Apart from the above-mentioned project that helps to introduce low carbon energy, we provided support for the Moray East offshore wind power generation project, the largest renewable energy project, in the U.K. JBIC also provided its fifth credit line under its GREEN Operations to Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazilian Development Bank, to finance renewable energy projects in Brazil. JBIC also provided its second credit line under its GREEN Operations to the Central American Bank for Economic Integration (CABEI) to support smart energy projects, such as for maintenance and upgrading of electric power transmission and distribution networks in Central America.

In the field of global environmental preservation, JBIC made a loan to a waste treatment plant project in Sweden using methane fermentation technology. This is the first time for JBIC to offer a loan denominated in Swedish krona. The loan in the local currency helps to reduce foreign exchange risks arising from a currency mismatch between project's revenue and expenditure. In addition to this, the project plans to introduce advanced technology of a Japanese company to utilize biogas generated from waste treatment as fuel. This will also help to protect the global environment.

Through financing for environmental projects, JBIC will contribute to responding to various global environmental problems that have an impact on the global economy, such as economic growth in developing countries, reduced greenhouse gas emissions and climate change measures.

(3) Collaboration with other countries and institutions

As for collaboration with institutions of other countries, JBIC regularly holds policy dialogues with the governments of Indonesia and Mexico. Additionally, in accordance with the Japanese government's "Free and Open Indo-Pacific Strategy," JBIC further expanded a cooperate framework established with U.S.-based Overseas Private Investment Corporation (OPIC) and concluded a memorandum of understanding (MOU) for business cooperation with the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic), both of Australia. Based on this MOU, JBIC promotes projects where Japan, the U.S. and Australia can collaborate in third countries including the Indo-Pacific region. JBIC also signed an MOU with the China Development Bank (CDB) to support projects involving both Japanese and Chinese corporations in third countries. Based on this agreement, JBIC identifies potential projects in third countries and develops bankable projects, while providing financial support according to the global standards for lending for infrastructure projects such as openness, transparency, economic efficiency as

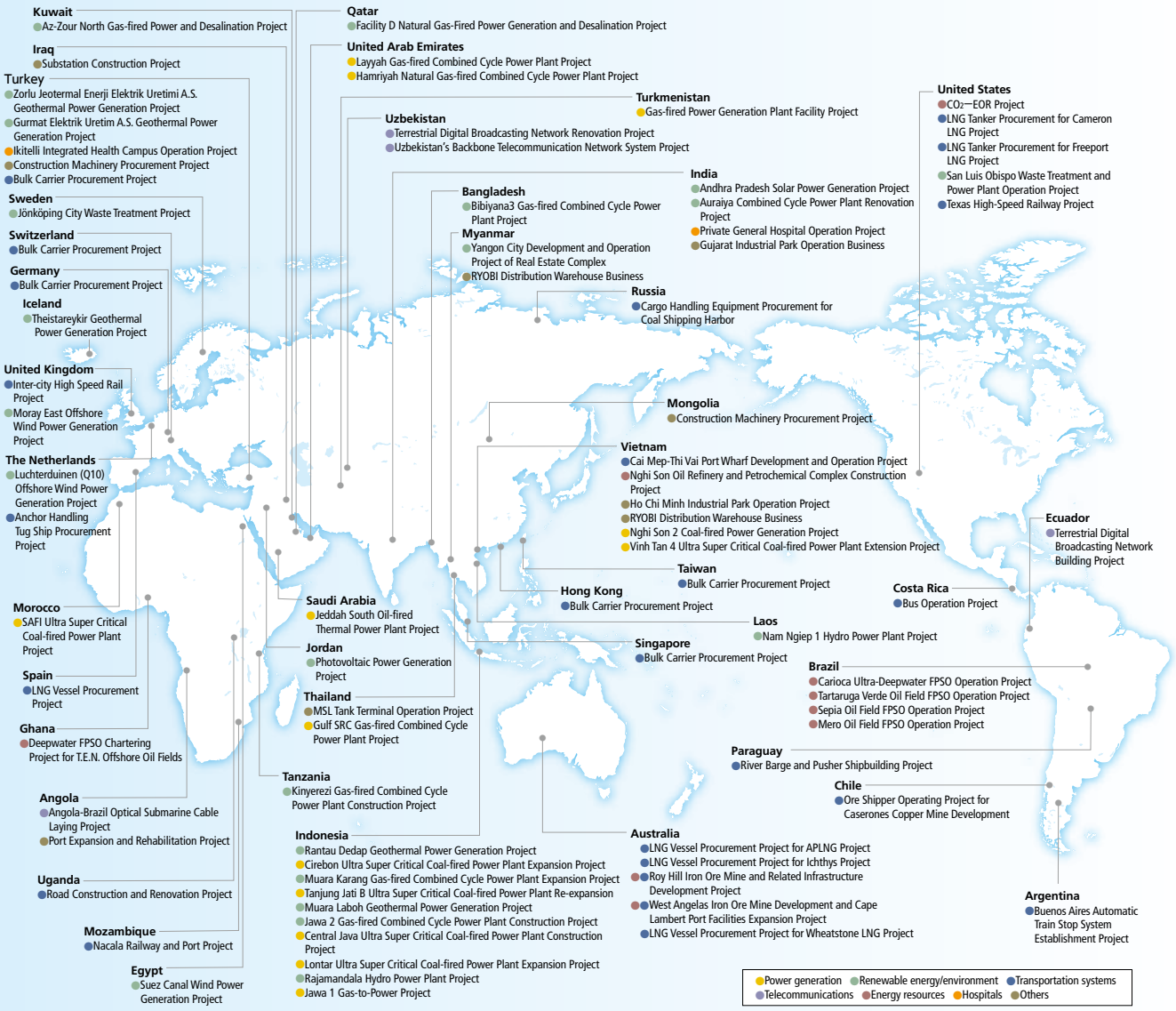


Waste treatment plant in Sweden



Policy dialogue with the government of Mexico

Recent Major Overseas Infrastructure Projects (Loans, equity participations, and guarantees in the last five years)



Note: "Renewable energy/environment" includes solar power, wind power, geothermal power, hydraulic power, power generation from waste, energy conservation, and other projects related to global environmental conservation.

As of the end of June 2019

well as financial soundness.

In "growth areas, new fields," JBIC signed an MOU for business collaboration with the European Investment Bank (EIB), the European Union's (EU) public financial institution, which also designates innovation of technology and environmental protection including low carbonization as priority areas. JBIC will strengthen support for projects utilizing new technologies, while sharing and deepening its knowledge of financing for innovation.

Regarding its activities in countries in frontier markets, JBIC had the opportunity for meetings with governments of countries such as Vietnam, Bangladesh and Egypt to request their support for facilitating business talks with Japanese companies. Furthermore, JBIC makes efforts to identify potential projects in countries in frontier markets, in collaboration with other institutions, as demonstrated by our continued discussions with the Export Credit Bank of Turkey about potential projects in Africa according to the collaborative framework for businesses in third countries.

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

Industry Finance Group

Message from the Global Head of the Group



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

The year 2019 will witness concerns over the impact on the global economy of the trade issues that have continued since the latter half of 2018 and economic developments in emerging countries. Under JBIC's Third Medium-term Business Plan (FY2018–2020), the Industry Finance Group will continue to actively support Japanese companies, including mid-tier enterprises and small and medium-sized enterprises (SMEs) in expanding overseas, and to maintain and increase the international competitiveness of Japanese industries. In order to achieve these objectives, we will take the following actions: i) take strategic action to promote innovation, ii) support Japanese companies in expand into frontier markets, iii) support overseas M&As and iv) enhance its risk-taking capability for financing various projects.

ISOBE Koichi
Managing Executive Officer
Global Head of Industry Finance Group

Business Environment and Key Challenges

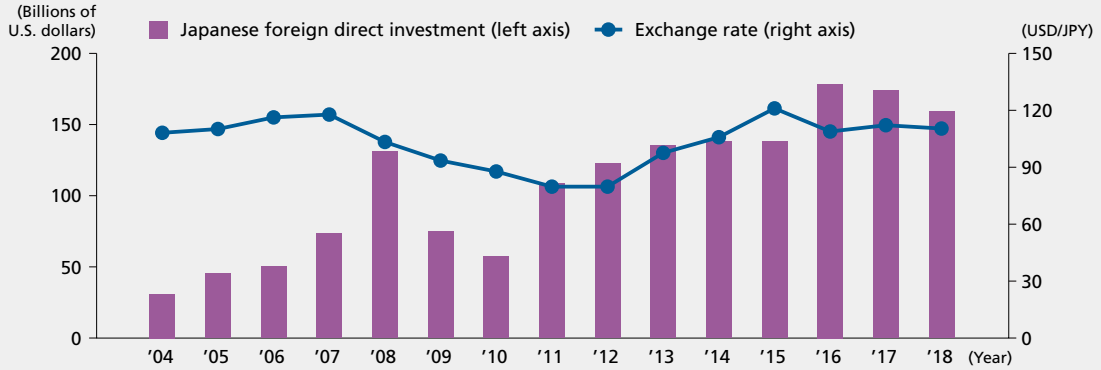
Overseas Business Deployment of Various Industries

Despite the slowdown sparked by the global financial crisis in 2008, foreign direct investment by Japanese companies returned to a level exceeding $100 billion in 2011. Thereafter, it remained firm, reaching $159.1 billion in 2018 (Figure 1).

Foreign direct investment by Japanese companies, which remains stable, particularly overseas M&A activity has grown rapidly since 2009 thanks to a stronger yen. This trend continues despite subsequent currency movements, pushing up the number of M&A deals from 672 in 2017 to 777 in 2018. In recent years, Japanese companies have proactively conducted overseas M&As to acquire technologies to survive in international competition as well as develop new markets replacing the shrinking domestic markets. This indicates that the use of M&A continues to be an important strategy for Japanese companies to expand abroad.

Looking at the value of the M&A deals, the value of M&A deals in 2017 fell below ¥8 trillion, decreasing from the levels of 2015 and 2016 when values exceeded ¥10 trillion buoyed by large-scale M&A transactions. Nonetheless, in 2018 there was the largest-ever M&A

Figure 1. Value of Japanese Foreign Direct Investment

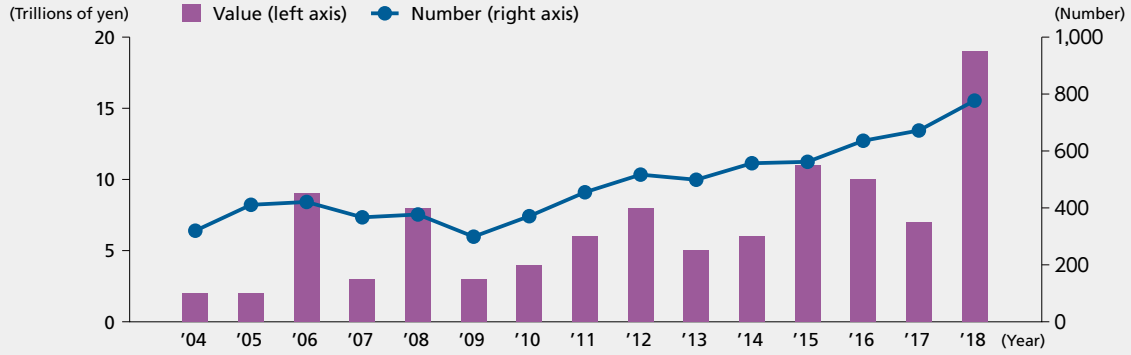


Source: Bank of Japan (for data of exchange rates). JETRO (for data of Japan's foreign direct investment)

deal by a Japanese company, pushing up the value of M&A deals to around ¥19 trillion, an increase of 2.5 times compared to 2017 (Figure 2).

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 seeking new business opportunities

Figure 2. Changes in the Value and Number of Overseas M&A by Japanese Companies



Source: RECOF Corporation

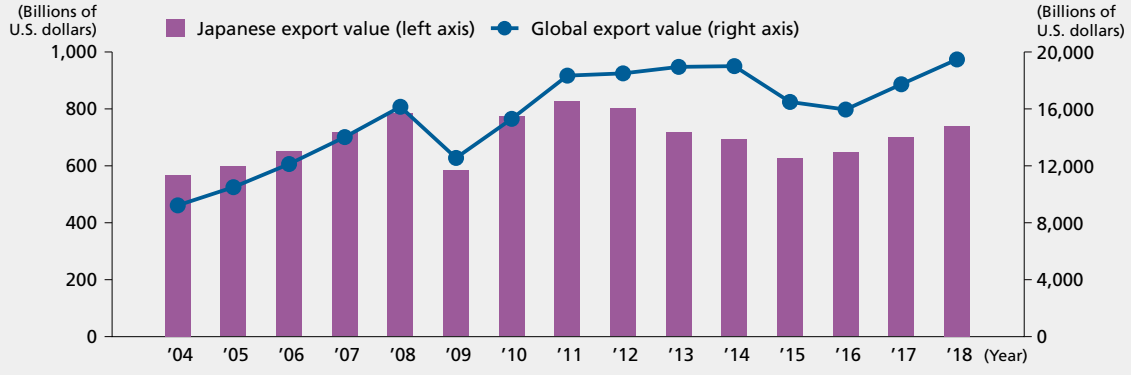
Value of Japan's Exports in a Recovery Trend

The value of global export transactions rebounded in 2017, the first positive growth in three years, thanks to accelerating growth of the world economy and soaring resource prices. In 2018, global exports decelerated towards the second half of the year, impacted by trade problems, such as U.S.-China trade frictions, and a slowdown of emerging country economies. Despite this, favorable growth in the global exports that had continued from 2017 until the middle of 2018, helped to raise the value of the exports to $19.4 trillion in 2018, up from $16.0 trillion in 2016 and $17.7 trillion in 2017, marking the second consecutive year of increase.

The value of Japan's export transactions also remained firm towards the middle of 2018 on the back of increased demand for automobile-related goods in developed countries and for information-related products in Asian emerging countries. Subsequently, however, growth in export moderated in the latter half of the year due to a lull in demand for electronic components for smartphones and a slowing global economy. Despite this, the value of Japan's export transactions in 2018 rose to $738.4 billion, the third straight years of increase (Figure 3).

A downside risk to Japan's export shares in global markets still remains due to the decelerating global economy caused by unstable factors such as trade problems, and the expanding export shares of emerging countries. Amid the diversification of overseas sales channels of Japanese companies which intend to increase their export shares in the world, evaluation of creditworthiness of importers in foreign countries and uncertainties about their business transactions are becoming major concerns for Japanese companies. To ensure that they can cope with business risk in an appropriate manner, JBIC is required to participate in projects from the early stage of the project development process and to supply funding for projects with relatively high-risk profiles by capitalizing on its various financial tools.

Figure 3. Global and Japanese Export Value



Source: UNCTAD

Overseas Business Deployment of Mid-tier Enterprises and SMEs

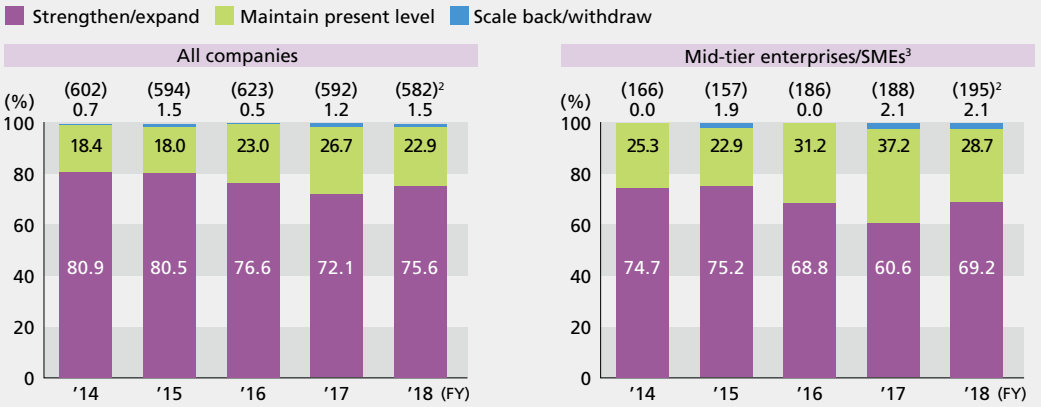
Japanese mid-tier enterprises and SMEs are accelerating their move to seek business opportunities outside Japan by meeting demand in overseas markets as well as responding to the needs of major Japanese manufacturers for local procurement of parts and equipment.

JBIC annually surveys Japanese manufacturers regarding their medium-term prospects for overseas operations in its survey called "*Survey Report on Overseas Business Operations by Japanese Manufacturing Companies*". In the FY2018 survey, 97.9% of mid-tier enterprises and SMEs which responded to the survey stated that they will "maintain present level" or "strengthen/expand" their overseas business operations. This suggests that their willingness to conduct overseas operations remains high (Figure 4).

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, mid-tier enterprises and SMEs might face greater constraints on various fronts, such as fund raising and the collection of information about overseas investment. Due to this, it is important that JBIC provides further detailed support to mid-tier enterprises and SMEs, while strengthening partnerships with regional financial institutions which serve as a major financing source for those companies.

Figure 4. 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 FY2018 *Survey Report on Overseas Business Operations by Japanese Manufacturing Companies*

JBIC's Activities

Supporting Overseas Business Expansion Using Various Financial Instruments

In the Third Medium-term Business Plan (FY2018–2020), JBIC has designated support for the overseas M&A by Japanese companies as one of the priority areas to focus on. In FY2018, JBIC continued to flexibly provide long-term financing for Japanese companies to carry out M&A activities in various fields, including the tank terminal, pharmaceuticals, healthcare, carbon fiber composite materials, leasing, food and beverage. This funding is



Mixed-use real estate project in Myanmar



FPSO vessel chartering services (same model as FPSO being financed by JBIC (photo provided by MODEC, Inc.))

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.

Apart from support for M&A transactions, JBIC supported the development and operation of a mixed-use real estate project in Myanmar and provided project financing for FPSO (floating production, storage, and offloading) vessel chartering services for developing an offshore oilfield. These loans helped strengthen the international competitiveness of Japanese companies.

Additionally, JBIC provided loans in various local currencies such as the Mexican peso, the Chinese renminbi, the Russian ruble and the Indian rupee in order to further encourage Japanese companies to expand abroad.

Supporting the Exports of Japanese Companies

JBIC also actively supports the exports of Japanese companies. In FY2018, JBIC provided a buyer's credit to an Indonesian company to purchase a whole set of polyethylene manufacturing plant facilities from a Japanese company. Indonesia faces increasing demand for petrochemical products due to high economic growth. Through this support, JBIC contributes to maintaining and increasing the international competitiveness of Japanese industry in Indonesia's petrochemicals sector.

As for the export of ships, JBIC contributed to maintaining and increasing the international competitiveness of Japan's shipbuilding sector by supporting the export of ships manufactured by Japanese shipbuilders. This also plays a significant role in the development of the Japanese regional economy where mid-tier enterprises and SMEs are engaged in manufacturing materials and components for building ships.



Polyethylene manufacturing plant

Supporting Overseas Business Deployment of Mid-tier Enterprises and SMEs

Since FY2012, JBIC has enhanced its capability to assist Japanese mid-tier enterprises and SMEs in expanding abroad through its business units dedicated to this purpose at its Head Office and Osaka branch. In FY2018, the number of loans, equity participations and guarantees to mid-tier enterprises and SMEs totaled 66. JBIC encouraged mid-tier enterprises and SMEs to expand to overseas markets through its loans in U.S. dollars and local currencies such as Thai baht or long-term loans in foreign currencies provided by Japanese regional financial institutions according to the credit lines (TSLs) offered by JBIC. Especially in FY2018, more than half of commitments for loans, equity participation and guarantees to mid-tier enterprises and SMEs was provided in the form of co-financing with regional financial institutions.

JBIC also proactively responded to the local currency needs of the overseas subsidiaries of Japanese mid-tier enterprises and SMEs by providing loans in local currencies such as Thai baht and Chinese renminbi in addition to U.S. dollars and euro.

Besides support in raising funds, JBIC held seminars and consultation meetings across Japan to provide various information from its overseas representative offices such as on overseas investment environment. 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 in cooperation with Japanese regional financial institutions and foreign embassies in Japan.



Business matching seminar for mid-tier enterprises and SMEs.

Meeting the Needs of Japanese Companies

The international economic conditions surrounding Japan, such as political conditions in each country and economic trend in emerging countries, are constantly changing. While responding to these changes accurately, JBIC continues to provide support to maintain and increase the international competitiveness of Japanese industries.

Capitalizing on various financial instruments, the Industry Finance Group will provide further support to Japanese companies which plan to expand overseas. We will also strive to explore and create new business opportunities for Japanese companies 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 to finance various projects while responding to the needs of customers in a timely and accurate manner.

Equity Finance Group

Message from the Global Head of the Group



Since the establishment of the Equity Finance Group in October 2016, JBIC has been working to strengthen its equity financing operations. 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. In light of this, JBIC has enhanced its capability in the area of equity financing, such as by establishing JBIC IG Partners (JBIC IG) to provide advisory services regarding overseas investment funds. JBIC has also financed overseas M&A transactions by Japanese companies in the form of equity participation.

One of the basic policies in JBIC Third Medium-term Business Plan (FY2018–FY2020) announced in 2018 is to enhance its risk-taking capability by capitalizing on its strength and characteristics as a policy-based financial institution. The Medium-term Business Plan also designates "Growth areas, new fields" and "M&A" as priority areas to focus on. We are required to supply funding to investments in those high priority fields by means of equity financing.

Under the Medium-term Business Plan, we will continue to proactively support Japanese companies in expanding overseas through our equity financing capacity.

FUJINO Shinji
Managing Executive Officer
Global Head of Equity Finance Group

Business Environment and Key Challenges

Expansion into Growth Areas, New Fields and Support for Overseas M&A

Amid the progress of innovation, the recent trends of overseas expansion by Japanese companies show a notable move towards utilizing overseas M&A as a way to obtain new technologies and technical know-how from overseas. Japanese industries are going through a major structural shift to the Fourth Industrial Revolution driven by innovation in technology such as IoT and AI. 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 sectors.

Looking at global markets, as evidenced by the emergence of IT platformers in the U.S. and China, competition across different industries and that for acquiring the market of new innovative technologies is expected to intensify further. Under such circumstances, it is an immediate need that Japanese industries make strategic efforts towards promoting innovation.

M&A activities by Japanese companies aimed at acquiring overseas markets and meeting their demand become more important because of Japan's structural issues such as a decreasing birthrate and an aging population as well as a shrinking labor force. Amid intense competition for acquiring foreign markets, overseas M&A activity is one of the important means adopted by Japanese companies for accelerating growth. Under such conditions, overseas M&A activities by Japanese companies in 2018 reached a record high of 777 deals[1]. It is important to continue to supply funds in response to the needs of Japanese companies for M&A.

In light of these changes in the external environment, JBIC will support Japanese companies in conducting M&A activities in growth areas, new fields, in the form of equity participation as well as fund investment through JBIC IG Partners.

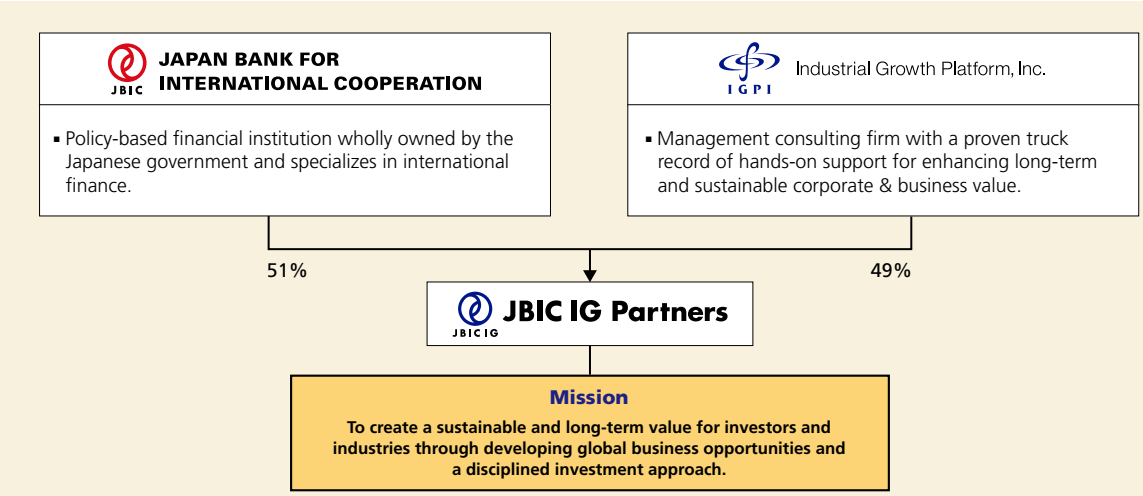
1. Source: RECOF M&A DATABASE

Overview of JBIC IG Partners (JBIC IG)

JBIC IG is an investment advisory firm established in June 2017, by JBIC and Industrial Growth Platform, Inc. (IGPI). 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

JBIC IG Partners is an investment advisory firm established by JBIC and IGPI.

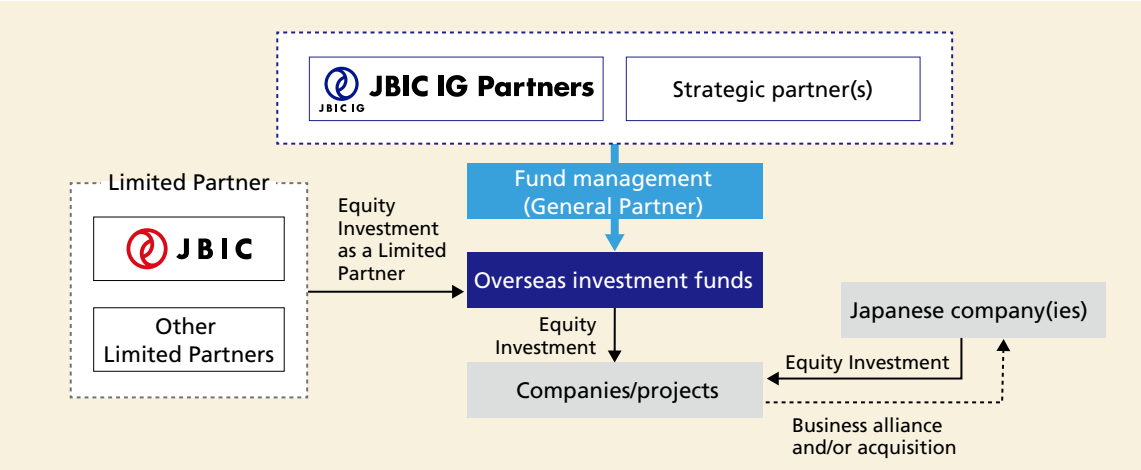


Business Model of JBIC IG

JBIC IG composes overseas funds by partnering with foreign sovereign wealth funds (SWF) and international investors, through investment advisory services to overseas funds. As its first effort, JBIC IG entered into a co-investment framework agreement with the Russian Direct Investment Fund. In January 2019, JBIC IG established a venture capital fund with AS BaltCap, the largest fund manager in the Baltic region. JBIC IG will continue to provide added value to Japanese industry through the creation of new investment funds.

Overview of JBIC IG Partners' Investment Structure

JBIC makes equity investments in overseas companies through investment in funds that JBIC IG Partners launched in collaboration with overseas partners.



Strengthening JBIC's Capability of Equity Financing

Promoting Open Innovation and Acquiring Overseas Technologies by Japanese Companies

To support open innovation of Japanese companies through investment in funds, JBIC made equity investment in JB Nordic Fund I SCSp (JB Nordic), a venture capital fund investing in early stage start-ups in the Nordic and Baltic region.

The Nordic and Baltic region is establishing itself as one of the world's start-up hubs thanks to the existence of numerous unicorn companies (unlisted companies with corporate value of $1 billion or higher) and vibrant entrepreneurial spirit in the region. Under such circumstances, JBIC IG launched JB Nordic in cooperation with AS BaltCap, the largest fund manager in the Baltic region. In addition to JBIC, Omron Corporation, Panasonic Corporation[2] and Honda Motor Co., Ltd. also invest in the Fund. The aim of the Fund is not only to invest in deep-tech companies in the region, but also to create opportunities for those Japanese investors to invest in or form business alliances with local companies in the region.



An event in Helsinki for introducing the fund

JBIC and Dentsu Inc. (Dentsu) made a joint investment in DAZN Group Limited (DAZN, former Perform Group Limited), of the U.K. DAZN is a global market leader in the commercialization of sports content across multiple digital and broadcast platforms. With this investment in DAZN, Dentsu plans to strengthen their international advertisement business using digital technology, as well as their sports business.

JBIC supported JX Nippon Mining & Metals Corporation (JXNMM) by financing part of funds required for purchasing all shares in H.C. Starck Tantalum and Niobium GmbH (HCS TaNb), a German company. 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), a type of rare metal, which are widely used in the Japanese electronics industry. Through the acquisition of HCS TaNb shares, JXNMM seeks to reinforce its business in the area of advanced materials by utilizing HCS TaNb's competitive technological and marketing capabilities.

Support for Securing Important Resources through Equity Investments

In order to support the overseas business expansion by Japanese companies and secure the supply source of mineral resources to Japan, JBIC made equity participation in Vietnam Rare Elements Chemical Joint Stock Company (VREC), a Vietnam-based company invested by Daiichi Kigenso Kagaku Kogyo Co., Ltd. (DKKK).

DKKK holds the world's top-class share in production of zirconium compounds, a main raw material for ceramic products such as automobile emissions purification catalysts. The purpose of the investment in VREC is to provide necessary funds for DKKK to manufacture zirconium oxychloride used as a raw material of zirconium compounds at a plant of VREC and to export this to Japan.

Support for DKKK to secure their procurement route of zirconium oxychloride helps them expand their business in Vietnam as well as secure the stable supply of zirconium, a strategically important mineral resource for Japan.



VREC's new plant to be built

2. Panasonic Corporation commits to the Fund through its subsidiary.

3 Examples of Business Outcomes in FY2018

1 Overview of Business Outcomes by Region ····· 40

2 Examples of Business Outcomes by Region ····· 42

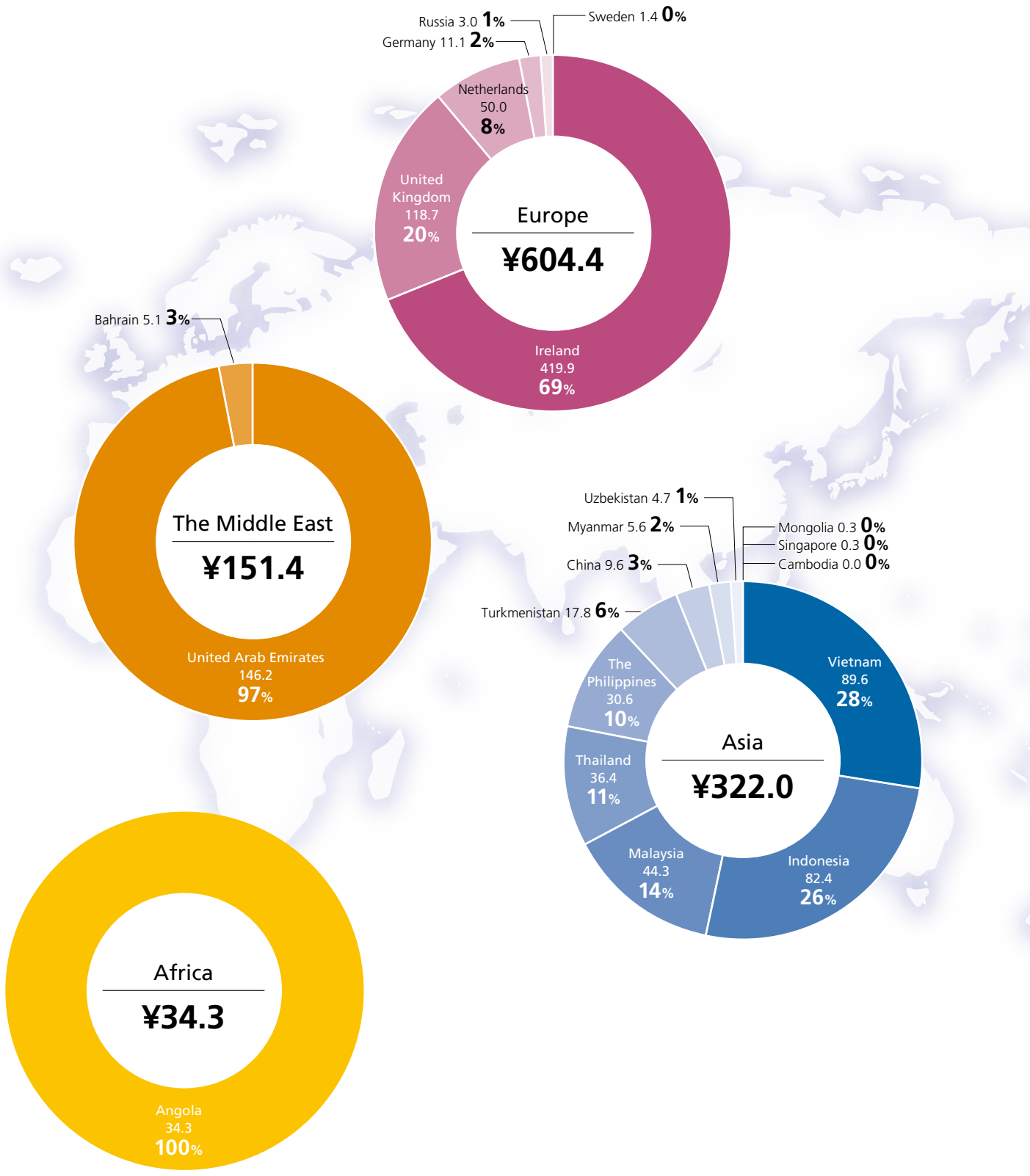
3 Examples of Business Outcomes Relating to Support for Mid-tier Enterprises and SMEs ····· 50

4 Examples of Business Outcomes Relating to Environment ····· 54

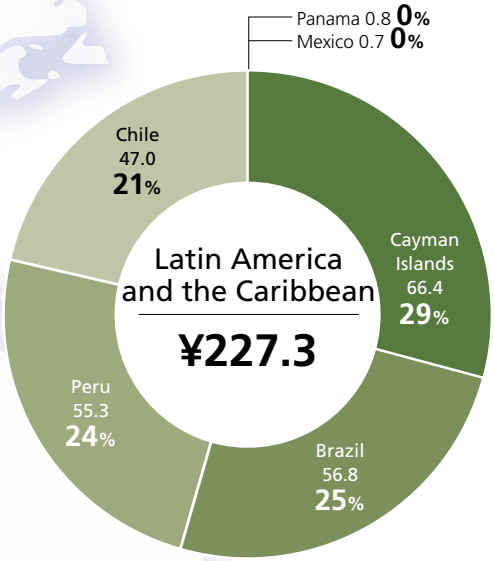
5 Examples of Business Outcomes Relating to Studies and Collaboration with Overseas Governmental Organizations and International Organizations ····· 58

Geographical Distribution of Loan and Equity Participation Commitments

(FY2018; unit: billions of yen)

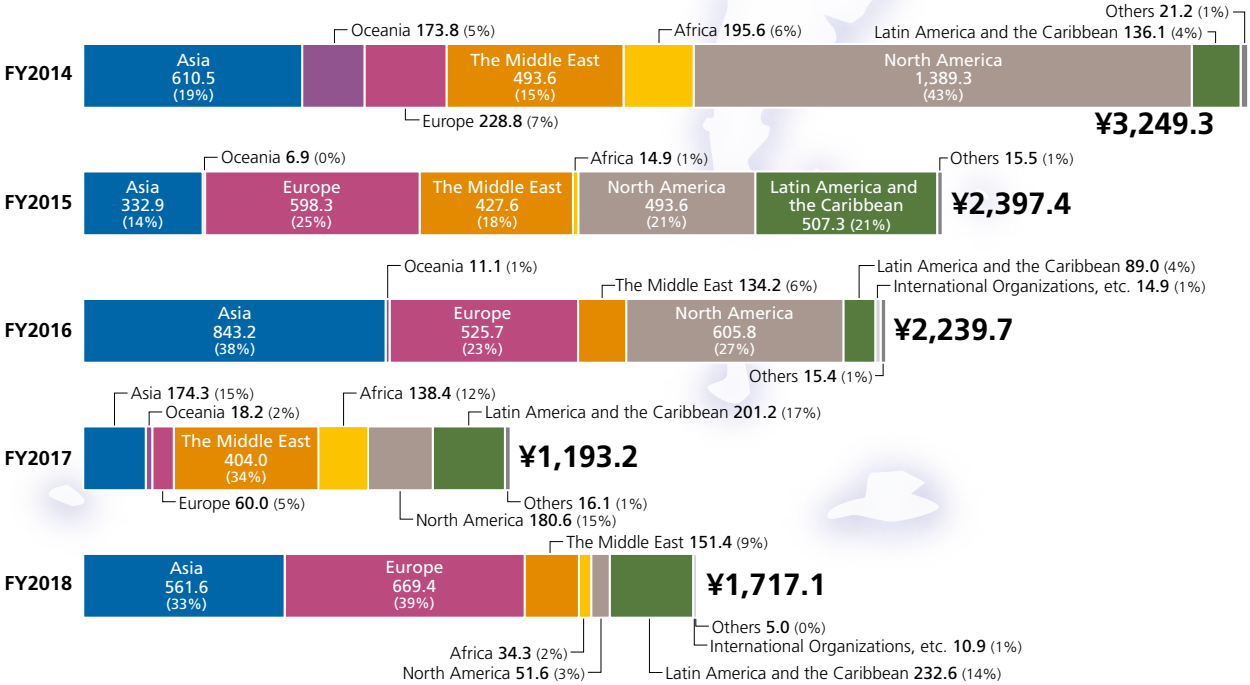






Transition in Composition of Commitments by Region (Loans, Equity Participations, and Guarantees) over the Last 5 Years

(Unit: billions of yen)



Examples of Business Outcomes by Region

Asia

Mongolia

Financing for Silica Mining and Melt-Processing

Supporting the overseas business development of Japanese mid-tier Enterprises and SMEs

JBIC concluded a loan agreement with Megatech Corporation, a small and medium-sized enterprises that repairs and maintains steel plants. The company's subsidiary, Megatech Manufacturing Mongolia LLC (MMM), needs funds for mining and melt-processing of silica in Mongolia's Dornogovi Province. The financing will be used to construct a processing plant.

After mining and melt-processing, silica is used in a wide range of products such as semiconductors, glass items, and tires. Since Megatech uses processed silica for repairing steel furnaces and other purposes, it established MMM in 2015 in anticipation of growing demand for processed silica. The loan supports Megatech's overseas business deployment.



Indonesia

QI-ESG[1] project

Project Financing for Jawa1 Gas-to-Power Project

First project financing to support Japanese companies participating in gas-to-power project in Asia

PT. Jawa Satu Power (JSP) is an Indonesian joint venture owned by Marubeni Corporation, Sojitz Corporation and PT. Pertamina (Persero), the Indonesian state-owned oil company, while PT. Jawa Satu Regas (JSR) is an Indonesian joint venture owned by Marubeni Corporation, Sojitz Corporation, Mitsui O.S.K. Lines, Ltd., PT, Pertamina, and others. JBIC concluded loan agreements for project finance[2] with JSP and JSR to fund a Jawa1 gas-to-power project in Indonesia.

In this project, electric generation and gas-related facilities will be developed in an integrated manner in West Java, Indonesia. JSP will built, own, and operate the gas-fired combined-cycle thermal power plant, while JSR will build, own, and operate an offshore floating LNG storage and regasification unit to supply gas to the power plant on shore. This project plans to sell the produced electricity to the state-owned power utility in Indonesia.

This is the first project financing provided for gas-to-power projects to be implemented in Asia as well as the first time for JBIC to finance such a project.



Malaysia

Financing for Acquisition of IHH Healthcare Berhad Shares in Malaysia

Supporting overseas M&A of Japanese company in the healthcare field

JBIC concluded a loan agreement with Mitsui & Co., Ltd. (Mitsui), providing partial funding for it to acquire additional shares of IHH Healthcare Berhad (IHH), Asia's largest private hospital group. As a result of this acquisition, Mitsui became the largest shareholder of IHH.

IHH is engaged in healthcare businesses such as hospital management and outsourced operation as well as management of medical education facilities in Asia, central and eastern Europe, and the Middle East. It provides medical services mainly for advanced treatment. Mitsui will increase involvement in IHH management through additional share acquisition. It will also create new businesses such as telemedicine by utilizing innovative technology and construction of hospital-related businesses with potential of high market growth. The aim is to build-out and expand Asia's largest healthcare ecosystem.

The financing supports new business expansion and overseas business deployment by a Japanese company, by providing the capital for overseas M&A activities.

1. QI-ESG is an abbreviation for "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth" (see page 57)
2. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.

Myanmar

QI-ESG project

Loan for Development and Operation of Multifunctional Real Estate Complex Project

Supporting overseas business deployment of Japanese companies

JBIC concluded a loan agreement with Yangon Museum Development Pte. Ltd. (YMD), a company established in Singapore by Tokyo Tatemono Co., Ltd., Fujita Corporation, and the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN). This loan is intended to finance the company's development and operation of multifunctional real estate complex to be built in Yangon, Myanmar, consisting of a hotel, serviced apartments, offices, and commercial facilities.

Through this project, Tokyo Tatemono and Fujita will provide services such as Japanese quality office and living spaces for customers, including Japanese companies expanding to Myanmar. The companies plan to gain their know-how in the overseas real estate business in addition to increasing their earnings. This project will install the building energy management system (BEMS) as in the latest style buildings in Japan. This project will thus contribute to global environment preservation through the efficient use of energy throughout buildings.



The Philippines

Partial Acquisition of Publicly Offered Samurai Bonds Issued by the Government of the Philippines and Signing of MOU

Supporting vitalization of the Samurai bond market and strengthening cooperation with the Government of the Philippines

JBIC partially acquired publicly offered yen-denominated foreign bonds (Samurai bonds)[3] issued by the government of the Philippines in the Tokyo bond market, through JBIC's financing facility, the Guarantee and Acquisition toward Tokyo market Enhancement (GATE)[4]. JBIC partially acquired such Samurai bonds issuance by the government of the Philippines, following its support with a guarantee in March 2010. Through such phased issuance of the Samurai bonds, the government of the Philippines maintains and increases its presence as the issuer in the Tokyo bond market. Such foreign issuers' active participation in the Tokyo market is expected to provide broader investment opportunities for Japanese investors and stimulate the Samurai bond market.

In addition, JBIC signed a memorandum of understanding (MOU) with the government of Philippines to enhance strategic cooperation for infrastructure development in the Philippines. This MOU aims to further strengthen close cooperation and partnership that has been fostered between the government of the Philippines and JBIC, with the objective of encouraging Japanese companies to participate in infrastructure development in the Philippines.

Vietnam

Equity Participation in a Vietnamese Company to Secure Strategic Mineral Resources

Supporting overseas business development and securing stable supplies of mineral resources for Japanese companies

JBIC concluded a shareholders' agreement with Daiichi Kigenso Kagaku Kogyo Co., Ltd. (DKKK) and other shareholders for an investment in Vietnam Rare Elements Chemical Joint Stock Company (VREC).

With a background of technological strength in refining and manufacturing zirconium compounds, DKKK holds the world's top class share in production output of these compounds[5]. This transaction is intended to support, through JBIC's investment, the provision of funds necessary for DKKK's consolidated subsidiary, VREC, to manufacture zirconium oxychloride, which is used as a raw material of zirconium compounds and export it to Japan.

Zirconium is listed as one of the Strategic Mineral Resources marked for prioritized effort in the Japanese government's Strategy for Securing Natural Resources, as it is essential to ensuring the competitiveness of the chemical industry. This transaction contributes to DKKK's overseas business development as well as the stable supply of zirconium, a strategic mineral resource.



3. Samurai bonds are yen-denominated bonds issued by foreign governments or companies in the Tokyo bond market.
4. The Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility supports the issuance of Samurai bonds through partial guarantees or partial acquisition by JBIC.
5. Zirconium compounds used for various industrial products such as industrial catalysts and automobile catalytic converters, electronic materials and oxygen sensors, refractory and brake materials, fine ceramics, and solid electrolytes for fuel cells.

Asia



Turkmenistan

Buyer's Credit for Government of Turkmenistan

Supporting export of gas-fired power plant facilities by Japanese companies

JBIC concluded loan agreements on buyer's credit (export loans) with the government of Turkmenistan. These loans are intended to provide financing for Turkmenenergo, Turkmen State Power Corporation, to purchase a full set of facilities from Sumitomo Corporation and construct a gas-fired power plant in Lebap Region, Turkmenistan. The gas turbine and generator to be installed at the power plant as the main equipment are manufactured by Mitsubishi Hitachi Power Systems, Ltd.

During Japan-Turkmenistan Summit Meeting in October 2015, the Japanese Government declared its cooperation towards the realization of the efficient utilization of Turkmenistan's energy and resources in the "Japan-Turkmenistan Joint Statement". The loans provided by JBIC to support the export of Japanese-made gas-fired power generation plant equipment are therefore in line with this initiative of the Japanese and Turkmenistan governments. Furthermore, this financial support will create business opportunities for Japanese companies in the infrastructure sector of Turkmenistan, thus contributing to maintaining and strengthening the international competitiveness of Japanese industries.



Uzbekistan

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

Supporting export of equipment related to Uzbekistan's backbone telecommunication network system by Japanese companies

JBIC concluded an export credit line agreement with the National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU). This credit line is intended to provide funds, through NBU, to Uzbektelecom JSC, a state-operated telecommunications company, for the purchase of a complete backbone telecommunication network system manufactured by NEC Corporation etc. from Toyota Tsusho Corporation.

Uzbekistan has been promoting high-speed, high-capacity telecommunications by updating the backbone telecommunication network system, responding to the progress of information technology and the growing popularity of smartphones. Through offering support by financing the export of high quality telecommunications equipment from Japan, this credit line will contribute to the capacity upgrade of Uzbekistan's backbone telecommunication network system.

Europe

Nordic and Baltic Region

Equity Participation in Fund that Invests in Deep-Tech Companies in Nordic and Baltic Region

Supporting Japanese companies in strengthening international competitiveness through investments in venture capital fund

JBIC concluded an agreement for equity participation in JB Nordic Fund I SCSp (the Fund). The fund is jointly established as a venture capital fund and managed by AS BaltCap, a leading fund manager in the Baltic States based in Estonia, and JBIC IG Partners[1]. The fund intends to invest in deep-tech startups in the Nordic and Baltic region[2].

The Nordic and Baltic region has been establishing itself as a leading hub for deep-tech startups. OMRON Corporation, Panasonic Corporation[3] and Honda Motor Co., Ltd. have also committed to the fund as strategic investors. The fund will invest in deep-tech startups in the Nordic and Baltic region, while promoting business partnership opportunities between the startups and Japanese companies and investors. In this way, JBIC is supporting the overseas business strategies of Japanese companies.



Fund launching event in Helsink

United Kingdom

Equity Participation in DAZN Group Limited

Supporting Japanese companies' overseas business expansion

JBIC concluded a shareholders' agreement with Dentsu Inc. (Dentsu) for a joint investment in DAZN Group Limited (DAZN, former Perform Group Limited).

DAZN is a global market leader in the commercialization of sports content across multiple digital and broadcast platforms. With this investment, Dentsu plans to strengthen their international advertisement business using digital technology, as well as their sports business.

Changes in the business environment surrounding Japan are growing ever more rapid and disruptive, following worldwide trends such as the fourth industrial revolution. In Japan's industrial sector, efforts to improve productivity that go beyond the borders of existing industries, as well as the pursuit of leading-edge technology and innovation, have become urgent issues. In this project, JBIC supports Dentsu's efforts to strengthen their international advertisement business using digital technology, thereby contributing to maintaining and strengthening the international competitiveness of the Japanese industry.

Ireland

Loan for Acquisition of Shire plc by Takeda Pharmaceutical Company Limited

Supporting overseas M&A of Japanese companies in the pharmaceutical industry

JBIC concluded a loan agreement with Takeda Pharmaceutical Company Limited (Takeda), to finance part of the funds required for acquiring Shire plc (Shire) in Ireland.

Shire has strength in pharmaceuticals for rare diseases and plasma-derived therapies[4], the demand for which is expected to grow. This biopharmaceutical company also has multiple leading brands and new drug pipelines in the gastroenterology (GI) and neuroscience areas. Through the acquisition, Takeda has five focus areas: gastroenterology (GI), rare diseases, plasma-derived therapies, oncology (cancer), and neuroscience. In addition, Shire has a sizable sales share in the U.S. market, which is the largest market in the world and expected to continue to grow at a high rate. The acquisition makes it possible to gain further driving force for growth overseas.

The loan helps a Japanese company to promote new and existing business development overseas by providing it with long-term foreign currency funding necessary for M&A activities outside Japan.



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1. JBIC IG partners established in June 2017 by JBIC and Industrial Growth Platform, Inc. for the purpose of providing advice to overseas investment funds.
2. The region comprises eight countries: Finland, Sweden, Denmark, Norway, and Iceland (the Nordic countries) and Estonia, Latvia, and Lithuania (the Baltic countries).
3. Panasonic Corporation commits to the Fund through a subsidiary.
4. Products manufactured by separating and refining from human blood plasma various types of plasma protein necessary for treatment.

Middle East

Bahrain

Export Credit Line for Aluminium Bahrain B.S.C. (Alba) in Bahrain

Providing Support for Export of Aluminium Smelting Equipment from Japan

JBIC concluded a general agreement offering an export credit line[1] with Aluminium Bahrain B.S.C. (Alba) of Bahrain. Alba is one of the largest aluminium smelters in the Middle East. The loan was extended to Alba to finance the purchase of a full set of equipment necessary for its brownfield Line 6 Expansion Project. In this project, Fuji Electric Co., Ltd. supplied the world's largest rectifiers and ancillary equipment while Sumitomo Corporation delivered carbon cathodes manufactured by SEC Carbon Limited, which are used in the electrolysis of alumina to produce aluminium.

In pursuit of the vision of building a nation that does not depend on oil resources, Bahrain is aiming to grow its economy by developing non-petroleum sectors through industrial diversification. This loan is in line with the policies of the government of Bahrain and will contribute to the Japanese industry in maintaining and enhancing its international competitiveness by further facilitating machinery and equipment exports from Japan.



United Arab Emirates

QI- ESG project

Buyer's Credit and Project Finance for the Power Sector in Sharjah, UAE

Supporting Overseas Infrastructure project under the QI-ESG

JBIC concluded a buyer's credit loan agreement with Sharjah Electricity and Water Authority (SEWA) of the Emirate of Sharjah. This loan provides financing for the purchase of a complete set of power generation equipment, including the gas turbine, manufactured by Mitsubishi Hitachi Power Systems, Ltd. This is JBIC's first loan provided to Sharjah.

JBIC also concluded a loan agreement with Sharjah Hamriyah Independent Power Company PJSC (SHIPCO) in the UAE, in which Sumitomo Corporation and Shikoku Electric Power Company, Incorporated hold an equity stake. JBIC provides project financing for the Hamriyah Gas-fired Combined Cycle Power Plant located in the Emirate of Sharjah. Under this project, SHIPCO will build, own, and operate the gas-fired combined cycle power plant and sell electricity to SEWA once the plant becomes operational. It is the first Sharjah's independent power producer (IPP)[2] project.

The Emirate of Sharjah is expected to enjoy stable economic growth. On the other hand, the response to increasing demand for electricity due to growing economy becomes an issue to be addressed in the emirate. JBIC will contribute to a stable power supply to the emirate through financing for the export of power generation equipment by Japanese companies and projects where they participate.



1. An export credit line is a form of export credit in which JBIC offers credit lines up to a certain amount for foreign banks or corporations which plan to purchase equipment and associated services from Japan.
2. An IPP (Independent Power Producer) is an independent producer of electric power who builds and operates power facilities, and generates electric power available for sale.

United Arab Emirates

Loan for Acquiring Interests in Offshore Oil Field in Abu Dhabi

Contributing to stable supply of energy resources for Japan

JBIC concluded a loan agreement with Inpex Corporation (INPEX) to provide necessary funds for it to acquire interests in the Lower Zakum offshore oil field in the Emirate of Abu Dhabi. JBIC also concluded a loan agreement with Japan Oil Development Co., Ltd. (JODCO), a subsidiary of INPEX, to finance the extension of interests held by JODCO in the Satah and Umm Al-Dalkh offshore oil fields located in the emirate.

In the Fifth Strategic Energy Plan, the Japanese government maintains the goal of increasing its self-development ratio[3] of oil and natural gas to 40% or more by 2030. According to the Plan, 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 indirectly supported Japanese companies' interest acquisitions in Abu Dhabi through its activities such as signing of a memorandum of understanding with Abu Dhabi National Oil Company (ADNOC) which manages Abu Dhabi's oil and gas businesses. In line with these efforts, this loan contributes to enhancing its self-development ratio.



Africa

Angola

Export Credit Line for the Government of Angola

Supporting export of equipment and services related to the harbor Sector by Japanese companies

JBIC concluded a general agreement with the government of Angola to provide an export credit line. Based on this agreement, two loan contracts were also concluded.

The credit line is intended to provide funds for the Angolan government to import machinery and equipment from Toyota Tsusho Corporation and TOA Corporation services for use in relation to the Namibe Comprehensive Development Project, which includes two projects being carried out by Angola's Ministry of Transport: the Namibe Port Expansion for New Container Terminal Project and the Sacomar Iron Ore Export Terminal Rehabilitation Project.

In Angola, the optimization of logistics through establishing logistics bases in the southern part of the country and the acquisition of foreign currencies by promoting mineral resource exports are important issues. Therefore, these two projects are recognized among the highest-priority projects in Angola's public investment plan. In addition to contributing to the development of the ports of Angola, these projects will contribute to maintaining and enhancing the international competitiveness of Japanese industry by promoting the export of port-related equipment to the country by Japanese companies.



3. The ratio of the value of oil and natural gas transactions pertaining to the stake owned by Japanese companies to the total value of oil and natural gas imported into or produced in the country.

Latin America

Brazil

Project Financing for FPSO Operation Project

Supporting offshore resource development business and strengthening international competitiveness of Japanese companies

JBIC concluded a loan agreement with Dutch company Libra MV31 B.V. (LMV31) incorporated by MODEC, Inc. (MODEC), Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd., and Marubeni Corporation. The loan is in the form of project finance to finance long-term FPSO[1] vessel chartering services, to be provided to Petróleo Brasileiro S.A. (Petrobras), a state-owned oil company in Brazil for developing the Mero oil field[2] in the Libra Block located off the coast of Brazil.

This loan will strengthen the international competitiveness of Japanese companies in offshore resource development by helping them acquire and improve technologies, management practices, and know-how regarding the operation of FPSO systems.



An FPSO vessel of the same type used in the project. (provided by MODEC, Inc.)

Chile

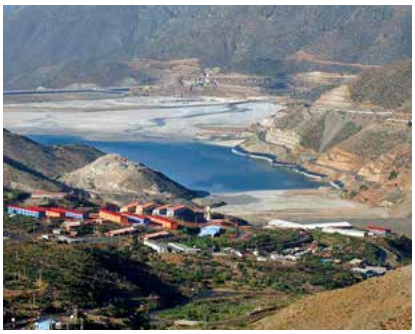
Loan for Los Pelambres Copper Mine Expansion in Chile

Supporting Japanese Companies' Long-term, Stable Supplies of Copper Concentrate

JBIC concluded a loan agreement with the Chilean corporation Minera Los Pelambres (MLP) to finance the expansion of the Los Pelambres copper mine.

This loan is intended to provide long-term financing for the capital investment required to build an additional concentrator and desalinated water supply facilities to reinforce the ore processing capacity at the Los Pelambres copper mine, located in the Coquimbo Region in Chile. The project will be undertaken by MLP, which is owned by UK-listed Antofagasta PLC, JX Nippon Mining & Metals Corporation, Mitsubishi Materials Corporation, Marubeni Corporation and Mitsubishi Corporation.

Copper is an essential metal for Japanese industries. Since Japan relies solely on imports for copper concentrates, it is an urgent challenge to secure a long-term, stable supply of copper resources. JBIC will continue to actively support Japanese companies' development and procurement of minerals and other natural resources and provide financing to ensure a stable mineral resources supply to Japan by drawing on its various financial facilities and schemes.



Peru

Loan for Quellaveco Copper Mine Development Project in Peru

Contributing to Stable Supplies of Copper Resources by Supporting Japanese Company's Large-Scale Copper Mine Development Project

JBIC concluded a loan agreement with Mitsubishi Corporation for its Quellaveco Copper Mine Development Project. This loan is intended to provide part of the funds which Mitsubishi will provide for the project. The project is undertaken by Anglo American Quellaveco S.A., a Peruvian subsidiary of Mitsubishi and British company Anglo American plc, one of the leading mining companies. Mitsubishi owns 40% interest in the Quellaveco Copper Mine, and will offtake the equivalent proportion of the copper ore produced, which it plans to supply to smelters including Japanese ones.

Since Japan relies solely on imports for copper concentrates, it is an urgent challenge to secure a long-term, stable supply of copper resources. The Strategic Energy Plan set the goal of achieving at least 80% self-sufficiency for base metals by 2030. This project supports the additional development of a copper mine in which Japanese companies hold interests and, as such, is in line with the Japanese government's policies.



1. 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. It separates associated gas and water, stores, and offloads the oil.
2. This oil field is located in the pre-salt layer of the Santos Basin, which is approximately 180 kilometers off the southeast coast of the state of Rio de Janeiro.

Mexico

MOU with Petróleos Mexicanos

Supporting Japanese companies' participation in oil and gas development and energy-related infrastructure business



JBIC concluded an MOU to strengthen the institutional cooperation in the oil and natural gas, energy-related infrastructure, and environment fields with Petróleos Mexicanos (PEMEX), the Mexican state-owned petroleum company, at the seventh annual meeting on policy dialogue with the Mexican Government.

This MOU aims to hold periodic discussions between JBIC and PEMEX and further enhance cooperation. The MOU also intends to promote Japanese companies' participation in upstream development and oil refinery upgrading business run by PEMEX in Mexico.

As Japan's policy-based financial institution, JBIC will continue to support the overseas development and acquisition of natural resources by Japanese companies and contribute to the creation of business opportunities for Japanese companies to participate in and to further deepen and develop the economic relationship of Japan and Mexico.

Mexico

Loan for Manufacturing and Sales of Automobile Parts

Supporting overseas business deployment of Japanese automobile component manufacturers through local currency financing



JBIC concluded a loan agreement with Molitec Steel Mexico, S.A. de C.V. (MSM), a Mexican subsidiary of MOLITEC STEEL CO., LTD. (MOLITEC). This loan is intended to finance for MSM's manufacturing and sales of automobile components, in particular continuously variable transmission parts, in the state of Aguascalientes in West-Central Mexico.

Mexico is a major automobile manufacturer and exporter for North America. Japanese and foreign-affiliated manufacturers of automobile-related products are developing their business in the market, and further increases in demand for automotive components are expected. Amidst this environment, MOLITEC founded MSM in 2013, and is now increasing its production capacity in order to expand its sales of automotive components in Mexico. This local currency loan is intended to support the company in expanding its overseas business.

Argentina

Export Credit Line for Banco de la Nación Argentina

Supporting export of infrastructure-related equipment to Argentina by Japanese companies



JBIC concluded a general agreement with Banco de la Nación Argentina (BNA), the largest commercial bank in Argentina, regarding the provision of an export credit line.

This credit line is intended to provide financial support to local companies in Argentina that require funding to purchase infrastructure-related equipment from Japanese companies and their overseas affiliates. Financing will be carried out through BNA, which will extend medium/long-term loans denominated in Japanese yen or U.S. dollars. This credit line will facilitate the expansion of business transactions between Argentina and Japanese companies, and the expansion of exports to Argentina from Japan.

In Argentina, there are prospects for enlarging business opportunities, mainly in the field of infrastructure and energy. The credit line is expected to boost the exports of Japanese companies to Argentina.

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

Tsujitomi & Co., Ltd. (Shiga Prefecture)

Nonwoven Fabric Manufacturing and Sales Business

Tsujitomi is engaged in the manufacture and sale of nonwoven fabrics such as automotive materials as well as civil engineering and construction materials. In 2002, it established JIAXING HUALI NON-WOVEN FABRIC CO., LTD. (JHN) in Zhejiang Province, China, to manufacture and sell nonwoven fabrics for automobile interiors and etc. By expanding JHN's production capacity, Tsujitomi seeks to increase its market share in China, where the nonwoven fabrics market is expected to expand on the back of a growing automotive market. JBIC provided JHN with the funds necessary to expand its production capacity.



Cambodia Vietnam

NAKAZAWA GROUP (Shiga Prefecture)

Wristwatch Sales and Repair Business

NAKAZAWA GROUP is engaged in the sale and repair of wristwatches. By establishing NAKAZAWA VIETNAM CO., LTD. (NKV) in Vietnam in 2013 and NAKAZAWA (CAMBODIA) CO., LTD. (NCC) in Cambodia in 2014, NAKAZAWA GROUP started business in both countries where consumer spending is expected to rise with a growing middle class. NAKAZAWA GROUP seeks to expand its sales share by opening new stores. JBIC provided the funds necessary for NKV to open its fourth store in Vietnam, and for NCC to open its second store in Cambodia.



Cambodia



Vietnam

Indonesia

NIKKATSU ELECTRIC WIRE WORKS, LTD. (Aichi Prefecture)

Electric Wire and Cable Manufacturing and Sales Business

NIKKATSU ELECTRIC WIRE WORKS (NIKKATSU) is engaged in the manufacture and sale of electric wire, cable and etc. In 1995, it established PT. SURYAMULYA BANGUN INDO (SMBI), which conducts manufacture and sale of electric wire and cable for elevators in Indonesia. With demand for elevators expected to expand, on the back of economic growth in ASEAN countries, NIKKATSU seeks to expand its overseas production through SMBI. JBIC supports NIKKATSU's globalization effort by guaranteeing a cross-border loan from the Aichi Bank, Ltd. to SMBI, and providing loan to the Aichi Bank based on its preset credit line*.

*In March 2019, JBIC concluded a credit line with the Aichi Bank to support the overseas business deployment of Japanese mid-tier enterprises and SMEs as well as M&A transactions involving Japanese companies.



Indonesia

Hanken Works Ltd. (Nara Prefecture)

Manufacture and Sales of Tanks for Construction Machines

Hanken Works is engaged in the manufacture and sale of tanks for construction machines. In 1995, it established PT HANKEN INDONESIA (HKI) in Indonesia. With demand for construction machines is expanding on the back of economic growth in Indonesia and neighboring countries, Hanken Works seeks to expand its overseas production through HKI. JBIC supports HKI's cross-border borrowing by concluding a loan agreement* and a guarantee agreement with the Hokkoku Bank, Ltd. for the funds necessary to purchase additional facilities.

*An agreement concluded with the Hokkoku Bank in February 2019, based on an investment credit line to support the overseas business deployment of Japanese mid-tier enterprises and SMEs as well as M&A transactions involving Japanese companies.



Myanmar

SUNTECH Co., Ltd. (Kagawa Prefecture)

Plant Machinery and Equipment Manufacturing and Sales Business

TAKAHATA Inc. (Kagawa Prefecture)

Switchboard and Power Controller Manufacturing and Sales Business

SUNTECH, which manufactures and sells a wide range of plant machineries and equipment mainly made of stainless steel, and TAKAHATA, which manufactures and sells switchboards, power controllers and etc., established the joint venture Mooz & Company Myanmar Limited (MCM) in Myanmar. Development of transportation and electricity infrastructure is expected to grow in Myanmar, and MCM seeks to enter and capture a market share of the gasoline stand gas tanks and electrical distribution systems. JBIC provided SUNTECH and TAKAHATA with the funds necessary to establish MCM.



The Philippines

MJK Ltd. (Aichi Prefecture)

Plastic Molded Parts Manufacturing and Sales Business

MJK is engaged in the manufacture and sale of plastic molded parts n wire harnesses, mainly for automobiles. In the Philippines, the market for automotive parts is expected to expand on the back of economic growth in Asian countries. MJK established MJA MOLD PHILS. INC. (MJAM) to expand its business. JBIC provided MJAM with funds necessary in its business of manufacturing and selling plastic injection-molded pieces for automotive parts. The funds were used to increase production equipment.



Thailand

JET8 Co., Ltd. (Tokyo)

International Freight Transport Business

JET8's main business area is international logistics hang on advantage of temperature-controlled transport. In 2009, it established JET8 (Thailand) Co., Ltd. (J8TH) in Thailand and has engaged in many transportation projects for cargo such as medical products, vaccines, and medical samples. In addition to expanding its capacity and upgrading its temperature-controlled logistics services, J8TH seeks to expand its business into logistics service supporting import and export of refrigerated cargo as well as temperature-controlled supply chains among third-countries and within Thailand. JBIC provided J8TH with Thai baht-denominated funds necessary to expand its capacity.



Thailand

TATSUMI SHOKAI Co., Ltd. (Osaka Prefecture)

General Logistics Business

TATSUMI SHOKAI is engaged in marine transportation, warehousing, harbor transportation, land transportation, and air freight forwarding. It has established a global logistics network with local subsidiaries in Southeast Asia as well as in Europe and the U.S. In light of growing demand for logistics in Thailand, it established a local subsidiary in 2017 to conduct warehouse operations. It mainly stores and transports components and finished products for Japanese companies. Through its local subsidiary in Thailand, it has also acquired shares in a tank terminal operator to acquire a customer base and to expand its logistics business in Thailand. JBIC provided TATSUMI SHOKAI with the funds to establish the local subsidiary, and also provided the local subsidiary in Thailand with funds for acquiring shares in a Thai corporation.



Thailand

MARUESU Corporation (Osaka Prefecture)

Food Processing and Sales Business

MARUESU is engaged in the manufacture and sale of snacks such as fried squid. With firm economic development driving growth in demand for luxury grocery items in Southeast Asia, it established MARUESU FACTORY (THAILAND) CO., LTD. (MFT) in Thailand and seeks to expand the market, through Japanese retailers, for products adapted to local tastes. JBIC provided MFT with Thai baht-denominated funds necessary for its food processing and sale business.



Thailand

VS Technology Corporation (Tokyo)

Industrial Lenses and Lighting Manufacturing and Sales Business

VS Technology is engaged in the manufacture and sale of industrial lenses and inspection lighting for factory production lines in a wide range of manufacturing industries. As the automation of operational processes progresses in manufacturing industries, including the automobile industry, demand for these products is anticipated to expand in the future. VS Technology therefore established VS Technology (Thailand) Co., Ltd. (VSTT) to expand its business abroad. JBIC provided VSTT with funds necessary for expanding production in its industrial lenses and lighting manufacturing and sale business.



Vietnam

Atago and Co., Ltd. (Fukui Prefecture)

Knitted Apparel Manufacturing and Sales

Atago is engaged in the manufacture and sale of knitted apparel. It has been expanding its business abroad since 1996, when it ventured into China. It decided to newly establish Atago Garment Vietnam Co., Ltd. (AGV) in Vietnam to expand its production capacity abroad and to lower manufacturing costs. AGV mainly manufactures and sells knitted apparel for well-known sports brands and seeks to expand its business further. JBIC provided Atago with funds necessary for AGV's new manufacturing base.



Vietnam

FUJISLATE CO., LTD. (Tokushima Prefecture)

Lightweight Roof Tile Manufacturing and Sales Business

FUJISLATE is mainly engaged in the manufacture and sale of lightweight roof tiles. After entering into Vietnam in 2011, it decided to establish the local subsidiary FUJI STAR ROOF CO., LTD. (FSR) in light of expansion of the Vietnamese market and seeks to enter and capture a share of the Southeast Asian market, including in Vietnam. JBIC provided FUJISLATE with funds necessary for it to establish FSR and conduct the business.



Vietnam

HASHIMOTO-CLOTH Co., Ltd. (Shiga Prefecture)

Nonwoven Goods Manufacturing and Sales Business

HASHIMOTO-CLOTH is engaged in the manufacture and sale of nonwoven goods in a wide range of industries, especially industrial items such as control panel filters, cloth, and oil adsorbents. In 2018, it established HASHIMOTO CLOTH VIETNAM CO., LTD. (HACV) as a manufacturing base in Vietnam. With demand for nonwoven goods anticipated to expand in the future, especially in Asia, HASHIMOTO-CLOTH seeks to lower manufacturing costs and expand sales through capital investment into HACV. JBIC provided HACV with funds to establish a new manufacturing plant for nonwoven goods.



Conceptual image of Vietnamese plant



Head office building

Mexico

Beyonz Co., Ltd. (Shizuoka Prefecture)

Automotive Parts Manufacturing and Sales Business

Beyonz is engaged in the manufacture and sale of automotive parts. Driven by steadily growing automobile demand in North America, Mexico, as a production base for automotive parts, is anticipated to see an increase in trade for North American export. Beyonz established BEYONZ MEXICANA, S.A. DE C.V. (BM) in 2013 and aims to expand its business in Mexico. JBIC concluded an individual loan under a preset credit line* with the Shizuoka Bank, Ltd. and provided, through the Shizuoka Bank, BM with the funds necessary for its automotive parts manufacturing and sale business.

*JBIC concluded an investment credit line with the Shizuoka Bank in December 2016 to support the overseas business deployment of Japanese mid-tier enterprises and SMEs.



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; 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 Manufacturing and Sales Ceramic Products for Purifying Automobile Exhaust in Thailand

QI-ESG project



In recent years, economic growth and population increases have driven rising automobile demand in Asian countries, particularly in China and the ASEAN region. In response to this growth, emission regulations have been tightened. Under such circumstances, an increase in demand is expected for the ceramics that purify harmful automobile emissions such as hydrocarbon (HC), carbon monoxide (CO), and nitrogen oxide (NOx).

NGK CERAMICS (THAILAND) CO., LTD. (ACTH), a Thai subsidiary of NGK INSULATORS, LTD., aims to expand its business in Asia by increasing its manufacturing capabilities for automobile exhaust purifying ceramics for large commercial vehicles. The new manufacturing facilities are to be built in Samut Prakarn Province, Thailand.



JBIC concluded a loan agreement with ACTH to support the expansion of their manufacturing capabilities. This loan is also provided under JBIC's "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth" (QI-ESG).

Supporting Offshore Wind Power Generation Project in the United Kingdom

QI-ESG project



JBIC concluded a loan agreement in project financing with British company Moray Offshore Windfarm (East) Limited (MOWEL), invested in by Mitsubishi Corporation, Kansai Electric Power Co., Inc., Mitsubishi UFJ Lease & Finance Company Limited and others, for the Moray East offshore wind power generation project in the United Kingdom (U.K.). For this project, MOWEL builds, owns and operates an offshore wind farm to be located off the coast of Moray, Scotland, in northern Great Britain. Under the Contracts for Difference (CfD)[1], a U.K. renewable energy subsidy scheme, MOWEL will sell electricity to power retailers for 15 years after the start of commercial operations.

In June 2019, the U.K. government legislated to pursue net zero emissions of greenhouse gases (GHGs) by 2050. Also, under the Energy Act 2013, it is striving to expand low carbon energy sources as a replacement for existing power plants through the CfD scheme. This project will contribute to the reduction of GHGs emissions in the country.

1. CfD is a contract between the UK government's wholly owned Low Carbon Contracts Company and power developers, and the scheme ensures long-term income for power developers by adjusting for the difference between the price determined by the UK government and the index price in the power market.

Supporting a Waste Treatment Project in Sweden

QI-ESG project

JBIC concluded a loan agreement of Swedish krona with HZI Jönköping Biogas AB (HZI Jönköping Biogas), a Swedish subsidiary of Hitachi Zosen Corporation Group (Hitachi Zosen Group). This loan is intended to provide the necessary funds for HZI Jönköping Biogas to build a waste treatment plant using methane fermentation technology located in the city of Jönköping, Sweden, and to treat waste and sell biogas for 20 years.



Hitachi Zosen Group is a leading group which boasts a world-class track record in waste treatment and power generation plants. This project is the first business investment for Hitachi Zosen Group in the waste treatment field in Sweden. It is thus positioned as an important milestone in further developing the group's overseas business. In addition, the biogas sold by HZI Jönköping Biogas is scheduled to be used as fuel for public transport in the city of Jönköping. This loan will also contribute to the preservation of the global environment.

Credit Line for CABEI to Support Renewable Energy Projects

QI-ESG project

JBIC concluded a loan agreement to set up a credit line with the Central American Bank for Economic Integration (CABEI)[2]. This credit line is intended to finance, through CABEI, smart energy projects such as maintenance and upgrading of transmission and distribution networks in Central America, as part of GREEN operations.

CABEI is a multilateral regional development financial institution whose objective is to promote the economic integration and balanced economic and social development of the Central American region. Advocating "environmental sustainability" as a component of its business strategy, it is enhancing initiatives targeting renewable energy and efficient transmission and distribution networks. JBIC and CABEI have built up close cooperative ties since the late 1960s through loans financing Japanese exports of machinery and equipment to Central American countries and their infrastructure projects. This loan, which finances the environment sector, will further deepen cooperative relations between the two institutions.

Partnerships and Knowledge Sharing in the Environmental Sector

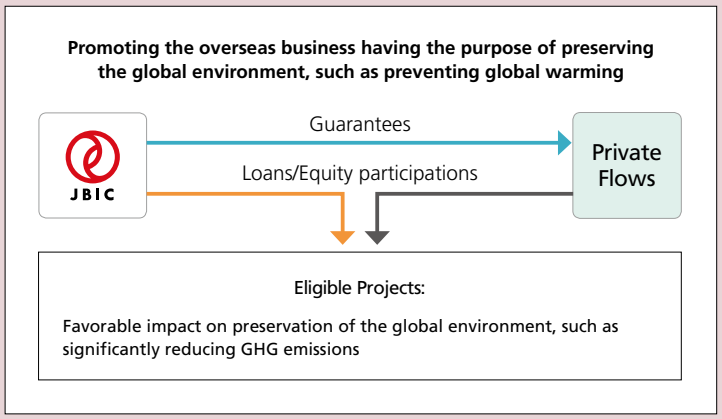
Amid growing expectations for the implementation of environment-related projects toward global environmental conservation and a low-carbon society in various parts of the world, JBIC supports Japanese overseas business deployment as well as efforts being made by foreign governments in this field, not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

2. Spanish name: Banco Centroamericano de Integración Económica

GREEN Operations

JBIC conducts environmental operations under Global action for Reconciling Economic growth and ENvironmental preservation ("GREEN"). Under GREEN operations, JBIC provides 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 significantly reduce GHG emissions, while paying attention to potential use of Japanese advanced technologies that are highly regarded around the world.

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



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

JBIC launched on July 1, 2018, its new Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG). With an increasing global trend for environmental, social and governance (ESG) investment across the world, this new facility aims to provide a wide range of support for infrastructure development intended to help preserve the global environment.

Financing Conditions of QI-ESG

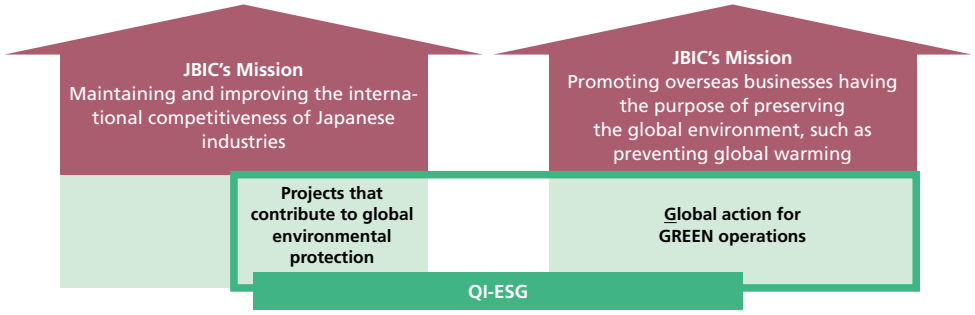
Eligible projects	Projects that are expected to reduce GHGs or contribute to protecting the global environment, including those related to renewable energy, energy savings, green mobility solutions (such as a modal shift in transportation, and electric vehicles), air pollution prevention, water supply, 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 co-financing 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 global environmental protection, including those connected with air pollution prevention, water supply, water pollution prevention, and waste disposal, in addition to the projects expected to substantially reduce GHG emissions, which JBIC has supported under its GREEN Operations.

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.

More streamlined and efficient operation procedures:
Projects approved under its GREEN Operations have been required to quantify GHG emission reductions under the Guidelines for Measurement, Reporting and Verification (MRV) 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.



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 30th 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 FY2018 survey reported on regularly covered topics such as "evaluations of overseas business performance," "overseas business prospects," and "promising countries or regions for overseas business operations." In addition, this survey examined "impact of protectionism" and "views on environmental regulations and development of environment-related business" as individual topics.

In terms of "impact of protectionism," this survey suggested that protectionism could potentially cause to pause or lower foreign direct investment in the future. As for "views on environmental regulations and development of environment-related business," with China and the EU tightening regulations, this survey observed that rising environmental awareness presents a good opportunity for business expansion.

JBIC publishes its survey results and widely announces 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.



Overseas investment seminar 2019: Overseas Business Operations by Japanese Manufacturing Companies

Collaboration with Overseas Governmental Organizations and International Organizations

JBIC held a workshop in February 2019, in Manila, the Philippines, to discuss with the country's government and its agencies about issues and improvements related to infrastructure development in the country under public-private partnerships (PPPs). The purpose was to exchange views with the government of the Philippines and their agencies about the risks associated with the hybrid PPPs (a project scheme in which the government finances the construction phase of an infrastructure project while the private sector is involved in the operation and maintenance of the project), as well as to increase business opportunities for Japanese companies to participate in infrastructure development in the Philippines. The most of workshop participants were officials of international organizations such as the Asian Development Bank (ADB) and the International Finance Corporation (IFC), as well as the government of the Philippines and its agencies. The participants showed much interest in hybrid PPP projects for infrastructure development.



PPP workshop for the government of the Philippines

JBIC jointly hosted a seminar with the Ministry of Finance of Indonesia in October 2018. The seminar was titled "How to Mobilize Private Investment for Green Infrastructures Promoting Intraregional Connectivity." It was held during the 73rd International Monetary Fund–World Bank Group Annual Meeting in Bali to share the potential opportunities of green infrastructure development in Asia, and challenges on the mobilization of private investment for green infrastructure development. There were keynote speeches and presentations by officials from the government of Indonesia, experts from international organizations and major stakeholders of the green infrastructure development. The objective of this seminar is to gain and share common awareness on this theme.

JBIC Governor MAEDA Tadashi, in the keynote speech, presented how JBIC is actively undertaking green infrastructure, which is positioned as one of the key issues in the new Medium-term Business Plan



Keynote speech by JBIC Governor MAEDA

(FY2018-2020). In addition, he introduced the Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG), which was launched in July 2018, to support the promotion of investments in green infrastructure by the private sector.

In June 2018, JBIC co-hosted a seminar titled "India Industrial Corridor Seminar at Gurugram" with Indian company Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC) in Gurugram (formerly Gurgaon).

The Delhi-Mumbai Industrial Corridor (DMIC) is a joint project led by Japan and India to intensively develop industrial parks and other infrastructure along 150 km on both sides of a Dedicated Freight Corridor (DFC) that covers a distance of 1,483 km between Delhi and Mumbai, the two largest cities in India. In 2013, JBIC signed an agreement subscribing to new shares issued by DMICDC, and it has been providing support for the formation of infrastructure development projects in the areas covered by the DMIC.

The development of the DMIC region has materialized mainly through the development of smart cities, including industrial parks. Consequently, in anticipation of the commencement of the DFC operation and clustering of companies, development projects are under way for peripheral infrastructure, such as a multi-functional logistics hub to support the manufacturing industry. Through this seminar, JBIC and DMICDC introduced to Japanese companies in India the efforts undertaken and functions served by both institutions.



India Industrial Corridor Seminar at Gurugram

JBIC held the seventh annual policy dialogue meeting with the government of Mexico in Mexico City in March 2019. This annual policy dialogue meeting was organized based on the framework agreed upon in the Memorandum of Understanding signed on February 22, 2011, with the Ministry of Finance and Public Credit of Mexico. This seventh annual policy dialogue meeting was the first policy dialogue with the new Mexican administration, which is led by President Andrés Manuel López Obrador and started in December 2018.

In this meeting, officials from the government of Mexico explained their policies on economic revitalization through the use of private-sector investments in the large-scale infrastructure and oil sector projects they are focusing on, as well as the significance of the United States-Mexico-Canada Agreement (USMCA) that reached agreement last year. In addition, the government of Mexico referred to issues faced by the economy of the country, such as economic inequality among regions, while discussing potential areas where they could cooperate with JBIC. During the discussion, JBIC and the government of Mexico affirmed the importance of establishing an appropriate framework for risk allocation among project participants to promote infrastructure projects with private-sector participation. Both parties also shared an understanding of the importance of dialogue with the private sector, particularly in the oil sector in which policies of the new Mexican administration have attracted much attention, and in the trade and commerce field where the USMCA is expected to be ratified.



Members of the seventh-annual policy dialogue meeting

JBIC received, in September 2018, a courtesy call from President Akinwumi Ayodeji Adesina of African Development Bank (AfDB).

First, President Adesina touched upon the Nacala railway and port infrastructure project in Mozambique and Malawi, which JBIC co-financed with AfDB. President Adesina also said that AfDB is looking forward to continuing close cooperation with JBIC. JBIC indicated that it will continue contributing to high-quality infrastructure provision as well as continuous economic development in the African region together with Japanese companies.

President Adesina and JBIC Deputy Governor HAYASHI Nobumitsu agreed to further strengthen the cooperative relationship between AfDB and JBIC, and thus the economic relations between Japan and the African region.



Courtesy call by AfDB President Adesina

4 Financial Instruments

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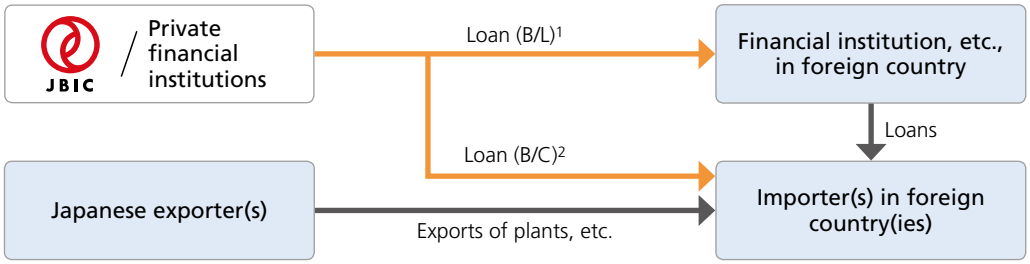
Financial Instruments

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 August 31, 2019)
[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 Export of Box Shaped Bulk Carriers Built by Japanese Shipbuilders



JBIC concluded a buyer's credit agreement with MacLin Spring Maritime S.A., a Panamanian subsidiary owned by Ta Tong Marine Co., Ltd. Group (TTM Group). The TTM Group is based in Taiwan and is a shipowner and operator of bulk carriers. This loan is provided to finance the TTM Group's purchase of a 55,200 DWT box shaped bulk carrier manufactured by Oshima Shipbuilding Co., Ltd.

This loan aims 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 small and medium-sized enterprises (SMEs). The loan is also intended to contribute to maintaining and increasing the international competitiveness of the Japanese shipbuilding industry.

Supporting Export of a Polyethylene Manufacturing Plant by Japanese Company



JBIC concluded a buyer's credit agreement with PT. Chandra Asri Petrochemical Tbk (CAP) of Indonesia. The loan is intended to provide financing for CAP to establish a polyethylene manufacturing plant in the western part of the island of Java. The loan is used to purchase a whole set of plant facilities from Toyo Engineering Corporation and its subsidiary.

The demand for petrochemical products in Indonesia has been increasing along with the economic growth, but the domestic supply has not been catching up and a large part of the country's demand continues to be met by imports. The project will contribute to Japanese industry maintaining and enhancing its international competitiveness through creating business opportunities for Japanese companies in the petrochemical field in Indonesia.

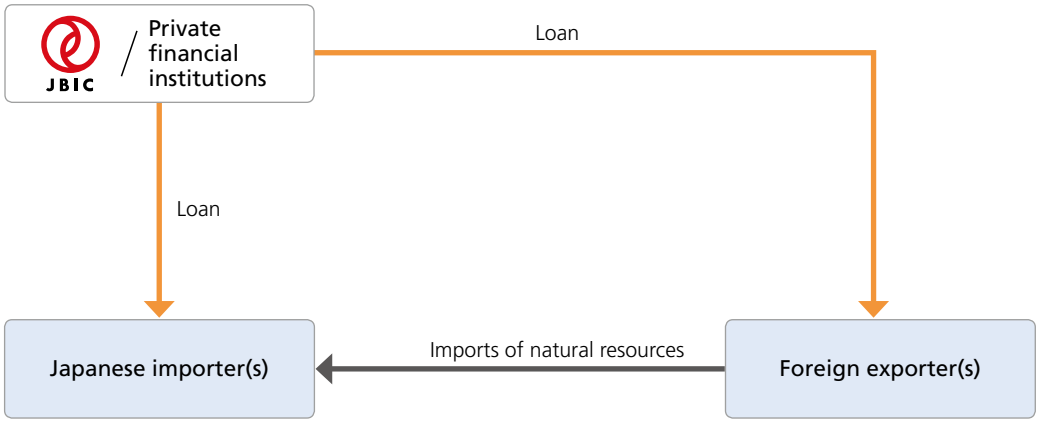
Import Loans

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

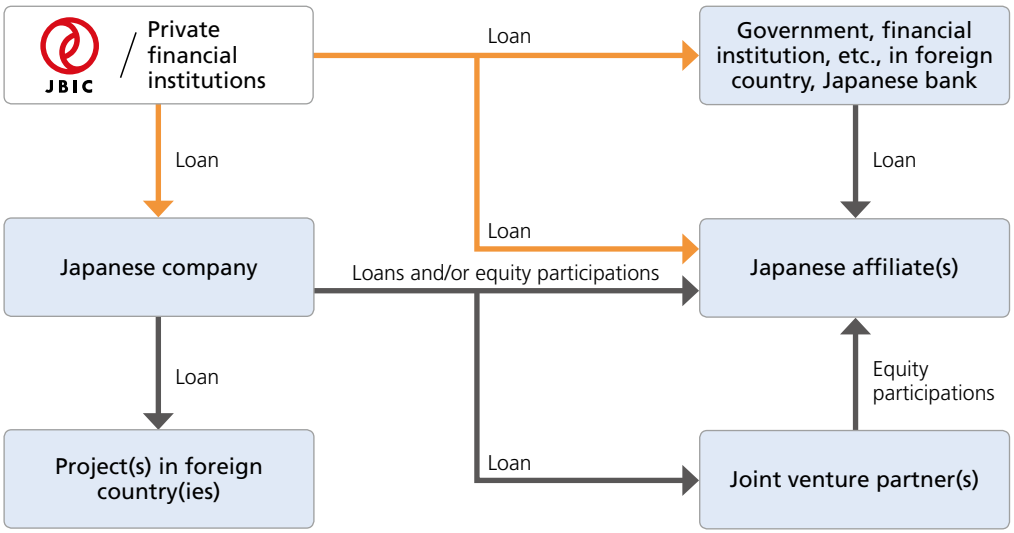


Overseas Investment Loans

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 August 31, 2019)
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 Company's Participation in a Gas-Fired Combined Cycle Power Plant Project in Thailand

QI-ESG project



JBIC concluded a loan agreement with Gulf SRC Company Limited (GSRC) of Thailand, in which Mitsui & Co., Ltd., holds an equity stake. JBIC provides project financing[1] for the Gulf SRC Gas-Fired Combined Cycle Power Plant Project in Thailand. In this project, GSRC will build, own, and operate a Gas-Fired Combined Cycle Power Plant in the Hemaraj industrial park in the east of Thailand and sell electricity for 25 years.

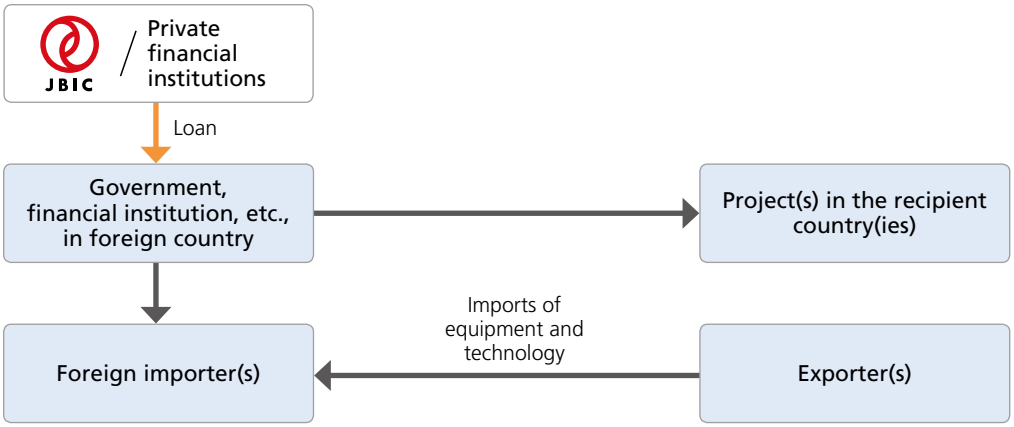
According to the power development plan of the Thai government, the country's electricity demand is projected to grow by an annual average of approximately 3.9% until 2036, and this project is considered to be a part of the major base load. The project is also significant from the viewpoint of ensuring a stable electricity supply for Japanese firms operating in Thailand, and it will contribute not only to infrastructure development in Thailand, but also to the overseas business activities of Japanese firms.

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

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 Renewable Energy Projects in Brazil

QI-ESG project



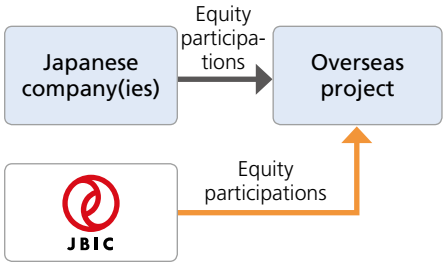
JBIC concluded a loan agreement to set up a credit line with Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazilian Development Bank. This credit line is intended to finance, through BNDES, environment-related projects focusing on renewable energy in Brazil, as part of GREEN operations (see page 56). This credit line is provided as part of the JBIC Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG; see page 57), which aims to provide a wide range of financing support for infrastructure development that is expected to help preserve the global environment.

BNDES is Brazil's only policy-based financial institution. With its mission of fostering sustainable development in the Brazilian economy, BNDES actively supports environment-related projects.

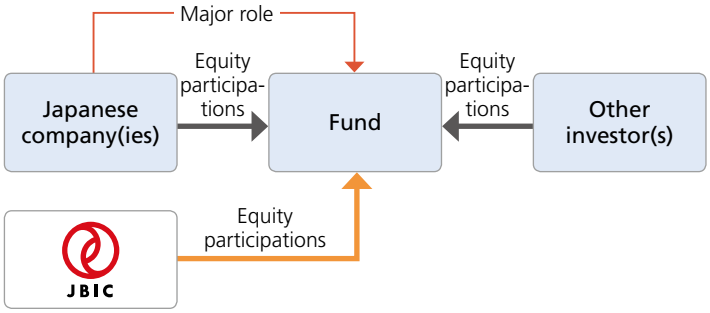
Equity Participations

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.

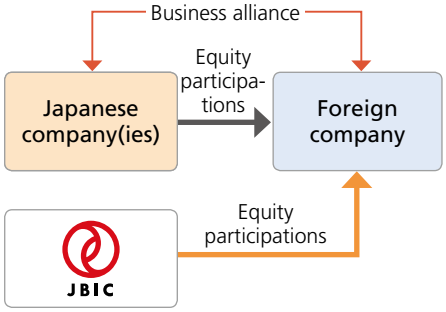
■ Japanese companies make equity participations in an overseas project



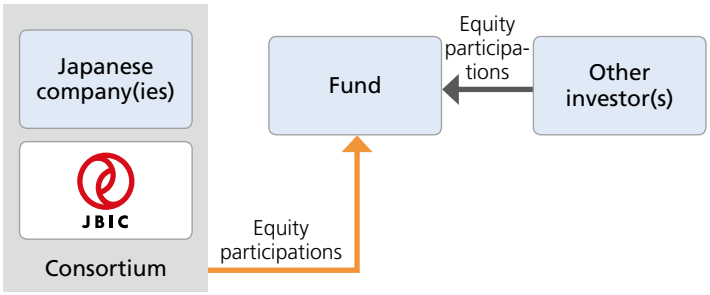
■ Japanese companies participate in a fund (and perform such a major role as general partner in their management and investment decisions)



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



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



Supporting Overseas M&A of Japanese Companies

JBIC concluded a shareholders' agreement with JX Nippon Mining & Metals Corporation (JXNMM) and JX Metals Deutschland GmbH (JXMD) to subscribe for classified shares of JXMD. This transaction is intended to support JXNMM by financing part of funds required to purchase all shares in H.C. Starck Tantalum and Niobium GmbH (HCS TaNb), from HCS TaNb's shareholder, H.C. Starck GmbH in Germany. JBIC's equity participation is undertaken through JXMD.

HCS TaNb is one of the world's leading companies conducting business in the area of development, production, and distribution of tantalum and niobium products (high-purity metal powder)[1]. Through the acquisition of HCS TaNb shares, JXNMM seeks to strengthen its businesses in the area of advanced materials by utilizing HCS TaNb's solid technological and marketing capabilities.

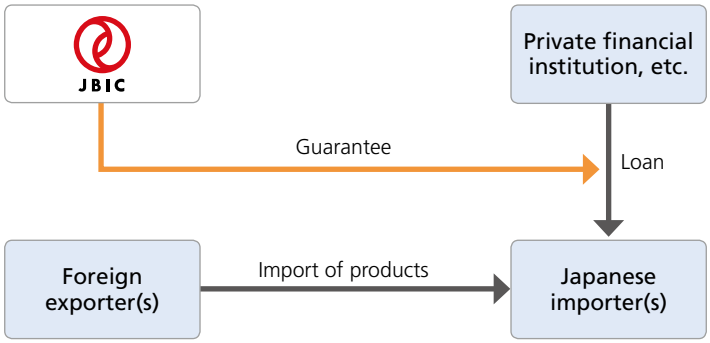
1.Tantalum and niobium products are used to produce capacitor applications for ICT equipment and digital appliances, and sputtering targets for forming thin films in the manufacture of semiconductors.

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.

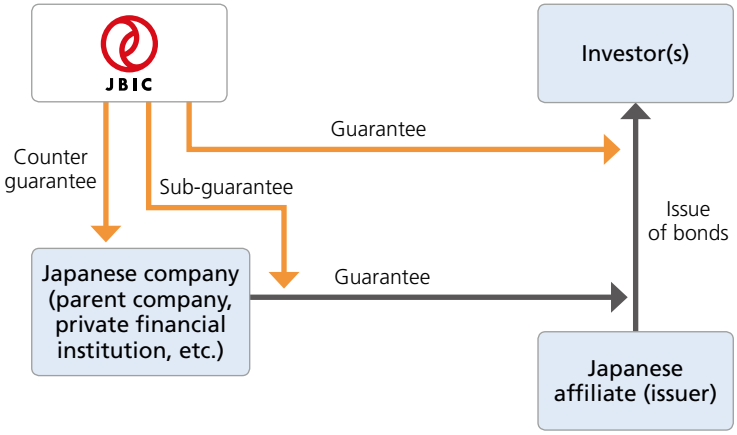
Guarantees for Imports of Manufactured Products

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 Loans by Private Financial Institutions for Importing Aircrafts





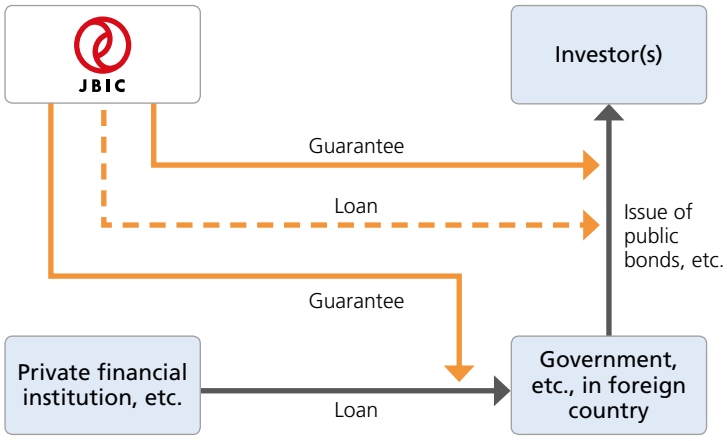
JBIC concluded a guarantee agreement with 11 private financial institutions for the principal and interest of their loans to ANA HOLDINGS INC. (ANAHD). This guarantee is intended to support ANAHD in obtaining financing from private financial institutions to import aircraft from the Boeing Company in the U.S.

JBIC also concluded a guarantee agreement with 5 private financial institutions for the principal and interest of their loans to Japan Airlines Co., Ltd. (JAL). This guarantee is intended to support JAL in obtaining financing from private financial institutions to import aircraft from the Boeing Company.

JBIC will contribute to maintaining and improving the international competitiveness of the Japanese aviation industry and will provide financial support for the import of aircraft that are indispensable for the lives of people in Japan.

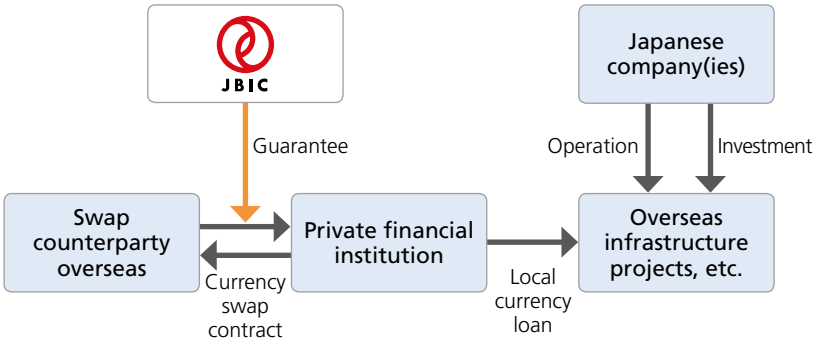
Guarantees for Cofinancing, Overseas Syndicated Loans, and Public Sector Bonds

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.



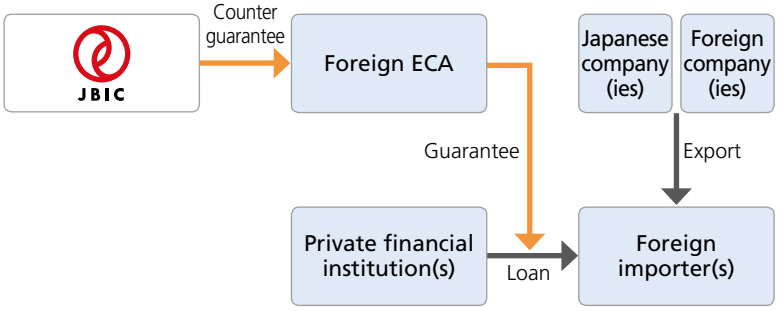
Guarantees for Currency Swaps

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.



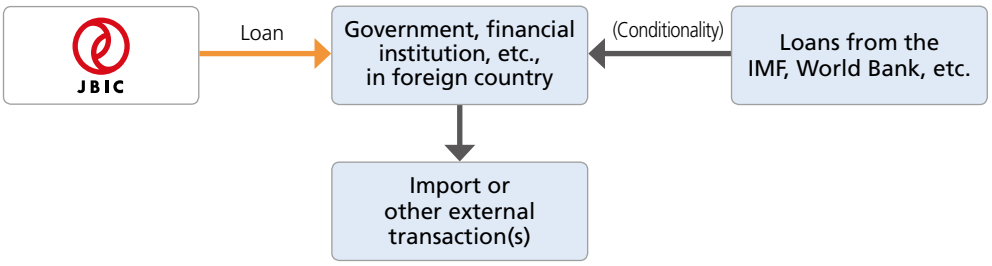
Contributing to Japanese Companies' Funding of Local Currency through Supporting Rupiah-Denominated Loans from a Japanese Regional Financial Institution

JBIC concluded general guarantee agreements and individual agreements with the Shizuoka Bank, Ltd. and PT Bank CIMB Niaga Tbk (CIMB Niaga) of Indonesia concerning a currency swap guarantee framework. JBIC will guarantee currency swap transactions between the two banks, and intend to support Japanese companies' funding of rupiah-denominated loans by enabling the Shizuoka Bank's smooth procurement of rupiah funds. JBIC will guarantee the payment of settlement money to the Shizuoka Bank in the case of early cancellation of swap transactions by CIMB Niaga. The individual agreements are intended to support, through this guarantee, the Shizuoka Bank to fund rupiah-denominated financing necessary for the automotive parts manufacturing and sales business operated locally by an Indonesian subsidiary of UNIVANCE CORPORATION. This transaction was the first rupiah-denominated loan by a Japanese regional financial institution.

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[1] issued by borrowers for funding. The objective of such operations is to promote private financial institutions' loans in international finance and Japanese companies' funding in international capital markets.

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

Research and Studies

JBIC conducts research and studies on individual projects during their initial stage, as well as 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.

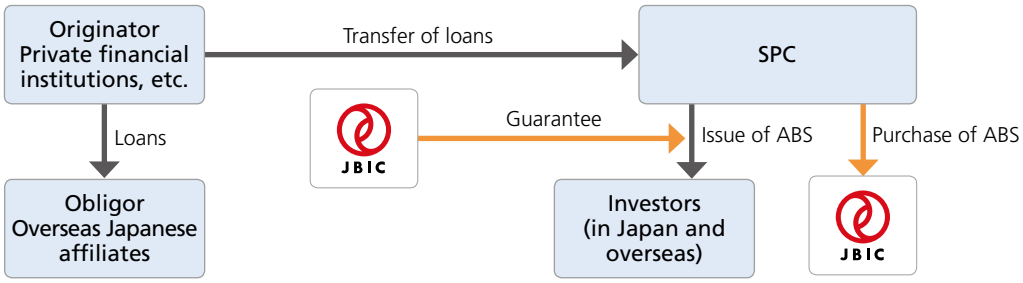
1. Securitization (Guarantees)

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[1] and is expected to help invigorate the bond market by circulating the acquired bonds back into the market when market conditions allow.

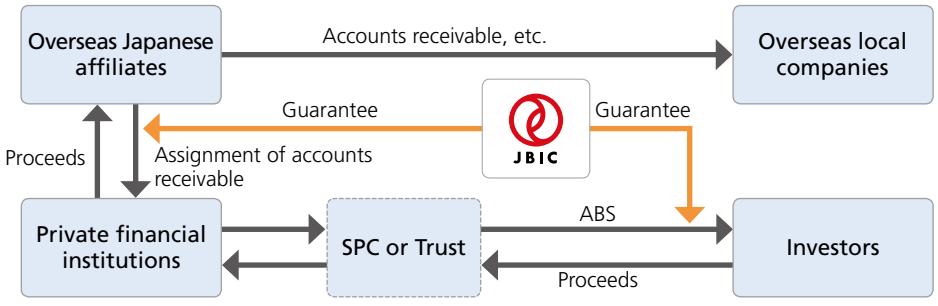
1. An originator is the original owner of assets to be securitized and obtain funding through securitization.



* 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.

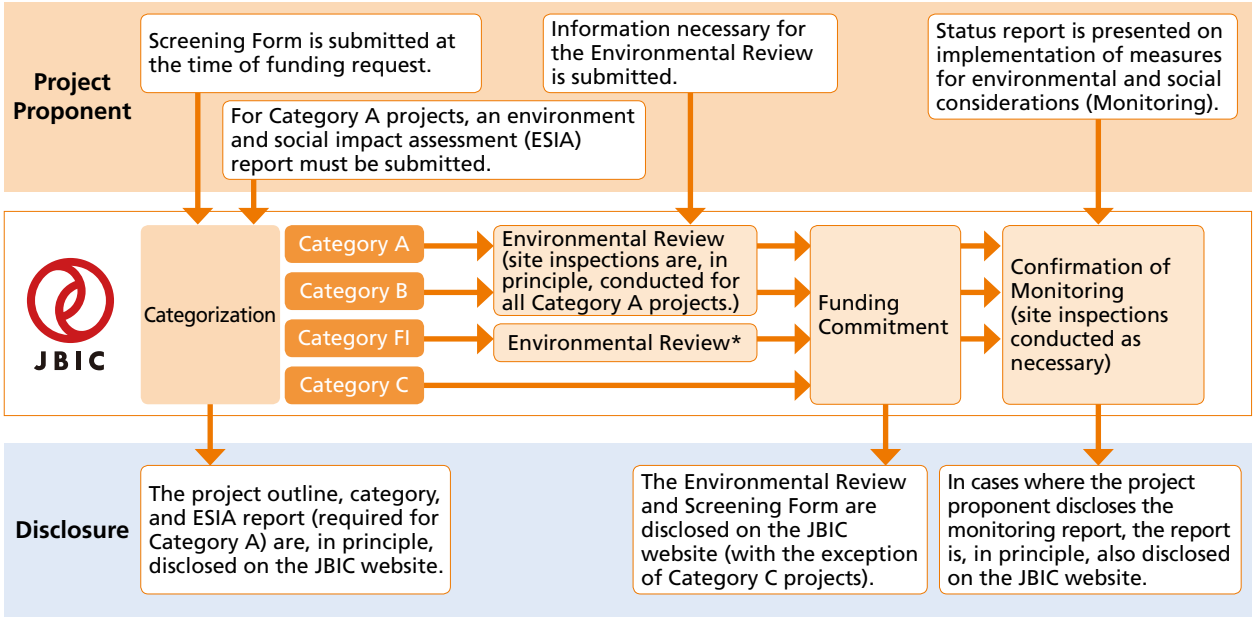
In conducting these operations, JBIC confirms whether the borrower has made appropriate consideration for local communities and the natural environment in all the JBIC-financed projects based on the "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations"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

Prominent Initiatives in Recent Years

Expanded Scope of Special Operations

JBIC started the Special Operations in October 2016 to enable itself to take further risks for overseas infrastructure investment, with the aim of providing more support toward Japanese companies' overseas infrastructure businesses.

In March 2019, JBIC expanded the target of eligible projects in line with Japanese Government's initiative to promote the Quality Infrastructure Investment. By demonstrating its risk assuming functions, JBIC supports commercialization of Japanese companies' overseas infrastructure projects with cutting edge technology.

Eligible Projects for the Special Operations*

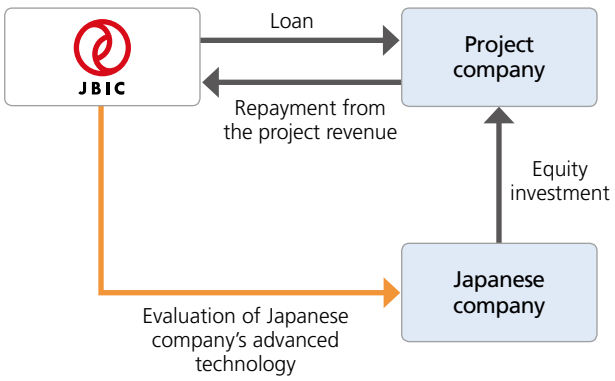
- Public infrastructure projects which provide finance to **the government, governmental entities or local authorities**
- Projects developed by private companies where **demand fluctuations** could impact the repayment of the finance
- Projects developed by private companies where the **off-taker would be the government, governmental entities or local authorities**
- Projects developed by private companies where **uncertainty of the technology (technology risk) or uncertainty of the project-formation (project-formation risk)** could impact the repayment of the finance — **New Expansion**

*Only eligible to overseas infrastructure projects with risks that JBIC is unable to assume under the Ordinary Operations.

Expanded Scope Under the Special Operations

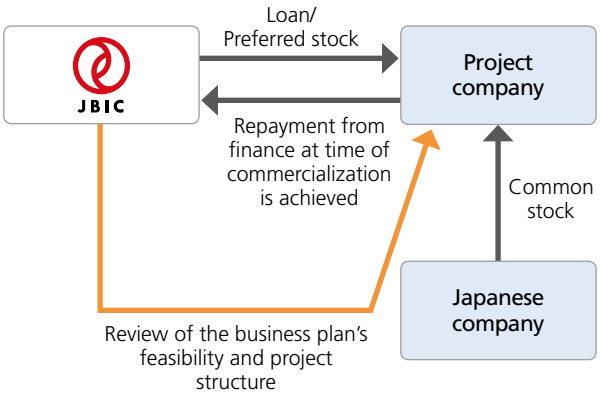
Technology Risk Taking

JBIC will support a project through its own evaluation/analysis of demonstration results, in the case JBIC judges the Japanese company's advanced technology used in the project is worth commercial operation even it does not have enough track record.



Project-formation Risk Taking

While the project is yet to be in commercial operation/construction, JBIC will support the project subject to its feasibility and finance structure, in the case initial F/S is done by the project company and it is commercialization process.



Collaboration with Other Countries and Regions to Promote Projects in Third Country Markets

A trend of Japanese companies forming partnerships with foreign governments, governmental agencies, and companies—not just among Japanese ones—to target markets in those countries or third countries is gaining attention. In order to achieve its policies such as Quality Infrastructure Investment and a Free and Open Indo-Pacific, the Japanese government as well is strengthening its collaborative relationships, including the establishment of cooperative frameworks with other countries in third country markets. In light of such Japanese government policy, JBIC has strengthened its collaborative relationships with foreign governments, governmental agencies, and international institutions, in order to promote projects in third country markets.

Promoting Projects in Third Countries, Including the Indo-Pacific Region, through Cooperation among Japan, the United States, and Australia



JBIC concluded a Memorandum of Understanding (MOU) on business cooperation with the United States' Overseas Private Investment Corporation (OPIC)[1] and Australia's Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic)[2] in November 2018.

In August 2018, the governments of Japan, the U.S., and Australia confirmed at the Trilateral Strategic Dialogue, and other talks, their common goal of maintaining and promoting a free, open, prosperous, and inclusive Indo-Pacific region, and of improving regional connectivity through infrastructure development in the region. The MOU concluded by the four parties aims to promote policies of the Japanese, U.S., and Australian governments. It is intended to drive individual projects on which Japanese, U.S., and Australian companies cooperate in the infrastructure, the energy and the natural resources sectors in third countries, with a focus on the Indo-Pacific region, through collaboration in financing.

1. The United States' Overseas Private Investment Corporation (OPIC) will merge with a part of the U.S. Agency for International Development (USAID) and be reorganized into the U.S. International Development Finance Corporation (DFC).
2. In July 2019, Australia's Export Finance and Insurance Corporation (Efic) was renamed Export Finance Australia.

Promoting Cooperation of Japanese and Chinese Corporations in Third Countries

In October 2018, JBIC concluded an MOU with the China Development Bank (CDB), taking the opportunity of the Japan-China Forum on Third Country Business Cooperation, held in Beijing. This MOU is intended to promote cooperation between JBIC and CDB for projects in third country markets which Japanese and Chinese corporations participate or are involved in.

In recent years, there have been growing business opportunities in third countries for Japanese and Chinese corporations that can complement each strengths. The governments of the two countries share the common view that the cooperation of Japanese and Chinese companies in third countries will not only expand in both countries' economic sectors, but also be beneficial for the third countries involved.

The collaboration of JBIC and CDB in providing financial support is based on the global standards such as openness, transparency, economic viability, debt sustainability, and compliance with laws and regulations. Such collaboration is expected to encourage the creation of new business opportunities that will benefit Japan and China as well as the third countries in which the projects are located.



Provided by the Japan External Trade Organization (JETRO)

Promoting Cooperation to Create Business Opportunities Between Japan and the EU Both in Europe and Beyond



JBIC concluded an MOU with the European Investment Bank (EIB).

EIB is the European Union (EU)'s public financial institution which provides long-term financing and expertise for projects that contribute to economic integration and balanced development both in Europe and beyond. The MOU aims to promote cooperation between the two policy-based financial institutions, JBIC and EIB, to create business opportunities for Japan and the EU both within and outside the EU.

Stronger bilateral cooperation between Japan and the EU is expected as evident in the conclusion of the July 2018 Japan-EU Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA). Furthermore, promoting innovation and environmental conservation are JBIC and EIB's shared priority areas. Given this, the MOU is expected to encourage further cooperation in co-financing and other areas between the two entities through the establishment of a collaborative relationship and the sharing of knowledge and expertise.

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 related to their overseas expansion, JBIC has further enhanced cooperation with Japanese private financial institutions and foreign local financial institutions. In addition to individual loan schemes based on co-financing with private financial institutions, including regional banks and Shinkin (credit) banks, JBIC provides support with two-step loans (including finance leases) through private financial institutions to enable immediate responses. JBIC also actively engages in foreign currency-denominated loans.

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 co-financing with private financial institutions in 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.

In cooperation with regional financial institutions, mainly regional banks, JBIC holds seminars on topics such as overseas expansion and takes other steps to broadly support local companies' smooth expansion overseas.

In FY2018, JBIC concluded general agreements with a number of financial institutions to establish credit lines for the funds necessary to enable mid-tier enterprises and SMEs to promote their business in developing countries (see page 75).

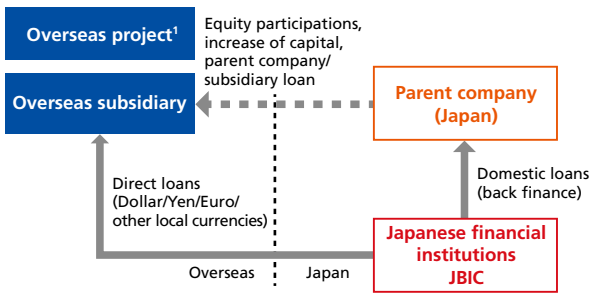
In April 2018, JBIC signed an MOU with Shinkin Central Bank (SCB), to establish a framework to provide two-step loans to Shinkin (credit) banks, for the purpose of supporting overseas expansion of mid-tier enterprises and SMEs, which have business relationships with Shinkin (credit) banks across Japan.

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

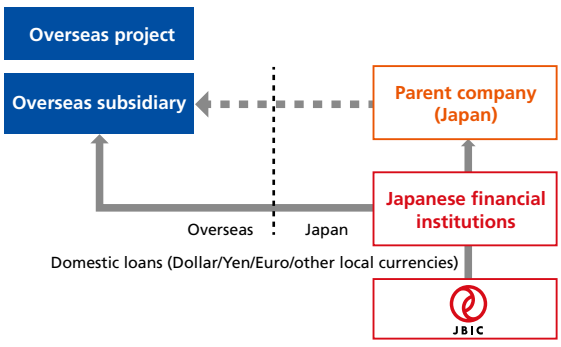
(1) Response to small loans (several tens of millions of yen): Loans for replacement of machinery, in addition to new capital investment
(2) U.S. dollar, Euro and local currency-denominated loans: Financing of long-term with U.S. dollar, Euro and local currency
(3) Support for M&A overseas: Loans for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

Financial Institutions with an Established Credit Line for Supporting Mid-tier Enterprises and SMEs

Signing date of Agreement	Financial Institutions
March 2015	SMFL Leasing (Thailand) Co., Ltd
October 2015	Sumitomo Mitsui Trust Leasing (Singapore) Pte. Ltd.
November 2017	PT. SMFL Leasing Indonesia
February 2018	P.T. Bank Resona Perdania
March 2018	Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.
September 2018	PT. Resona Indonesia Finance
December 2018	The Shizuoka Bank, Ltd.
December 2018	The Bank of Yokohama, Ltd.
December 2018	Bangkok Mitsubishi UFJ Lease Co., Ltd.
December 2018	Saitama Resona Bank, Limited
December 2018	The Joyo Bank, Ltd.
December 2018	The Hachijuni Bank, Ltd.
January 2019	THE NISHI-NIPPON CITY BANK, LTD.
February 2019	The Toho Bank, Ltd.
February 2019	The Hokkoku Bank, Ltd.
February 2019	The Chiba Bank, Ltd.
February 2019	The Nanto Bank, Ltd.
March 2019	The Hiroshima Bank, Ltd.
March 2019	The Aichi Bank, Ltd.

Note: Limited to those banks for which the credit line was in force as of the end of FY2018

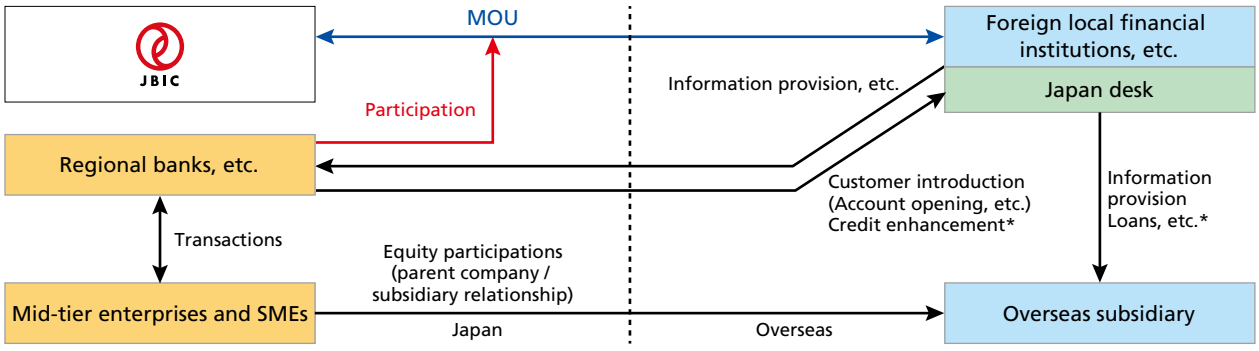
Cooperation with Local Financial Institutions in Developing Countries

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.

Besides supporting Japanese affiliates overseas, JBIC has also strengthened its relationships with local financial institutions, by, for example, offering two-step loans to local financial institutions with the objective of fostering and supporting local companies that supply raw materials and parts to Japanese affiliates overseas.

JBIC has also 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. 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 that enable consultations on specific cooperation and coordination together with the regional financial institutions that have business relationships with the mid-tier enterprises and SMEs in Japan. 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., and 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.

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, Indonesian rupiah, and Chinese yuan. Especially for mid-tier enterprises and SMEs running domestic demand-based businesses in developing countries, stable financing of local currency funds is an important issue in business strategy. JBIC prepares long-term fixed-rate local currency loans and provides co-financing with private financial institutions directly to the local subsidiaries of Japanese companies who are the clients of those financial institutions. The co-financing sometimes involves JBIC providing local currency-denominated loans and the private financial institutions providing yen-denominated loans through the parent company in Japan.

Supporting Rupiah-denominated Loans from a Japanese Regional Financial Institution

As a background of stable economic growth and the size of the market in Indonesia, local Japanese companies are more motivated to make capital investment. Japanese companies' needs for long-term rupiah funds are rising due to the obligation to use rupiah in fund settlements in the country.

Given this situation, JBIC concluded agreements with the Shizuoka Bank, Ltd. and PT Bank CIMB Niaga Tbk (CIMB Niaga) of Indonesia for it to provide a guarantee concerning currency swap transactions.[1] The agreements are intended to enable the Shizuoka Bank's smooth procurement of rupiah funds through JBIC guaranteeing the payment of settlement money to the Shizuoka Bank in the case of early cancellation of swap transactions by CIMB Niaga, which is the Shizuoka Bank's currency swap counterparty. This agreement intends to support local Japanese companies' funding of rupiah-denominated loans.

Also, under this framework, JBIC supported the financing of funds necessary for the automotive parts manufacturing and sales business operated in West Java, Indonesia, by PT. UNIVANCE INDONESIA, a local Indonesian subsidiary of UNIVANCE CORPORATION, by guaranteeing the borrowing of a rupiah-denominated loan from the Shizuoka Bank. This was the first rupiah-denominated loan by a Japanese regional financial institution.

1. The agreements are structured for multiple individual projects and established for a framework that can support large companies as well as mid-tier enterprises and SMEs.

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 banks and other 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 FY2018, JBIC created guidebooks on the investment environments in Mexico, Myanmar, the Philippines, and China.

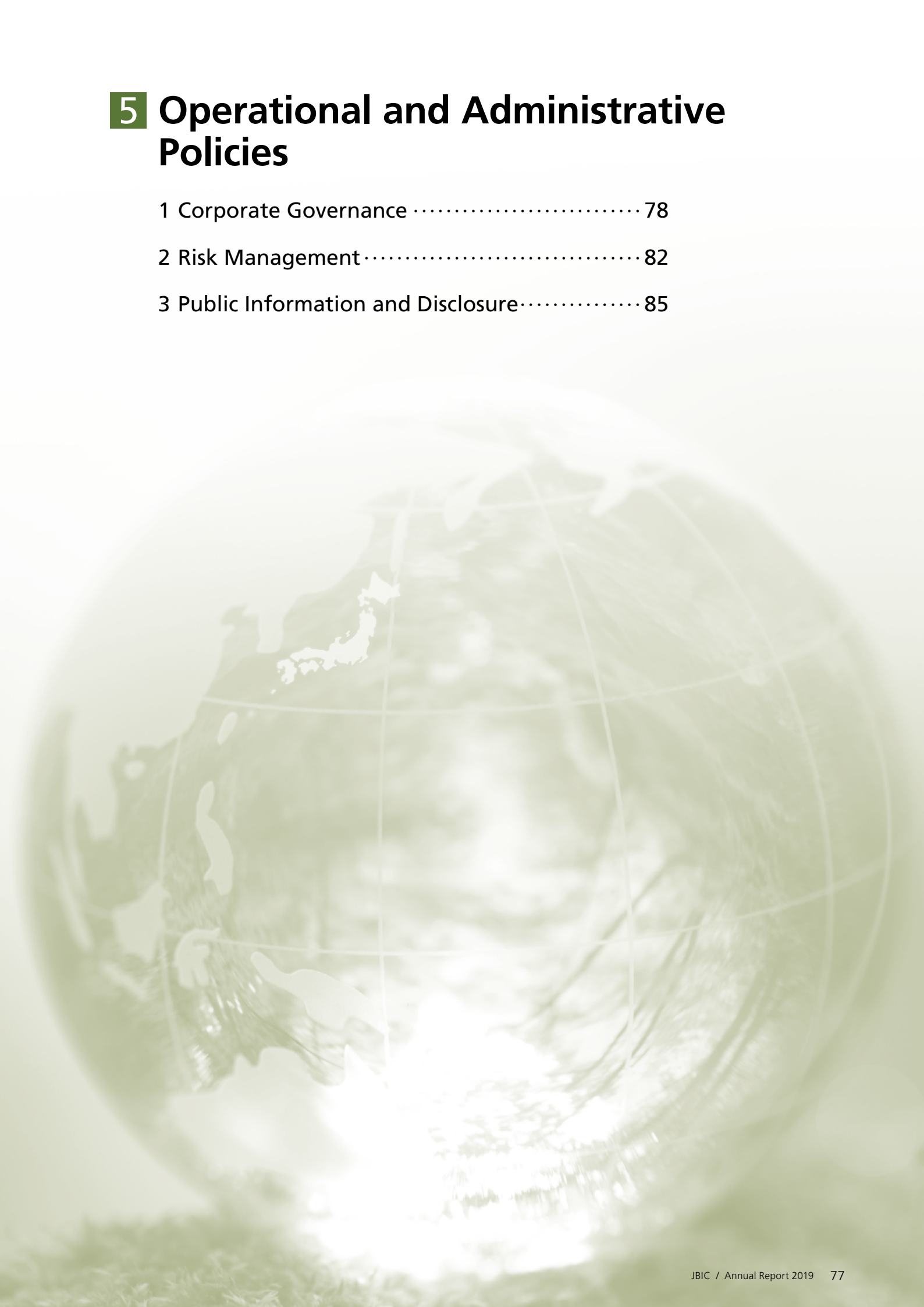
Moreover, JBIC offers an itinerant advisory service in many parts of Japan in cooperation with prefectural and municipal governments, as well as local chambers of commerce and industry, which support local companies in expanding their operations overseas. This service, which is available on a regular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

1 Corporate Governance ····· 78

2 Risk Management ····· 82

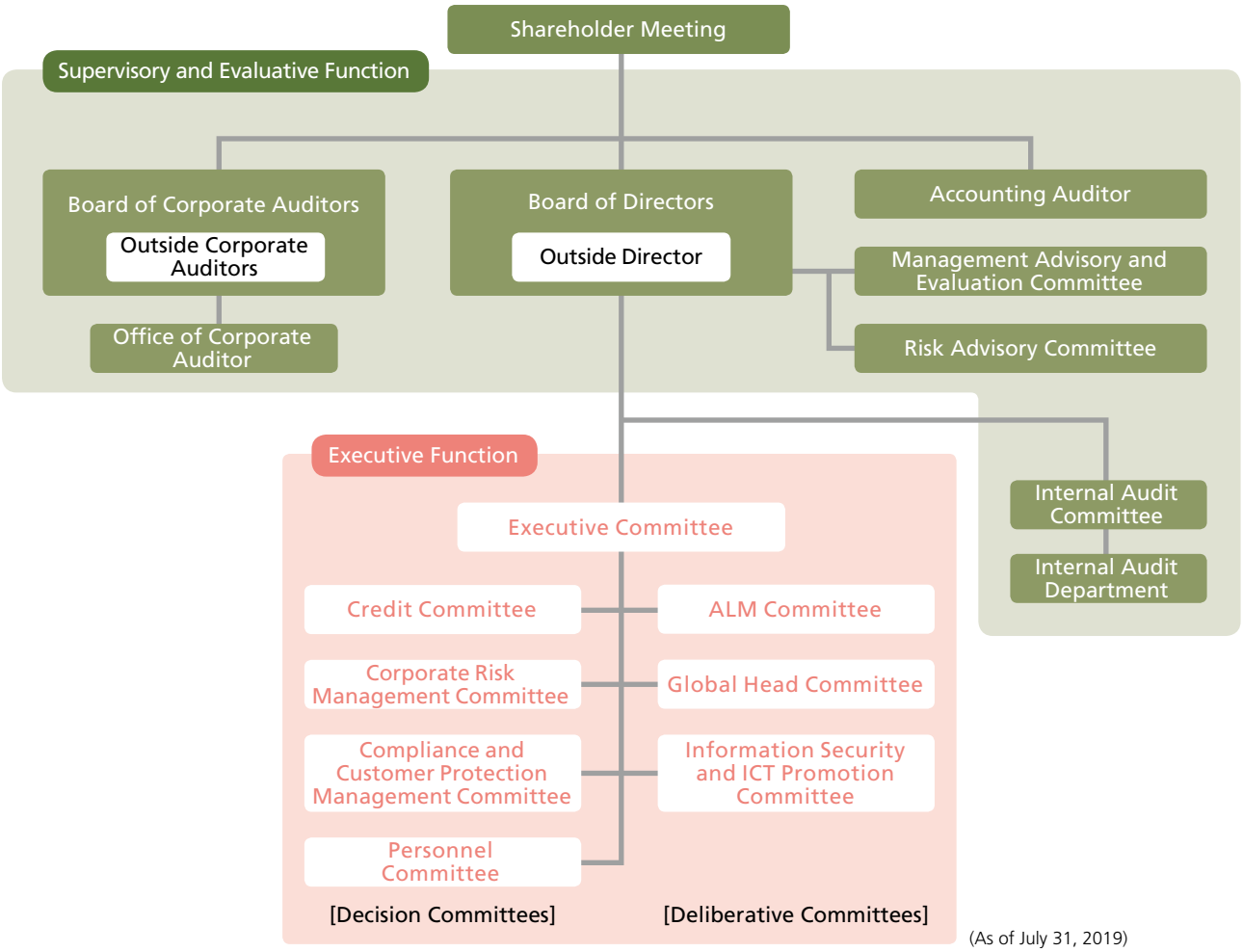
3 Public Information and Disclosure ····· 85



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 July 31, 2019)

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. The committees below have been established as advisory bodies to the Executive Committee or as decision-making bodies on certain matters as delegated by the Executive Committee.

(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) Information Security and ICT Promotion Committee
The Information Security and ICT Promotion Committee makes deliberations concerning the use and management of JBIC's information assets, as well as important matters on information security, and cross-divisional matters on ICT such as 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.

List of Members of the Management Advisory and Evaluation Committee (As of July 31, 2019)

Name	Occupation
URATA Shujiro	Professor, Graduate School of Asia-Pacific Studies, Waseda University
ENDO Noriko	Project Professor, Graduate School of Media and Governance, Keio University
KAWAMURA Yoshinori	JBIC Managing Director (Outside Director)
KOIZUMI Shinichi	JBIC Managing Director (Outside Director)
SUZUKI Yoshikatsu	Journalist (formerly editor-in-chief *Diplomacy*)
TAKAGI Yuzo	Chairman & Representative of Audit Corporation GODAI, Certified Public Accountant
NIINAMI Takeshi	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 December 11, 2019)

Name	Occupation
ABE Shuhei	President, CEO & CIO of SPARX Group Co., Ltd.
OGAWA Eiji	Professor, Graduate School of Commerce and Management, Hitotsubashi University
KAWAMURA Yoshinori	JBIC Managing Director (Outside Director)
KOIZUMI Shinichi	JBIC Managing Director (Outside Director)
TOMITA Toshiki	Guest Scholar, Nomura Institute of Capital Markets Research
FUJIWARA Mikiko	CEO of Alpha Associates Co., Ltd.
MATSUDA Chieko	Professor of Management, Graduate School of Social Sciences, Tokyo Metropolitan University
YOKOO Keisuke	President, Member of the Board, Chief Executive Officer, Japan Investment Corporation

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

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 (As of October 1, 2019)

Governor	**MAEDA Tadashi**
Deputy Governor	**HAYASHI Nobumitsu**
Executive Managing Director	**AMAKAWA Kazuhiko**
Senior Managing Director	**OYA Toshio**
Senior Managing Director	**KUROISHI Kuninori**
Senior Managing Director	**TAKESADA Tatsuhiko**
Managing Director (Outside Director)	**KOIZUMI Shinichi**
Managing Director (Outside Director)	**KAWAMURA Yoshinori**

Managing Executive Officers (As of October 1, 2019)

Global Head of Corporate Planning Group	**HASHIYAMA Shigeto**	**Corporate Planning Group**
Global Head of Credit, Assessment and Risk Management Group	**FUNADA Yutaka**	**Credit, Assessment and Risk Management Group**
Global Head of Treasury and Systems Group	**TANAKA Kazuhiko**	**Treasury and Systems Group**
Global Head of Energy and Natural Resources Finance Group	**NISHITANI Tsuyoshi**	**Energy and Natural Resources Finance Group**
Global Head of Infrastructure and Environment Finance Group	**TANIMOTO Masayuki**	**Infrastructure and Environment Finance Group**
Global Head of Industry Finance Group	**ISOBE Koichi**	**Industry Finance Group**
Global Head of Equity Finance Group	**FUJINO Shinji**	**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." In accordance with this Code of Conduct JBIC has formulated internal regulations concerning compliance and its implementation status under the Basic Policy for the Internal Control System. In addition, the Basic Principles of Compliance is formulated as follows.

- Recognizing JBIC's role as a policy-based financial institution that undertakes international operations, directors and employees 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 directors and employees 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 pursuing toward compliance and operational integrity.
- Directors and employees recognize that JBIC has accountability to the general public regarding its operations and that it must make efforts to ensure the trust of the general public through appropriate information disclosure.
- JBIC shall not have any connections whatsoever with antisocial forces. It shall adopt an uncompromising attitude throughout its organization toward antisocial forces, and decisively reject all improper demands from such forces. This is essential for maintaining public trust in JBIC as well as for assuring the appropriateness and soundness of JBIC's operations and it makes appropriate responses in collaboration with police and other relevant authorities.

Compliance System

In accordance with the above Basic Principles, JBIC thoroughly engages in compliance as detailed below. 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.

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. For credit risk, JBIC performs credit risk management for individual borrowers during each credit provision process and undertakes portfolio credit risk management by quantifying credit risks.

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

JBIC is undertaking the internal assessment of its loan portfolio 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.

JBIC quantifies credit risk utilizing its own proprietary credit risk quantification model that takes 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 and mechanisms for securing assets, such as the Paris Club[1], a unique international support framework for debt management by official creditor countries. JBIC uses this quantified credit risk for credit portfolio analysis encompassing the degree of credit concentration and also 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, 2019.

Credit Risk of Derivatives, etc.

(As of March 31, 2019; unit: 100 million yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts
Interest Rate Swaps	52,565	868
Currency Swaps	36,552	3,106
Forward Exchange Contracts	1,541	8
Other Derivatives	—	—
Credit Risk Reductions through Netting		(2,419)
Total	90,659	1,564

"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.

Regarding the fair value of a derivative in conducting a transaction and credit risk exposure, JBIC performs detailed management by taking into account collateral transfer based on a collateral contract with 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 Osaka Branch 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.



JBIC Today

Website

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

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 700 to date.



JBIC Seminar

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 Osaka Branch ● Distributed to the National Diet Library and economic organizations, etc.
Annual Report, Public Relations Magazine, etc.	● Available at the Head Office, the Osaka Branch, 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/