

2020

Annual Report

日本の力を、世界のために。

Supporting Your Global Challenges



**JAPAN BANK FOR  
INTERNATIONAL COOPERATION**

# JBIC 2020

## 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 "Appendix 1: Statistics," which can be found later in this annual report, JBIC's business data is presented without separating the Ordinary Operations Account and the Special Operations Account.



# 1. Profile of JBIC

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# 1. Profile

## The Purpose of JBIC

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

**Promoting the overseas development and securement of resources which are important for Japan**

**Maintaining and improving the international competitiveness of Japanese industries**

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

**Preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruptions**

## Corporate Slogan

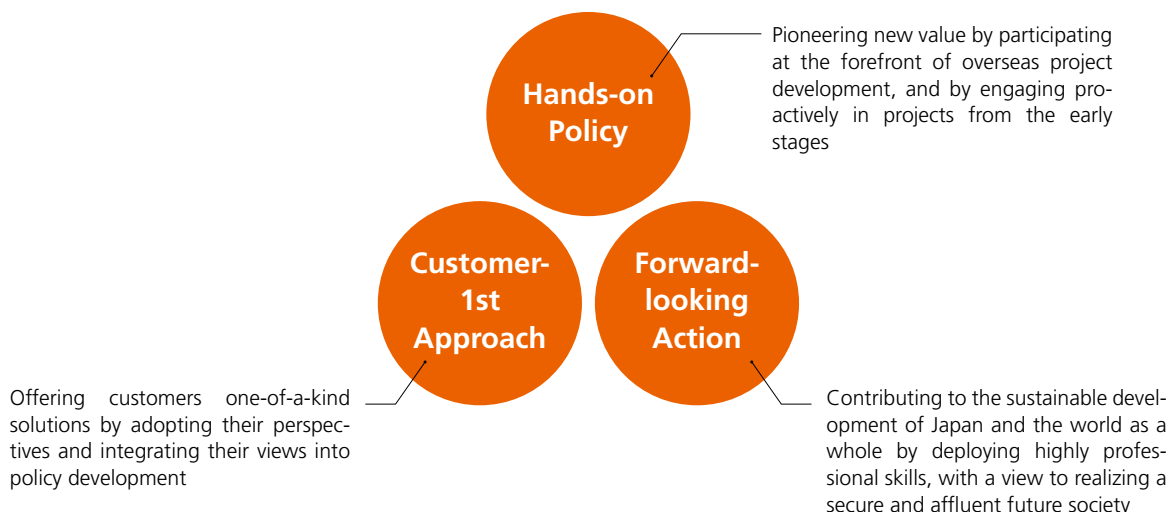
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## Corporate Philosophy

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.





## 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

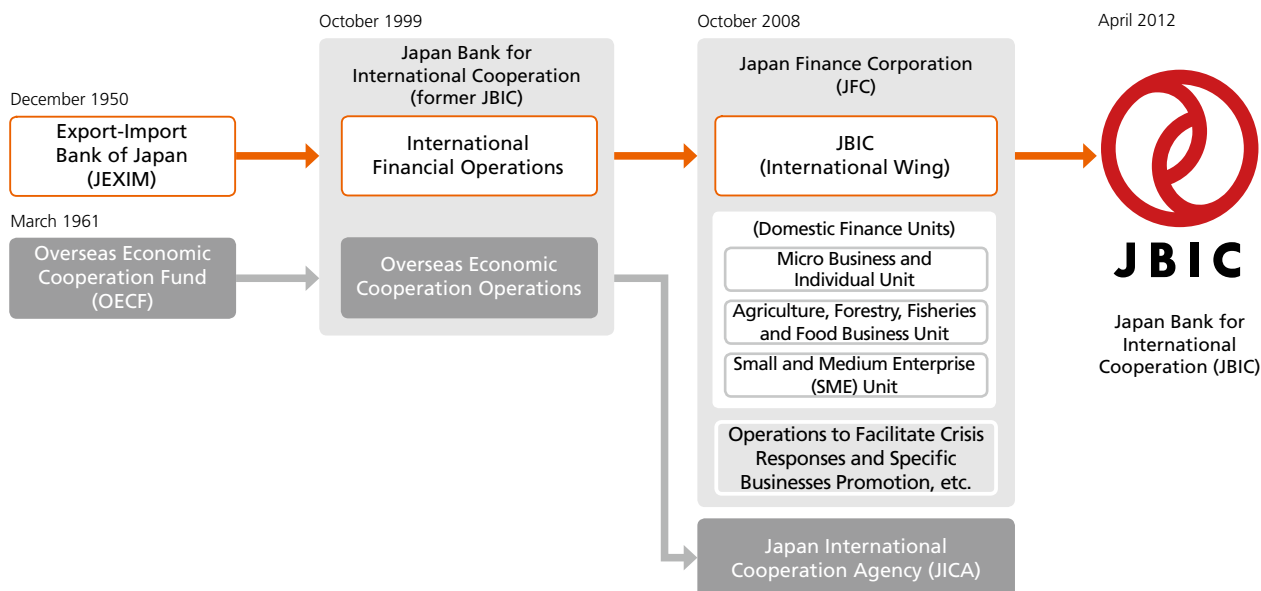
JBIC shall conduct operations by drawing on its own expertise and initiatives on international finance.

## 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*	¥1,883.8 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations*	¥13,537.0 billion
Outstanding Guarantees*	¥2,120.9 billion

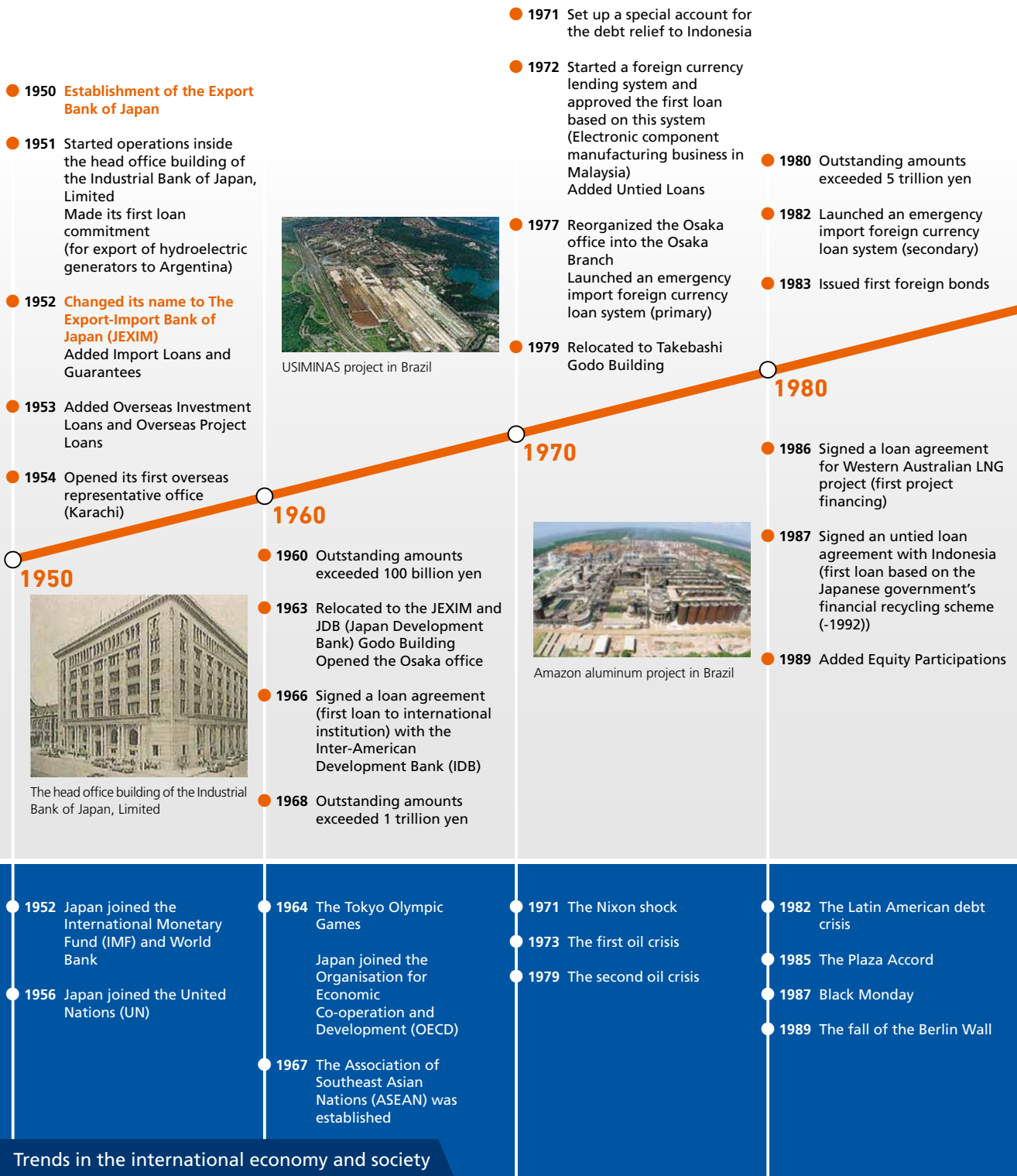
\* As of March 31, 2020

# 2. 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.





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))

1990

- 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

- 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)

2000

- 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 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

2010

- 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

2020

- 2020 Launched the Growth Investment Facility

- 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 The Paris Agreement entered into force

- 2020 Brexit COVID-19 pandemic



# 3. Top Message



## Global Paradigm Shift Accelerated by the Spread of COVID-19

### JBIC's Strategy Raises the Presence of Japan and Japanese Companies

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

The world economy is reaching a dramatic inflection point as underscored by such developments as worsening frictions that include U.S.-China trade issues in addition to the United Kingdom's withdrawal from the EU and the rise of a regional system centered on Germany in Europe. Particularly noteworthy, China seems to be promoting a diplomatic strategy aimed at reconfiguring the post-war regime and its discordance with the international community is further intensifying.

Meanwhile, the transformation of the industrial structure and the restructuring of supply chains are rapidly gaining momentum amid the advance of innovation spurred by the Fourth Industrial Revolution as exemplified by the Internet of Things (IoT) and Artificial Intelligence (AI) and the trend toward emphasis on Environment, Social, Governance (ESG) criteria.

As we approach this major turning point, JBIC will provide proactive and prompt support as a policy-based financial institution that will enable Japan to continue playing a key role throughout the world.

In the JBIC Third Medium-term Business Plan (FY2018–FY2020), our key priority is to provide support that contributes to "Growth areas, new fields," "Overseas infrastructure development," "Global environmental preservation," and "M&As." In January 2020, JBIC revised and incorporated the Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG) (instituted in July 2018) into the Growth Investment Facility. Together with subsidiary JBIC IG Partners, JBIC will further support high-quality infrastructure development that encompasses assisting Japanese companies with overseas M&As and global value chain restructuring while providing wide-ranging support for the overseas business expansion of Japanese companies that include mid-tier enterprises and small and medium-sized enterprises (SMEs) and start-up companies.

Since the start of 2020, the spread of COVID-19 has caused the global economy to stagnate significantly and has also dealt a devastating blow to the Japanese economy. To support the overseas business of Japanese companies amid this challenging environment, JBIC established on April 30, 2020 the Emergency Window for Overcoming the COVID-19 Crisis (COVID-19 Emergency Window) under the Growth Investment Facility.

At present, it is still uncertain when COVID-19 will subside. Looking ahead to the era of "coexisting with COVID-19 in a post-pandemic world," JBIC will work to strengthen ties with Japanese and foreign public and private financial institutions, government agencies of each country and international organizations; sophisticate its organizations and operations; strengthen governance; and improve human resources, information, and policy proposal capabilities. In doing so, JBIC will continue to meet the expectations of Japanese industrial and financial communities.

As we work toward these goals, I look forward to your continued support.

**MAEDA Tadashi** Governor Japan Bank for International Cooperation (JBIC)

## Growth Investment Facility That Supports the Next Stage of Development

At the G20 Osaka Summit in June 2019, the G20 Principles for Quality Infrastructure Investment were adopted. (These principles consist of maximizing the impact to achieve sustainable growth and development, raising economic efficiency in view of life-cycle cost, integrating environmental considerations, building resilience against natural disasters and other risks, integrating social considerations, and strengthening infrastructure governance.)

In light of these G20 Principles as well, in January 2020 JBIC revised and incorporated QI-ESG into the Growth Investment Facility. This facility originally consists of two windows: (1) the Facility Window for the Development of Quality Infrastructure for Environmental Preservation and Sustainable Growth (QI-ESG Window) for reducing greenhouse gases emissions, preventing air pollution, supplying water and preventing water pollution, and undertaking waste disposal and (2) the Facility Window for Supporting Japanese Companies' Overseas Business Expansion (Overseas Business Expansion Window) for further strengthening support targeting overseas M&As, energy and natural resource finance, and global value chain restructuring.

In the future, we will broaden the scope of our support targeting sectors ranging from the manufacturing industry to start-up companies to support the promotion of investment opportunities for Japanese companies, the development of growth fields and new areas, and the restructuring of supply chains.

## COVID-19 Emergency Window

Since the start of 2020, COVID-19 has spread across the globe and restricted the movement of people, causing a sudden drop of overseas economic activities. In Japan as well, a "state of emergency declaration" was issued in April and this had an enormous adverse impact on the domestic economy.

Should this situation become prolonged, companies undertaking business in Japan and overseas will frequently encounter financing difficulties, raising concerns that this crisis could also spread to related domestic and overseas industries and companies. In a worst-case scenario, the adverse impact on the Japanese economy could even exceed that of the bankruptcy of Lehman Brothers in 2008.

In view of this situation, JBIC has worked to establish a safety net in keeping with its mission and role of "ensuring stability of the international financial order." Specifically, under the Growth Investment Facility, JBIC established on April 30 the COVID-19 Emergency Window as a provisional measure until June 30, 2021. In fact, JBIC has received applications from numerous Japanese companies that are developing their overseas business, from large companies to SMEs, and JBIC is providing prompt financing.

## Support in Various Fields from Energy and Natural Resource Security to Start-up Companies

In FY2019, JBIC made 139 financial commitments totaling approximately ¥1,678.7 billion in loans, equity participation, and guarantees.

During the second year of the JBIC Third Medium-term Business Plan, JBIC focused on supporting businesses and projects that contribute to the growth of Japan and Japanese companies.

In the energy and natural resource-field, JBIC provided a loan for a copper mine development project in Chile in which Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation have an interest. Copper is used extensively for various products, including electric cables, electronic equipment, and vehicles and its demand is expected to continue rising globally along with increasing sales





of hybrid and electric vehicles. JBIC will continue to provide support for securing long-term stable supplies of energy and natural resources including copper that are important for Japan.

JBIC also provided a loan to acquire an interest in a Russian gas field development project (Arctic LNG 2) invested in by Mitsui & Co., Ltd. (Mitsui) and Japan Oil, Gas and Metals National Corporation (JOGMEC). This project involves the integrated development of onshore gas fields, liquefied natural gas (LNG) plants, and floating storage units (FSUs) for transshipping LNG cargoes from ice-breaking LNG carrier from the Arctic Ocean. The Japanese side acquired an interest for 1.98 million tons annually, which is equivalent to 10% of the LNG produced.

Turning to infrastructure-related projects, JBIC provided a loan for a project for the construction and operation of a car logistics terminal in Turkey that is invested in by Nippon Yusen Kabushiki Kaisha (NYK LINE). This project helps establish a logistics base for automobiles for the EU. Also, JBIC provided a loan that supports a freight railway project in Brazil that is invested in by Mitsui. The loan contributes to increasing transportation capacity in the central and northern regions of Brazil while strengthening ties with Brazil's Vale S.A., a co-investor and a global natural resource major. For the renewable energy sector, JBIC provided a loan for an onshore wind power generation project in Morocco, in which Mitsui has invested. This is the first QI-ESG project for Africa, and in the future JBIC will continue to support renewable energy projects in Africa.

For M&As, JBIC provided a loan under the Growth Investment Facility to a joint venture by Nippon Steel Corporation and ArcelorMittal S.A., the world's largest steel company, for the acquisition of the fourth largest steel company in India. JBIC also provided a loan to CK Holdings<sup>1</sup>, which owns Calsonic Kansei Corporation (Calsonic Kansei)<sup>2</sup>, a comprehensive automobile components manufacturer, to finance the acquisition of Italian comprehensive automobile components manufacturer Magneti Marelli S.p.A., which possesses advanced technologies including advanced sensor technologies required for autonomous driving. This acquisition enables Calsonic Kansei to become a global supplier of auto parts and is expected to help the company attain significant results in the field of next-generation automobiles referred to as CASE (Connected, Autonomous, Sharing, Electric) vehicles. JBIC will continue to strengthen support for such M&A deals by Japanese companies.

In equity financing-related projects, JBIC together with Osaka Gas Co., Ltd. (Osaka Gas) made a joint equity investment in an engineering and construction company in Singapore. This project utilizes the know-how of Osaka Gas to undertake the city gas and LNG businesses mainly in India.

JBIC is also strategically investing in venture businesses and start-up companies to support the cultivation of growth areas and new fields. JBIC IG Partners, an asset management company established in 2017 by JBIC in collaboration with Industrial Growth Platform, Inc. (IGPI), has established the JB Nordic Fund to finance venture companies jointly with regional fund managers and is investing in start-up companies, including in fields such as MaaS. In December 2019, JBIC made an equity investment as an LP together with Marubeni Corporation and Sumitomo Mitsui Banking Corporation in Vertex Master Fund (SG) II, a Singapore-based fund of funds that invests in venture companies in regions and countries worldwide, including Israel, the U.S., China, and Southeast Asia.

1. With the completion of this acquisition on May 2, 2019, CK Holdings Co., Ltd. changed its trade name to Magneti Marelli CK Holdings Co., Ltd. on the same date. Subsequently, it changed its trade name to Marelli Holdings Co., Ltd. on April 1, 2020.

2. Calsonic Kansei Corporation changed its trade name to Marelli Corporation on October 1, 2019.



The global paradigm shift is accelerated further by COVID-19. To actively support Japan in continuing to play a key role, JBIC is willing to go beyond the conventional framework.



### Responding to the Age of Coexisting with COVID-19 in a Post-Pandemic World

Due to the spread of COVID-19, supply chains have been disrupted worldwide owing to the suspension of operations at production plants, and the global economy is now facing a period of major stagnation. Furthermore, uncertainty about when the pandemic will subside is eliciting concerns that prolonged economic stagnation will aggravate the economic slump in oil-producing countries and the public debt problems of the world's least developed countries such as those in Africa.

Above all, a major problem is the risk associated with a mass production and global distribution-type business model realized through geographic overconcentration that emphasizes economic efficiency. Such a model is symbolized by the concentration of face mask production in China, which ultimately led to a global shortage of masks during the pandemic. Due also to efforts to avoid the impact of U.S.-China conflicts, there are already visible moves by U.S. and European companies to shift production from China to Southeast Asian countries as supply chain restructuring has begun on a global scale.

In the age of coexisting with COVID-19 in a post-pandemic world, businesses that combine virtual space and reality utilizing ICT and AI are expected to fully emerge as new industries. Prime examples include autonomous driving, telemedicine, and highly information-intensive logistics systems. In addition, the trend toward ESG investment will likely be irreversible and initiatives toward decarbonization are expected to become even more conspicuous. Actively incorporating these new businesses and new needs will be the key to future growth.

In this sense, Japanese companies are in an excellent position. By promoting free and fair business for long years, Japanese companies have forged solid bonds of trust not only with Europe and the U.S. but also with emerging countries such as various Asian countries. Japanese companies are also accumulating cutting-edge elemental technologies, material technologies, and basic technologies that will be essential in the next era. By deploying these competitive advantages, Japanese companies should be able to achieve new growth and significant advances.





JBIC dynamically supports projects important in terms of the social implementation of advanced technologies and know-how possessed by Japanese companies as well as projects important geopolitically and geoeconomically.



That said, there are risks involved with these fields. JBIC supports the initiatives of Japanese companies by taking on as much risk as possible during the process of practicalizing and commercializing technologies. In the age of coexisting with COVID-19 in a post-pandemic world, JBIC hopes to dynamically support projects important in terms of the social implementation of advanced technologies and know-how possessed by Japanese companies as well as projects important geopolitically and geoeconomically.

In addition, to ensure that Japanese companies can undertake business smoothly, JBIC will also proactively work to fortify ties with the governments and related organizations of partner countries, financial institutions, and international organizations. For example, JBIC will support the introduction of the latest technologies suitable for each partner country by encouraging governments and related organizations to promote energy conversion based on the actual circumstances of partner countries.

As part of efforts to promote high-quality infrastructure development through international cooperation, JBIC is also focusing on collaboration with related organizations for Japan-U.S.-Australia Trilateral Infrastructure Partnership in line with the Free and Open Indo-Pacific vision. To this end, JBIC signed a memorandum of understanding (MOU) with the Overseas Private Investment Corporation (OPIC, currently the U.S. International Development Finance Corporation (USDFC)) of the U.S., and with the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic, currently Export Finance Australia (EFA)), both of Australia, and has commenced initiatives to support new projects in the infrastructure and energy and natural resource sectors in Asia, the Indo-Pacific region, the Middle East, and Africa and will also provide support for South Pacific island nations. In Europe as well, JBIC signed an MOU with the European Bank for Reconstruction and Development (EBRD) and is strengthening cooperation in fields such as global environmental preservation that includes low carbonization as well as in fields to promote innovation.

JBIC also signed an MOU with the China Development Bank (CDB) of China and held the Japan-China Third Country Market Financing Cooperation Forum

jointly with CDB as it continues initiatives to carry out exchanges of opinions between private-sector corporations as well as financial institutions of both Japan and China and promote business matching.

In African countries as well, based on the seventh Tokyo International Conference on African Development (TICAD7), JBIC is undertaking such initiatives as setting up export credit lines for the Eastern and Southern African Trade and Development Bank (TDB) and the African Export-Import Bank to promote business by Japanese companies. Additionally, JBIC is promoting support networks and project formation for Africa in collaboration with international organizations and other countries.

## **Organizational Strengthening, Work Style Reforms, and Human Resource Development That Responds to a New Era**

JBIC is further strengthening its organizational and operational structure to respond quickly to new operations in the age of coexisting with COVID-19 in a post-pandemic world.

As part of these efforts, JBIC newly established the Strategic Research Department in 2018 to strengthen intelligence functions utilizing JBIC's global network while bolstering cooperation and collaboration with private financial institutions.

For JBIC to play an active role on the world stage, it is essential to promote work style reforms and develop human resources. As a response to COVID-19, we continually make efforts to improve the working environment to ensure we can fully utilize telework.

Also, based on the Plan for Work Style Reform formulated in 2018, we introduced a new personnel system in 2020 to focus on developing professional human resources who can demonstrate their advanced knowledge and expertise and play active roles so that they can select diverse career paths in accordance with their personal aspirations and characteristics. In addition, we are working to develop human resources who can play active roles internationally, such as for seconding to international organizations utilizing in-house recruitment, for dispatching to overseas think tanks and for studying overseas.



## **JBIC Aims to Take the Lead toward a New Era**

The international political and economic situation paints a dramatic picture of a paradigm shift.

JBIC will continue to enhance financial support that will assist Japanese companies with their overseas business strategies.

Concurrently, JBIC will demonstrate its presence to partner private financial institutions to create an environment that enhances the ease of lending and will strengthen cooperation with governments and organizations in each country to establish a business environment for a new era in cooperation with partner countries.

In addition to this, JBIC would like to contribute to enhancing Japan's economic growth and presence by raising the sophistication of organizations and operations, strengthening governance and enhancing human resources, financial capabilities, information capabilities, and policy proposal capabilities.

I ask for your continued understanding and support.



# 4. Directors, Managing Executive Officers and Corporate Auditors (As of October 1, 2020)



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



Corporate Auditor <b>TSUCHIYA Mitsuaki</b>	Corporate Auditor <b>SUMIYA Koji</b>	Corporate Auditor <b>TAMAI Yuko</b>
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## Directors

Governor	<b>MAEDA Tadashi</b>
Deputy Governor	<b>HAYASHI Nobumitsu</b>
Executive Managing Director	<b>AMAKAWA Kazuhiko</b>
Senior Managing Director (Global Head of Credit, Assessment and Risk Management Group)	<b>OYA Toshio</b>
Senior Managing Director (Global Head of Treasury and Systems Group)	<b>TANAKA Kazuhiko</b>
Senior Managing Director	<b>KUROISHI Kuninori</b>
Managing Director (Outside Director)	<b>KOIZUMI Shinichi</b>
Managing Director (Outside Director)	<b>KAWAMURA Yoshinori</b>

## Corporate Auditors

Corporate Auditor (Full-Time Corporate Auditor)	<b>SUMIYA Koji</b>
Corporate Auditor (Outside Corporate Auditor)	<b>TSUCHIYA Mitsuaki</b>
Corporate Auditor (Outside Corporate Auditor)	<b>TAMAI Yuko</b>

## Managing Executive Officers

Managing Executive Officer, Global Head of Corporate Planning Group	<b>HASHIYAMA Shigeto</b>
Managing Executive Officer, Global Head of Energy and Natural Resources Finance Group	<b>NISHITANI Tsuyoshi</b>
Managing Executive Officer, Global Head of Infrastructure and Environment Finance Group	<b>TANIMOTO Masayuki</b>
Managing Executive Officer, Global Head of Industry Finance Group	<b>ISOBE Koichi</b>
Managing Executive Officer, Global Head of Equity Finance Group	<b>FUJINO Shinji</b>

# 5. Medium-term Business Plan (FY2018–FY2020)

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.

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–FY2020 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
<b>Business area I</b>	<b>Growth areas, new fields</b>	<ol style="list-style-type: none"> <li>1. To take strategic actions to promote innovation</li> <li>2. To support Japanese companies in expanding into frontier markets</li> <li>3. To promote energy and natural resource projects in response to the new market environment</li> </ol>
<b>Business area II</b>	<b>Overseas infrastructure development</b>	<ol style="list-style-type: none"> <li>1. To support infrastructure projects that are highly important on the policy front</li> <li>2. To help geo-economically important countries to establish frameworks for promoting infrastructure development</li> </ol>
<b>Business area III</b>	<b>Global environmental preservation</b>	<ol style="list-style-type: none"> <li>1. To contribute to global efforts for the transition to a low-carbon society</li> <li>2. To further promote global environmental preservation</li> </ol>
<b>Business area IV</b>	<b>M&amp;As</b>	<ol style="list-style-type: none"> <li>1. To support overseas M&amp;As that are important on the policy front</li> <li>2. To support overseas M&amp;As in collaboration with private financial institutions</li> </ol>
<b>Business area V</b>	<b>Consistent implementation of policy-based finance and restructuring of operations</b>	<ol style="list-style-type: none"> <li>1. To implement policy-based finance in a consistent manner</li> <li>2. To restructure operations in response to the changing external environment</li> <li>3. To support Japanese SMEs in expanding overseas</li> </ol>
<b>Organizational area I</b>	<b>Enhancement of operational functions</b>	<ol style="list-style-type: none"> <li>1. To promote formation of projects that are geo-economically important</li> <li>2. To improve operational functions to quickly respond to the changing business environment</li> <li>3. To further mobilize private funds amid the changing business model of the financial sector</li> </ol>
<b>Organizational area II</b>	<b>Enhancement of management capabilities</b>	<ol style="list-style-type: none"> <li>1. To ensure an executive management system that facilitates speedy and decisive operation</li> <li>2. To further enhance the financial and risk management systems to support top management decisions</li> </ol>
<b>Organizational area III</b>	<b>Strengthening of organizational foundation</b>	<ol style="list-style-type: none"> <li>1. To promote work-style reform</li> <li>2. To streamline operational workflow</li> <li>3. To ensure stability and safety while performing operations</li> <li>4. To enhance human capital</li> </ol>



## Details of Action Plans for Business Performance

Performance indicators are set under each action plan, and three-year targets (partially undisclosed) are identified according to the content of each performance indicator.

For FY2020, focus is also made on mobilizing funds under the Emergency Window for Overcoming the

COVID-19 Crisis (COVID-19 Emergency Window) under the Growth Investment Facility. This change is made as the COVID-19 pandemic was not anticipated at the formulation of the Medium-term Business Plan.

### 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.



# 6. Outline of Operations in FY2019

## Operational Highlights

The total amount of commitments JBIC made during FY2019 in loans, equity participations, and guarantees was approximately ¥1,678.7 billion, which is a decrease of approximately 2.2% from FY 2018. The outstanding amount of loans, equity participations and guarantees as of March 31, 2020 was approximately ¥15,657.9 billion.

The following is a report on JBIC's major operations in each sector during FY2019.

### 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. JBIC contributes to securing a long-term stable supply of resources through financial support for acquisition of upstream interests in resources development, diversification of supply sources

and strengthening of relationships with resource-rich countries. In FY2019, JBIC made a total of seven financial commitments in the resources sector, amounting to approximately ¥263.3 billion in loans and guarantees.

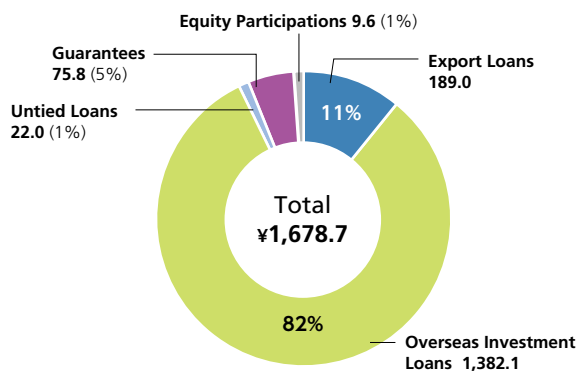
JBIC supported, in the form of project financing<sup>1</sup>, a copper mining development project in Chile in which Japanese companies are participating. In addition, JBIC provided a loan for Japanese companies to acquire an interest in a liquefied natural gas (LNG) production project in Russia.

### Supporting Strategic Overseas Business Activities by Japanese Companies

Amid a growing move by Japanese industries to seek earning 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.

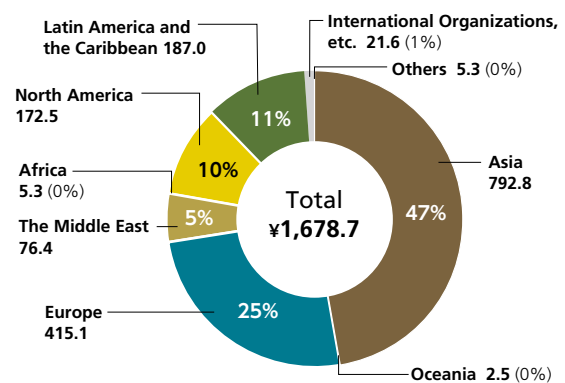
#### Commitments by Purpose of Financing

(FY2019; unit: billions of yen)



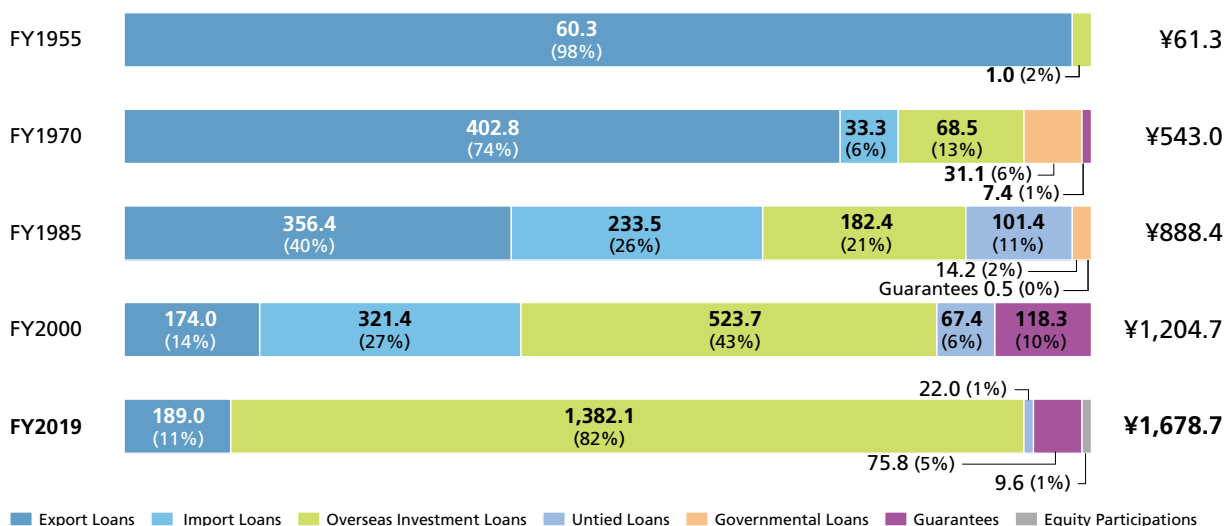
#### Commitments by Region

(FY2019; unit: billions of yen)



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

(Unit: billions of yen)



JBIC supported M&A transactions by Japanese companies through providing loans for the acquisition of an Indian steel manufacturer and an Italian automobile parts manufacturer, as well as a joint investment in an engineering and construction company in Singapore. Furthermore, JBIC provided loans to infrastructure projects involving Japanese companies, such as a natural gas-fired power generation and desalination project in Qatar, a freight railway project in Brazil and a car logistics terminal operation project in Turkey. Other financing support from JBIC includes a loan to a real estate complex development project in Myanmar.

### Supporting Exports by Japanese Companies

JBIC supported Japanese companies in exporting facilities and equipment for an integrated refinery and petrochemical complex in Malaysia and a fertilizer plant in Bangladesh. JBIC signed general agreements with two regional development financial institutions to set up export credit lines to further encourage Japanese companies to export to Africa.

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

To assist Japanese mid-tier enterprises (MTEs) and small- and medium-sized enterprises (SMEs) in expanding overseas, JBIC made a total of 82 financial commitments, aggregating approximately ¥16.2 billion, in co-financing with Japanese regional financial institutions and others. The support included loans for the restaurant and meat processing business in Thailand and the manufacturing and sales of packaged rice in the Philippines. JBIC has set up credit lines in Chinese yuan with Japanese regional financial institutions to encourage Japanese MTEs and SMEs to conduct business in China. In addition, 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 GREEN Operations (for details refer to page 59), JBIC signed loan agreements to set up credit lines with local financial institutions to finance environment-related projects in Latin America and renewable energy projects in Vietnam. JBIC made a total of four financial commitments amounting to approximately ¥42.9 billion in FY2019 under this framework.

In January 2020, JBIC established the “Growth Investment Facility” to provide wide-ranging support for overseas expansion by Japanese companies, including overseas M&A transactions and global value chain restructuring, as well as for the development of quality infrastructure (for details refer to page 74). Under this facility, the “Window for the Development of Quality Infrastructure for Environmental Preservation and Sustainable Growth (QI-ESG Window)” maintains the framework of the “Global

Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)” launched in July 2018. The purpose of the QI-ESG Window is to offer support to infrastructure development projects that contribute to preserving global environment, including those related to renewable energy. Under such financing facilities, JBIC provided project financing for an onshore wind power generation project in Morocco and supported the manufacturing and sales of solar panel sheet glasses.

### Supporting Japanese Companies with Local Currency Loans

JBIC provided 19 local currency denominated loans<sup>2</sup> totaling the equivalent of approximately ¥9.6 billion. The loans included a Chinese yuan loan to fund the manufacturing and sales of plastic compounds in China, and a Thai baht loan to promote the installation of solar power generation systems in Thailand through the ESCO<sup>3</sup> business.

1. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.
2. Currencies other than JPY, USD and EUR.
3. ESCO: Energy Service Company. A business model in which comprehensive service related to energy saving is provided to the customer, and a portion of the energy saving effect is received as remuneration.

## Operation Results

JBIC made total disbursements of ¥1,704.1 billion in FY2019.

### Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2016		FY2017		FY2018		FY2019	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Export Loans	290.0	227.2	315.0	279.4	352.9	100.0	345.3	174.1
Import Loans and Overseas Investment Loans	1,560.0	1,922.4	2,115.0	1,357.2	1,730.0	1,269.6	1,681.3	1,490.0
Untied Loans	90.0	32.2	50.0	50.3	50.0	39.2	80.0	9.7
Equity Participations	120.0	18.5	130.0	39.8	124.0	42.4	115.0	30.2
Total	2,060.0	2,200.4	2,610.0	1,726.9	2,256.9	1,451.3	2,221.6	1,704.1

## 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 FY2019, JBIC recorded ¥416.7 billion in Interest Income and ¥481.7 billion in Ordinary Income. This was for various reasons including support to promote acquisition of interests and development of natural resources, M&A transactions by Japanese companies, and overseas operations of Japanese companies such as infrastructure projects. On the other hand, JBIC recorded ¥364.8 billion in Ordinary Expenses as a result of posting ¥329.6 billion funding costs, such as Interest expenses. As a result, Ordinary Profit amounted to ¥116.8 billion and Net Income totaled ¥116.9 billion, which included Extraordinary Income and others.

#### (2) Balance Sheet

Total Assets amounted to ¥17,037.6 billion. This was due primarily to a decrease in Loans and Bills Discounted (decreased by ¥456.6 billion to ¥13,114.5 billion compared with FY2018). Total Liabilities amounted to ¥14,221.6 billion. This was mainly due to a decrease in Borrowed Money (decreased by ¥788.2 billion to ¥6,786.4 billion compared with FY2018) because of a decrease in borrowing from the Foreign Exchange Fund Special Account. Total Net Assets was ¥2,815.9 billion. This was due mainly to the capital increase and Net Income of ¥116.9 billion, despite the payment to national treasury through appropriation of retained earnings in FY2018.

### Special Operations

#### (1) Statement of Operations

In FY2019, Ordinary Income was ¥579 million. This was due mainly to Interest Income of ¥577 million. On the other hand, Ordinary Expenses of ¥725 million were recorded since ¥289 million in General and Administrative Expenses such as personnel expenses were incurred. As a result, Ordinary Loss and Net Loss amounted to ¥145 million, respectively.

#### (2) Balance Sheet

Total Assets amounted to ¥292.9 billion. This was due mainly to an increase in Loans and Bills Discounted (increased by ¥14.0 billion to ¥19.3 billion compared with FY2018) due to the execution of loans while Cash and Due from Banks increased (increased by ¥26.9 billion to ¥271.8 billion compared with FY2018). Total Liabilities was ¥1.6 billion. Total Net Assets was ¥291.2 billion. This was due mainly to a Net Loss of ¥145 million.

## The Eighth Term for JBIC (FY2019)

### [Consolidated Financial Statements] Consolidated Statement of Operations

(April 1, 2019–March 31, 2020; unit: millions of yen)

Accounts	Amounts
<b>Ordinary Income</b>	<b>485,856</b>
Interest Income	417,832
Fees and Commissions	25,595
Other Income	42,428
<b>Ordinary Expenses</b>	<b>369,071</b>
Interest Expenses	329,800
Fees and Commissions Payments	3,253
Other Ordinary Expenses	8,924
General and Administrative Expenses	21,365
Other Expenses	5,728
<b>Ordinary Profit</b>	<b>116,784</b>
<b>Extraordinary Income</b>	<b>16</b>
<b>Extraordinary Loss</b>	<b>0</b>
<b>Net Income Before Income Taxes</b>	<b>116,801</b>
<b>Income Taxes – Current</b>	<b>25</b>
<b>Total Income Taxes</b>	<b>25</b>
<b>Net Income</b>	<b>116,775</b>
<b>Net Income Attributable to Non-controlling Interests</b>	<b>35</b>
<b>Net Income Attributable to Owner of Parent</b>	<b>116,740</b>

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

(April 1, 2019–March 31, 2020; unit: millions of yen)

Accounts	Amounts
<b>Ordinary Income</b>	<b>481,996</b>
Interest Income	417,298
Fees and Commissions	25,269
Other Income	39,429
<b>Ordinary Expenses</b>	<b>365,247</b>
Interest Expenses	329,800
Fees and Commissions Payments	2,605
Other Ordinary Expenses	8,899
General and Administrative Expenses	21,043
Other Expenses	2,899
<b>Ordinary Profit</b>	<b>116,748</b>
<b>Extraordinary Income</b>	<b>16</b>
<b>Extraordinary Loss</b>	<b>0</b>
<b>Net Income</b>	<b>116,765</b>

### Consolidated Balance Sheet

(As of March 31, 2020; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,544,838	Borrowed Money	6,786,499
Securities Note 6	358,748	Bonds Payable Note 8	4,886,646
Loans and Bills Discounted Note 7	13,133,980	Other Liabilities	424,572
Other Assets Note 8	434,040	Provision for Bonuses	586
Property, Plant and Equipment Note 9	28,146	Provision for Directors' Bonuses	10
Intangible Assets	5,227	Provision for Directors' Retirement Benefits	6,715
Customers' Liabilities for Acceptances and Guarantees	2,118,383	Provision for Directors' Retirement Benefits	44
Allowance for Loan Losses	(285,855)	Acceptances and Guarantees	2,118,383
		<b>Total Liabilities</b>	<b>14,223,458</b>
		Capital Stock	1,883,800
		Retained Earnings	995,688
		Total Shareholder's Equity	2,879,488
		Valuation Difference on Available-for-sale Securities	(3,486)
		Deferred Gains or Losses on Hedges	231,303
		Foreign Currency Translation Adjustment	6,475
		Total Accumulated Other Comprehensive Income (Loss)	234,291
		Non-controlling Interests	271
		<b>Total Net Assets</b>	<b>3,114,051</b>
<b>Total Assets</b>	<b>17,337,510</b>	<b>Total Liabilities and Net Assets</b>	<b>17,337,510</b>

Note: See Notes 6 to 9 on pages 29 to 31 of Appendix for details.

### Balance Sheet

(As of March 31, 2020; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,544,323	Borrowed Money	6,786,499
Securities	352,750	Bonds Payable	4,886,646
Loans and Bills Discounted	13,133,980	Other Liabilities	424,436
Other Assets	433,604	Provision for Bonuses	586
Property, Plant and Equipment	28,115	Provision for Directors' Bonuses	10
Intangible Assets	5,220	Provision for Retirement Benefits	6,715
Customers' Liabilities for Acceptances and Guarantees	2,118,383	Provision for Directors' Retirement Benefits	44
Allowance for Loan Losses	(285,855)	Acceptances and Guarantees	2,118,383
		<b>Total Liabilities</b>	<b>14,223,323</b>
		Capital Stock	1,883,800
		Retained Earnings	995,583
		Total Shareholder's Equity	2,879,383
		Valuation Difference on Available-for-sale Securities	(3,486)
		Deferred Gains or Losses on Hedges	231,303
		Total Valuation and Translation Adjustments	227,816
		<b>Total Net Assets</b>	<b>3,107,200</b>
<b>Total Assets</b>	<b>17,330,523</b>	<b>Total Liabilities and Net Assets</b>	<b>17,330,523</b>



[Ordinary Operations Account]  
Statement of Operations

(April 1, 2019–March 31, 2020; unit: millions of yen)

Accounts	Amounts
<b>Ordinary Income</b>	<b>481,706</b>
Interest Income	416,721
Fees and Commissions	25,269
Other Income	39,716
<b>Ordinary Expenses</b>	<b>364,812</b>
Interest Expenses	329,654
Fees and Commissions Payments	2,567
Other Ordinary Expenses	8,899
General and Administrative Expenses	20,791
Other Expenses	2,899
<b>Ordinary Profit</b>	<b>116,894</b>
<b>Extraordinary Income</b>	<b>16</b>
<b>Extraordinary Loss</b>	<b>0</b>
<b>Net Income</b>	<b>116,911</b>

Balance Sheet

(As of March 31, 2020; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	1,272,476	Borrowed Money	6,786,499
Securities	352,750	Bonds Payable	4,886,646
Loans and Bills Discounted	13,114,594	Other Liabilities	422,800
Other Assets	431,615	Provision for Bonuses	578
Property, Plant and Equipment	28,115	Provision for Directors' Bonuses	10
Intangible Assets	5,220	Provision for Retirement Benefits	6,695
Customers' Liabilities for Acceptances and Guarantees	2,118,383	Provision for Directors' Retirement Benefits	44
Allowance for Loan Losses	(285,515)	Acceptances and Guarantees	2,118,383
		<b>Total Liabilities</b>	<b>14,221,657</b>
		Capital Stock	1,590,500
		Retained Earnings	996,188
		Total Shareholder's Equity	2,586,688
		Valuation Difference on Available-for-sale Securities	(3,486)
		Deferred Gains or Losses on Hedges	232,780
		Total Valuation and Translation Adjustments	229,293
		<b>Total Net Assets</b>	<b>2,815,981</b>
<b>Total Assets</b>	<b>17,037,639</b>	<b>Total Liabilities and Net Assets</b>	<b>17,037,639</b>

[Special Operations Account]  
Statement of Operations

(April 1, 2019–March 31, 2020; unit: millions of yen)

Accounts	Amounts
<b>Ordinary Income</b>	<b>579</b>
Interest Income	577
Other Ordinary Income	0
Other Income	2
<b>Ordinary Expenses</b>	<b>725</b>
Interest Expenses	145
Fees and Commissions Payments	38
General and Administrative Expenses	289
Other Expenses	252
<b>Ordinary Loss</b>	<b>145</b>
<b>Net Loss</b>	<b>145</b>

Balance Sheet

(As of March 31, 2020; unit: millions of yen)

Assets		Liabilities and Net Assets	
Accounts	Amounts	Accounts	Amounts
Cash and Due from Banks	271,847	Other Liabilities	1,658
Loans and Bills Discounted	19,385	Provision for Bonuses	7
Other Assets	2,010	Provision for Directors' Bonuses	0
Allowance for Loan Losses	(339)	Provision for Retirement Benefits	20
		Provision for Directors' Retirement Benefits	0
		<b>Total Liabilities</b>	<b>1,686</b>
		Capital Stock	293,300
		Retained Earnings	(604)
		Total Shareholder's Equity	292,695
		Deferred Gains or Losses on Hedges	(1,476)
		Total Valuation and Translation Adjustments	(1,476)
		<b>Total Net Assets</b>	<b>291,218</b>
<b>Total Assets</b>	<b>292,904</b>	<b>Total Liabilities and Net Assets</b>	<b>292,904</b>

## 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 FY2020 are shown in the table below.

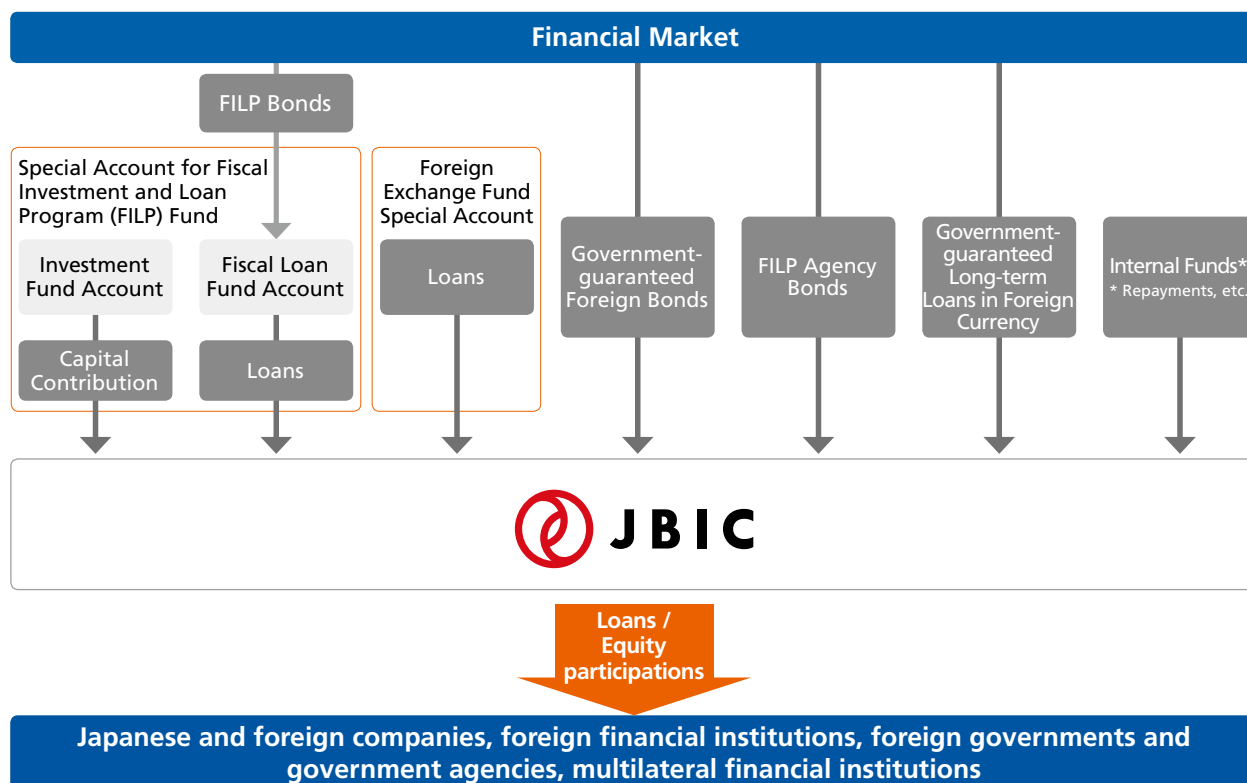
### Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Planned
Capital Contribution from FILP Industrial Investment	142.0	82.2	20.1	98.5	80.0
Borrowing from FILP Fiscal Loan	530.5	209.5	109.6	43.7	281.0
Borrowing from Foreign Exchange Fund Special Account	1,142.7	854.4	654.9	422.9	—
Government-guaranteed Long-term Loans in Foreign Currency	—	—	—	—	40.0
Government-guaranteed Foreign Bonds*	1,106.2	1,629.7	724.2	849.4	2,902.5
FILP Agency Bonds*	—	60.0	—	—	20.0
Other Sources of Funds, Including Repayments	(721.0)	(1,108.9)	(57.4)	289.5	76.5
Total	2,200.4	1,726.9	1,451.3	1,704.1	3,400.0

\* Figures for bonds are indicated at face value.

### Funding Sources



## Government-guaranteed Foreign Bonds

JBIC raises part of its funds by issuing Government-guaranteed foreign bonds in international capital markets. Outstanding Government-guaranteed foreign bonds at the end of FY2019 amounted to ¥4,796.2 billion at face value, which accounts for 41.05% 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 foreign bonds are used as a source of those loans.

In the FY2020 budget, JBIC plans to issue in the total amount of up to ¥2,902.5 billion in Government-guaranteed foreign bonds.

JBIC's Government-guaranteed foreign 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, 2020). 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 FY2020.

FILP agency bonds that JBIC has already issued received the same ratings as the Government of Japan (as of July 31, 2020 as shown below. They are treated as assets for which BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Rating & Investment Information, Inc. (R&I) .....	AA+
Japan Credit Rating Agency, Ltd. (JCR) .....	AAA
Moody's .....	A1
S&P .....	A+





## 2. The Environment Surrounding JBIC and Its Challenges

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# 1. Energy and Natural Resources Finance Group

## ● Message from the Global Head of the Group



As Japan depends on overseas sources for most of its natural resources, the stable procurement of energy resources such as oil and natural gas, and mineral resources from overseas, is indispensable 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 as well as for maintaining and improving the international competitiveness of the steel, non-ferrous metals, and paper industries that turn these resources into materials.

Recent years have seen the international community actively promote initiatives for energy transition and the realization of a decarbonized society, and these efforts are now gathering pace in anticipation of the post-COVID-19 era. Among these initiatives, hydrogen is gaining spotlight as a carbon-free energy source, and JBIC has added "hydrogen" as an eligible essential resource for natural resources financing while working to develop an international hydrogen supply chain.

JBIC will contribute to securing a stable supply of natural resources essential for Japan as well as to energy transition and the realization of a decarbonized society by providing long-term funding supplementing private-sector funds and focusing on new initiatives such as hydrogen alongside its existing measures.

### **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. The recent rapid deceleration of the global economy accompanying the spread of COVID-19 is leading to sluggish global demand for energy and a decline in prices. Looking at crude oil in particular, a coordinated production cut agreement scheduled from April 2020 was postponed at the OPEC Plus meeting on March 6, 2020, sending crude oil prices into a nosedive. Even after a production cut agreement was subsequently reached, crude oil prices remained weak. Turning to energy supply and demand, although demand contracted sharply in the April-June quarter of 2020, it is expected to bounce back moderately thanks to the easing of urban lockdowns implemented in response to COVID-19 as well as to an anticipated resumption of economic activities. On the supply side as well, medium- to long-term production levels are expected to continue based on the assumption that prices will recover to appropriate levels.

Given this market environment, under the Paris Agreement adopted at the 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, all participating countries are obliged to submit greenhouse gas reduction targets, reflecting growing attention on energy sources that generate less CO<sub>2</sub> amid heightened concerns over

global warming.

One such energy source is natural gas. Regarding LNG, which is a means of transporting natural gas, large-scale LNG projects have started in the U.S. and Australia while attention is being focused on Africa, including Mozambique, as a new supply region as the diversification of LNG suppliers progresses. On the demand side, besides China and India, other Asian countries are commencing or increasing LNG imports. While observing global trends in LNG supply and demand, including the trends in Asia, strategic initiatives will be needed to ensure a system for a stable supply of LNG to Japan over the medium- to long-term, and such initiatives include actively supporting projects that assure the diversification of price mechanisms or the flexibility of LNG sales contracts through the relaxation of destination clauses as well as businesses that create demand for LNG.

Another area of focus is new energy sources that include hydrogen. In December 2017, the government of Japan formulated the Basic Hydrogen Strategy as it presented hydrogen as a new energy option. Additionally, the Strategic Roadmap for Hydrogen and Fuel Cells by the government of Japan sets the goal of "developing international hydrogen supply chains" and emphasizes initiatives for securing hydrogen energy toward the realization of a global decarbonized society. In North

America and Europe as well as in Japan, governments are preparing to actively support the building of hydrogen supply chains and there is a growing need for proactive support for the hydrogen-related international initiatives of Japanese companies.

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 as well as increasing needs for the transition to a decarbonized society and next-generation industries. With regards to iron ore, it is important to secure high-quality ore, in addition to securing the necessary quantities. 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. Although demand for mineral resources has languished and their prices have tumbled owing to the spread of COVID-19, the demand is expected to recover on the back of a resumption of economic activities, and needs for various mineral resources will also likely expand along with a transformation to new lifestyles; the global supply-demand balance for mineral resources is thus expected to shift. 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 and support in existing mine operations.

## JBIC's Activities

In FY2019, JBIC performed the following activities to secure a stable supply of energy and mineral resources from overseas.

### Oil and Natural Gas

The government of Japan sets a goal of increasing its self-development ratio of oil and natural gas to 40% or more by 2030 in the Strategic 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.

JBIC concluded a loan agreement with Japan Arctic LNG B.V., a Dutch entity established by Mitsui & Co., Ltd. (Mitsui) jointly with the Japan Oil, Gas and Metals National Corporation (JOGMEC), to provide a portion of the funds needed to acquire a 10% stake in a Russian LNG project. Under this project, Mitsui plans to offtake LNG and thereby contribute to the stable supply of LNG, which is a vital resource for Japan. In addition, the LNG produced by this project is scheduled to be shipped through the Northern Sea Route and sold both in markets in Asia and Europe, two major areas for LNG demand, and this project will thus contribute to establishing an LNG value chain in Asia.

Also, JBIC participated in the LNG Producer-Consumer Conference 2019, which is held annually to bring together both LNG producers and consumers in Japan. At the conference, JBIC mentioned that the year marked the 50th anniversary of the start of Japan's LNG imports and



Japan Arctic LNG (image courtesy of PAO NOVATEK (Conceptual drawing of completed natural gas liquefaction facility))

that as Japan's policy-based financial institution JBIC has supported LNG projects involving Japanese companies for more than 40 years and has thereby contributed to the development of the LNG market. Additionally, JBIC announced that to further develop the LNG market it will support the entire gas value chain, engage in discussions with host country governments, private-sector businesses, and financial institutions, and build bankable schemes.

### Mineral Resources

The government of Japan formulated the Strategy for Securing Natural Resources in June 2012 based on the Guidelines for Securing Natural Resources (approved by the Cabinet on March 28, 2008). This strategy aims to make strategic efforts to secure mineral resources by maximizing the use of public-private resources based on the recognition that securing a stable supply of low-cost mineral resources is necessary for Japan's high added-value and sophisticated manufacturing technology that is expected to create national wealth. Also, the government of Japan has set a goal of increasing its self-sufficiency ratio for base metals, including iron and copper, to 80% or more by 2030 in the Strategic Energy Plan. 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. Global demand for copper is expected to continue expanding on the back of growing demand for infrastructure in emerging countries and increasing ownership and use of hybrid and electric vehicles.

Under these conditions, JBIC concluded a loan agreement with Compañía Minera Teck Quebrada Blanca S.A., a Chilean company invested in by two Japanese companies, to finance expansion of the Quebrada Blanca copper mine project. This project supports the additional development of the copper mine in which Japanese companies hold interests and secure long-term stable supplies of copper concentrates.



Quebrada Blanca Copper Mine

JBIC has also approved a loan to finance the funds necessary for Nippon Steel Corporation (Nippon Steel) to acquire Essar Steel India Limited (Essar) to support the overseas business deployment of Japanese steel companies. Essar is the fourth largest steel company in India and this acquisition will enable Nippon Steel to capture growing steel demand in India in the medium- to long-term.

### 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

Utilizing the opportunity of Russian President Vladimir Putin's participation in the G20 Summit in Osaka in June 2019, JBIC established an export credit line with State Development Corporation VEB.RF, a Russian government-affiliated financial institution. In Russia, there are expected to be numerous business opportunities, mainly for projects that contribute to improving the standard of living for that country's citizens, primarily in the Russian Far East region, which is in geographical proximity to Japan. Based on this export credit line, at the Eastern Economic Forum in Vladivostok held in September 2019, JBIC concluded a loan agreement for the purchase of equipment from Hokkaido Corporation for a greenhouse vegetable cultivation project carried out by the Russian corporation Sayuri LLC in the Republic of Sakha.

In June 2019, JBIC established an export credit line with SUEK, a leading Russian energy company, to provide funds necessary for purchasing mining machinery manufactured by Komatsu Ltd.

Also, JBIC signed in September 2019 a Cooperation Agreement with PAO NOVATEK (NOVATEK), a leading Russian natural gas production and sales company, and Mitsui O.S.K. Lines, Ltd. for promoting LNG transshipment base projects in the Arctic region. To the present, JBIC has been promoting cooperation in resource and energy fields in Russia by concluding a loan agreement for the Yamal LNG Project being led by NOVATEK and engaging in ongoing dialogue with the government of Russia.

These initiatives are positioned within the cooperation sectors of "Energy," "Promoting industrial diversification and enhancing productivity in Russia," and "Developing industries and export bases in the Far East" under 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 contribute to the deepening of Japan-Russia economic ties promoted by the government of Japan.

#### Saudi Arabia

Saudi Arabia is an energy superpower boasting the world's largest oil reserves, production, and export volumes, and it is Japan's biggest supplier of crude oil.

JBIC in March 2020 signed a loan agreement to provide funds necessary for the continuation of a methanol manufacturing and sales business being jointly undertaken by Japan Saudi Arabia Methanol Company, Inc., whose largest shareholder is Mitsubishi Gas Chemical Company, Inc., and Saudi Basic Industries Corporation (SABIC). A portion of the methanol produced at this project is sold in Japan and thus contributes to the diversification of methanol procurement sources for Japan, which relies entirely on imports for its methanol. This loan is intended to contribute to maintaining methanol production bases where Japanese companies are participating as well as to the promotion of downstream energy fields in Saudi Arabia.

#### African countries

Taking the opportunity of the seventh Tokyo International Conference on African Development (TICAD 7) held in Yokohama, in August 2019, JBIC further strengthened relations with African countries and development finance institutions and exchanged opinions on the possibility of providing specific financing. JBIC also signed memorandums of understanding on business cooperation with the West African Development Bank and the Development Bank of Southern Africa respectively to promote participation by Japanese companies in businesses in Africa.

In addition, JBIC has launched the JBIC Facility for African Investment and Trade Enhancement 3 (FAITH 3). Under FAITH 3, a total of \$4.5 billion in support for Africa is expected during the three-year period from 2019 to 2021 and this will further strengthen support for investments by Japanese companies in Africa, including for resource development projects, and will contribute to enhancing societies and the environment in Africa.

#### 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



Signing ceremony with the West African Development Bank

in resources. On the other hand, there is growing uncertainty such as an increase in geopolitical risks. 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 forecasted 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 utility 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 government of Japan published the Strategy for LNG Market Development in May 2016, highlighting the creation of the LNG market with high liquidity. The Strategic Energy Plan and the New International Resource Strategy (March 2020) also emphasize the continuing effort to create high liquidity in the LNG market. Against these backdrops, Japanese utility 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<sup>1</sup> and LNG receiving 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 materials for innovation and new energy sources including hydrogen to transform into a decarbonized society. In particular, with regard to hydrogen, based on the January 2020 Cabinet Order for Partial Revision to the Enforcement Order of the Japan Bank for International Cooperation Act, JBIC's eligible sectors were expanded to provide support through export loans and overseas investment loans in projects involving the production, transportation, supply, and utilization of hydrogen in developed countries. Also, JBIC has newly added hydrogen as an important resource, which enables the application of energy and natural resources finance to the acquisition of interests, development and importing of hydrogen. 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, for example, cloud services for data

and automated mining operations, as well as projects for securing new strategic resources and stable supply chain required to support innovation.

### Strengthening Strategies on Frontier Markets

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 offtake of natural resources. These regions are viewed as "The Last Frontiers" as the regions are expected to be a source of natural resources, particularly oil, natural gas, and minerals.

Resource development projects especially in Africa contribute not only to job creation and acquisition of foreign currencies by the 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 sophistication, job 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. Development and operation power generation facilities and gas-related facilities as single units.



## 2. Infrastructure and Environment Finance Group

### ● Message from the Global Head of the Group



COVID-19 is having an impact on all infrastructure sectors worldwide such as by causing a steep decline in the use of public transportation along with restrictions on mobility. Alternatively, the establishment of new infrastructure, including in digital and healthcare sectors, to respond to COVID-19 is expected to gather pace worldwide and there continues to be enormous needs for financing such infrastructure development. Furthermore, to respond to the SDGs (Sustainable Development Goals) and the Paris Agreement for achieving a sustainable world, there is a need for creating novel innovations in the energy and environmental fields, realizing socially implementable costs for these innovations, and making those available around the world. To do so, further mobilization of private funds is essential.

In view of these circumstances, the Infrastructure and Environment Finance Group will work to support the businesses of Japanese companies in various fields and regions, including in environmental fields and frontier market regions, by collaborating with government agencies, international organizations, and private financial institutions in countries worldwide.

#### TANIMOTO Masayuki

Managing Executive Officer

Global Head of Infrastructure and Environment Finance Group

### Business Environment and Key Challenges

In keeping with JBIC's Medium-term Business Plan (FY2018–FY2020) formulated in June 2018, the Infrastructure and Environment Finance Group regards the following fields as key challenges and will focus on supporting the businesses of Japanese companies in areas such as environmental projects and projects in frontier markets.

#### (1) Growth areas, new fields

“Society 5.0” is being promoted with the aim of incorporating

cutting-edge technologies into industry and daily life in society to spur economic development and solve social issues. Against this background, even in the overseas deployment of infrastructure systems, digital technologies and ICT are expected to be utilized in response to social issues and to the needs of emerging countries. It is important to regard the overseas development of infrastructure in a form that contributes to society as a business opportunity.

This includes charging and discharging of electric vehicles (EVs), supplying energy stably based on power demand forecasts, achieving local production of energy consumed locally, shifting energy supply between regions, and optimizing energy savings at home using supply forecasts.

Moreover, in emerging countries, economic and social foundations are currently being strengthened, and domestic infrastructure development and infrastructure development to strengthen connectivity within and between regions are expected to be promoted. Amid these anticipated plentiful business opportunities, the overseas business deployment of Japanese companies is expected to further advance. In particular, support for frontier market regions such as the Mekong region, South Asia, and Africa is also a sector on which the government of Japan is focusing,



A car logistics terminal operation project in Turkey





Gulf PD Natural Gas-Fired Combined Cycle Power Plant Project

as symbolized by the Free and Open Indo-Pacific and the Tokyo International Conference on African Development (TICAD), and there are expectations that public-private partnerships will jointly cultivate businesses.

## (2) Infrastructure projects that are highly important on the policy front

The “Export Strategy for Infrastructure System” revised in July 2020 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.

Also, to prevail against increasingly fierce international competition, the importance of initiatives by the government of Japan and government agencies in addition to private company-led independent efforts

## JBIC’s Activities

The Infrastructure and Environment Finance Group performed the following activities in FY2019:

### (1) Initiatives for low-carbonization and global environmental preservation

JBIC provided a loan for the Taza onshore wind power generation project in Morocco. The government of Morocco aims to raise the ratio of renewable energy to 52% of total capacity generated by 2030 to reduce the environmental burden and, at the same time, respond to growing demand for electric power. Against the backdrop of these policies of the government of Morocco, Mitsui & Co., Ltd. and a French renewable energy company established a project company that constructs and operates an onshore wind power generation plant with a total generation capacity of 87.21MW to be located in Taza in the northern area of Morocco. This company will

is being emphasized. JBIC is also working to strengthen its structure for supporting Japanese companies, such as by expanding the scope of its support.

At the G20 Osaka Summit convened in June 2019, the G20 Principles for Quality Infrastructure Investment were agreed upon and the importance of considering the principles of transparency, openness, and sustainability in infrastructure projects was emphasized. The government of Japan will promote the development of a business environment that boosts infrastructure orders of Japanese companies and contribute to the promotion of the SDGs.

### (3) Low-carbonization and global environmental preservation

The Paris Agreement, an international framework for cooperative action on climate change was adopted in June 2015. Following this, Paris Agreement Work Programme, a guideline for implementing the Paris Agreement, was developed in December 2018. Subsequently, negotiations on the implementation guidelines of Article 6 (market mechanism) of the Paris Agreement, which had been ongoing, were held in December 2019. Against these backdrops, there is rising demand for low-carbon or carbon-free infrastructure across the entire world, including in developing countries. In addition, as the effects of global and large-scale climate change can now be observed, environmental issues are attracting more attention than ever before, including in developing countries. Besides 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, there is a need for the international development of energy infrastructure and urban transportation infrastructure that contributes to the reduction of CO<sub>2</sub> emissions.

sell the generated electricity to Morocco’s public electricity and water company for 20 years following the completion of construction.

Meanwhile, JBIC set up a credit line with Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) to support a renewable energy projects in Vietnam. The government of Vietnam has also set the target of increasing the ratio of renewable energy to power generation capacity to 21% by 2030 under its revised Seventh Power Development Plan. To support the attainment of this target, it utilized the financing tools under Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations.

In addition, JBIC provided support for projects that contribute to global environmental preservation, such as by setting up a credit line with Corporación Andina de Fomento and supporting a natural gas-fired combined



Signing ceremony with Vietcombank

cycle power plant project in Thailand.

### (2) Initiatives for frontier markets

Besides the previously described projects in Morocco and Vietnam, JBIC provided support through export finance to Bangladesh Chemical Industries Corporation (BCIC), a state-run entity of Bangladesh. In Bangladesh, the production of agricultural products such as rice and jute is flourishing thanks to the blessings of the Ganges River. Although agriculture is one of its main industries, Bangladesh relies on imports for two-thirds of the fertilizer used for its crops. The government of Bangladesh and BCIC decided to introduce the fertilizer plant manufactured by Mitsubishi Heavy Industries, Ltd. to promote domestic production of fertilizer and JBIC provided the funds to support the purchase of the entire fertilizer plant.



Freight railway project in Brazil

### (3) Initiatives for infrastructure projects that are highly important on the policy front

In June 2019, JBIC provided a loan that will support a freight railway project in Brazil.

This project supports the domestic freight railway business undertaken by Mitsui & Co., Ltd. together with Vale S.A., a Brazilian resources company, and contributes to the improvement of transportation infrastructure in Brazil.

JBIC also provided support for a natural gas-fired power generation and desalination project in Qatar and for a car logistics terminal operation project in Turkey.

### (4) Collaboration with other countries and institutions

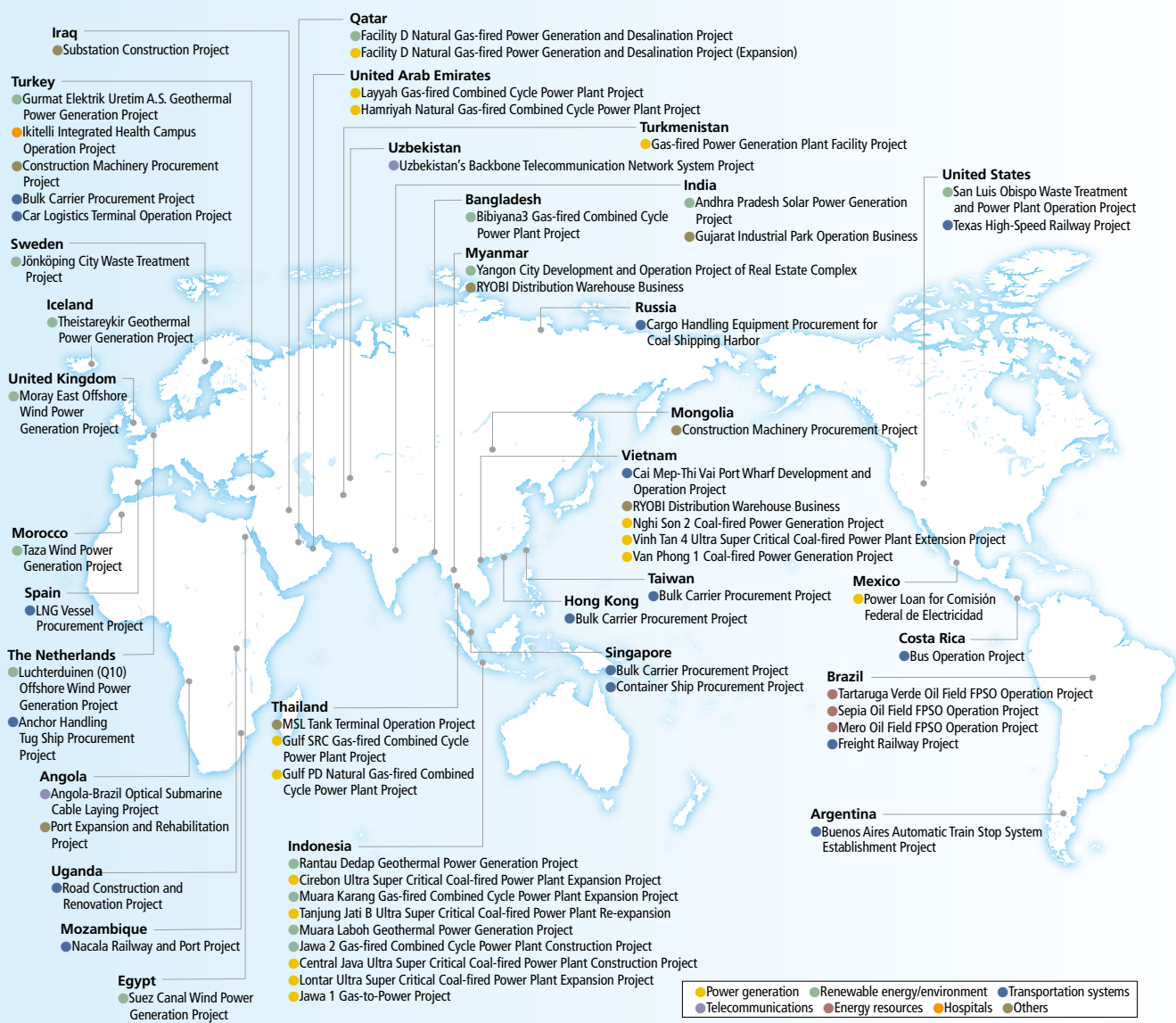
JBIC is making efforts to identify potential projects and reduce risks to realize and accelerate infrastructure projects by leveraging its strengths as a policy-based financial institution, building relationships with governments of other countries, and collaborating with other institutions.

As for collaboration with other countries, JBIC has undertaken activities that utilize our network of sovereign counties, including regularly holding policy dialogues with the governments of Indonesia and Mexico as well as workshops on waste treatment and power generation projects for officials of the government of Oman. Through these activities, JBIC works to support the business deployment of Japanese companies by ascertaining the needs of partner countries and providing knowledge. Regarding initiatives for frontier markets, JBIC will strengthen collaboration with public financial institutions of other countries such as the Export Credit Bank of Turkey, Export-Import Bank of India, and Indonesia Eximbank and will establish a support structure for businesses that Japanese companies and companies from other countries undertake in third countries while also working to support the identification of potential projects.

As for collaboration with other organizations, based on Japan-U.S.-Australia Trilateral Infrastructure Partnership for strengthening relations in line with the Free and Open Indo-Pacific vision, JBIC agreed on a joint declaration with the Overseas Private Investment Corporation (OPIC (name at the time)) of the U.S. and the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (Efic (name at the time)), both of Australia, in accordance with the G20 Principles for Quality Infrastructure Investment agreed upon at the G20 Osaka Summit. In addition, Japan, the U.S. and Australia are collaborating in dispatching delegations to Papua New Guinea and Indonesia in advancing initiatives to contribute to the economic development of each country and region.



### 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 March 2020

As for initiatives related to "growth areas, new fields," after building a relationship with the European Investment Bank (EIB) last year, JBIC signed a memorandum of understanding on business cooperation with the European Bank for Reconstruction and Development (EBRD). By sharing knowledge related to finance for innovation and deepening understanding, JBIC will strengthen its ability to respond to projects that utilize new technologies.



Policy dialogue with the government of Indonesia

# 3. 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 Aviation Finance Department and Osaka Branch. The Industry Finance Group makes efforts to maintain and improve the international competitiveness of Japanese industry by capitalizing on its various financial instruments for responding to the strategies and needs of Japanese companies in expanding overseas.

Amid U.S.-China trade issues that have persisted since the latter half of 2018 and a slowdown in emerging economies, growth of the world economy has declined sharply since the beginning of 2020 due to the spread of COVID-19 and the economic activities of numerous Japanese companies are facing harsh circumstances. Taking the current situation into consideration, the Industry Finance Group will flexibly and agilely support Japanese companies affected by COVID-19 in FY2020. In keeping with the Third Medium-term Business Plan (FY2018–FY2020), which is now in its final year, the Industry Finance Group will continue to actively support Japanese companies and to maintain and improve the international competitiveness of Japanese industry. In order to achieve these objectives, we will take the following actions: i) take strategic action to promote innovation, ii) support Japanese companies in expanding into frontier markets, iii) support overseas M&As, and iv) enhance its risk-taking capability.

**ISOBE Koichi**  
 Managing Executive Officer  
 Global Head of Industry Finance Group

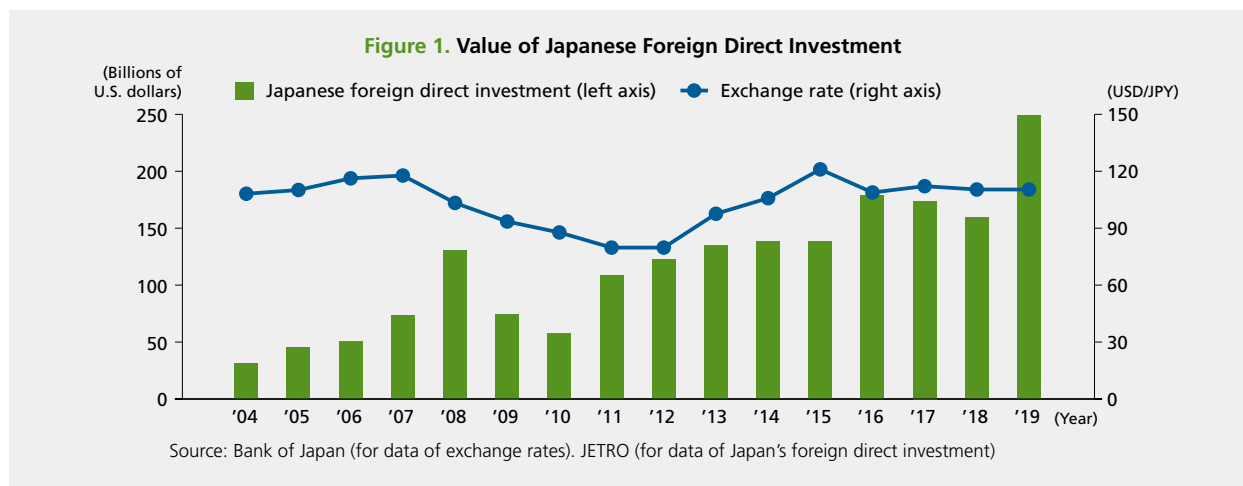
## Business Environment and Key Challenges

### Overseas Business Deployment of Strong Japanese 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 \$248.7 billion in 2019 (Figure 1).

Foreign direct investment by Japanese companies,

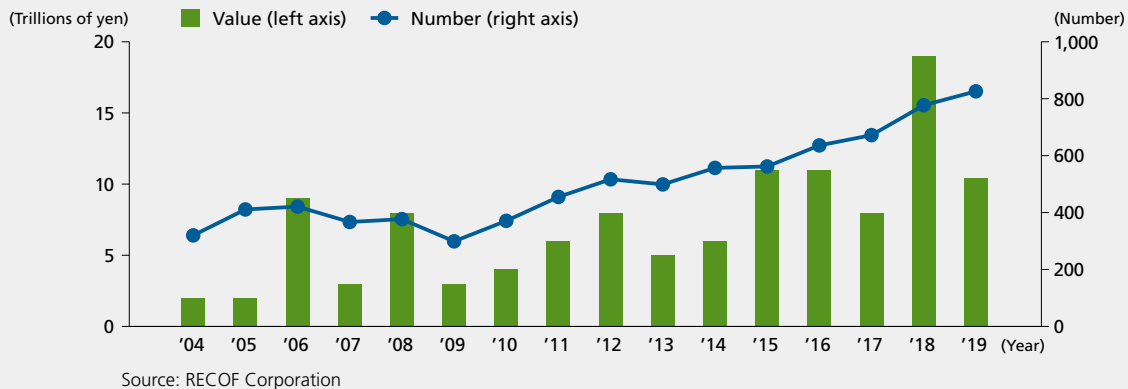
which remains stable, particularly overseas M&A activity has grown rapidly since 2009 thanks to a stronger yen. This trend continues despite subsequent currency movements. Since surpassing 500 deals in 2012, the number of overseas M&A deals has been steadily increasing and reached a record high 826 deals in 2019. Looking at the value of these M&A deals, the value of M&A deals decreased compared with 2018, when the largest-ever M&A deal by a Japanese



company was recorded. Of the top 20 M&A deals in terms of value during 2019, 13 deals were overseas M&As, with the total amount exceeding ¥10 trillion (Figure 2). 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.

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**



**Value of Japan's Exports Turns Downward**

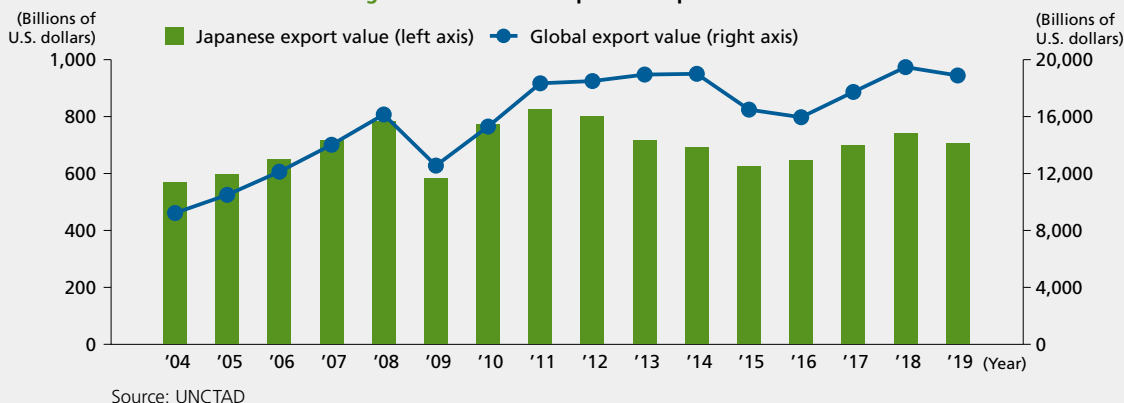
The value of global export transactions rebounded in 2017, the first positive growth in three years, thanks to accelerating growth of the world economy and soaring resource prices. Subsequently, despite favorable growth in global exports that continued from 2017 up to the middle of 2018, global exports decelerated from the second half of 2018, impacted by trade problems, such as U.S.-China trade frictions and a slowdown of emerging country economies. As a result, the value of exports in 2019 amounted to \$18 trillion, down from \$19 trillion in 2018, marking the first decline in three years.

The value of Japan's export transactions was affected by a lull in demand for automobile-related goods in developed countries and for information-related products in Asian emerging countries, which were driving forces of growth up to the middle of 2018, as well as the slowdown of the world economy. Accordingly, the value of Japan's

export transactions in 2019 amounted to \$705.5 billion, marking the first decrease in four years similar to the decline in value of global export transactions (Figure 3).

There were expectations that a favorable turnaround in the IT cycle and progress with trade problems would spur a pickup after a bottoming out at the end of 2019. Since the start of 2020, however, the spread of COVID-19 has led to a sharp decline in the global economy and it appears that considerable time will be needed for a rebound in exports to Europe and the U.S., where there is particular concern about lagging economic recoveries. A downside risk to Japan's export shares in global markets still remains due to the uncertain direction of the global economy 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

**Figure 3. Global and Japanese Export Value**





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.

### 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 FY2019 survey, 97.0% of mid-tier enterprises and SMEs which responded to the survey stated that they will "maintain

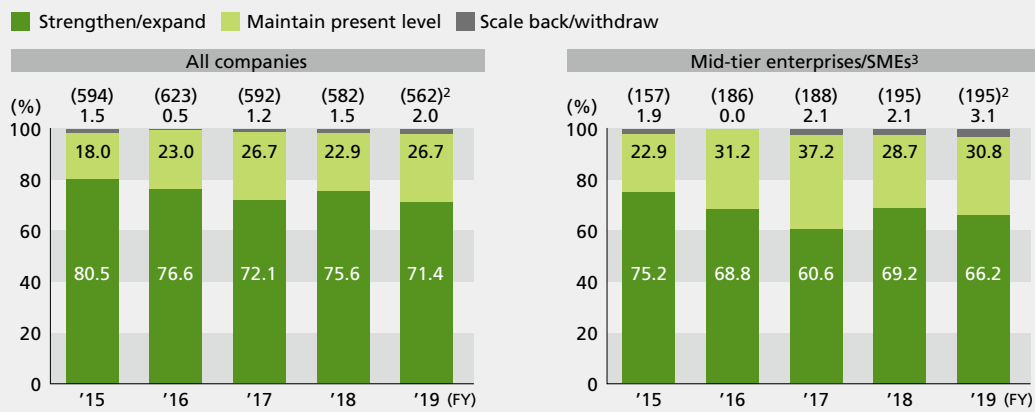
present level" or "strengthen/ expand" their overseas business operations. This suggests that their willingness to conduct overseas operations remains high (Figure 4).

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.

Furthermore, from the start of 2020 the global spread of COVID-19 has dealt a severe blow to the overseas businesses of mid-tier enterprises and SMEs and these circumstances require timely and appropriate financial support.

Figure 4. Medium-term Prospects (Next Three Years, or So) for Overseas Operations<sup>1</sup>



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 FY2019 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–FY2020), JBIC has designated support for the overseas M&As by Japanese companies as one of the priority areas to focus on. In FY2019, JBIC continued to flexibly provide long-term financing for Japanese companies to carry out M&A activities in various fields, including steel, automobiles, leasing, industrial gas, and foods.

Apart from support for M&A transactions, JBIC supported the real estate complex development project in Myanmar consisting of a hotel, long-term stay hotels, offices, and commercial facilities. JBIC also provided support for an ESCO project that utilizes renewable energy and a project for the manufacturing of sheet

glass that is essential for solar power generation. These projects contribute to strengthening the international competitiveness of Japanese companies in the field of global environmental preservation.

Additionally, JBIC provided loans in various local currencies such as Thai baht, Chinese yuan, and Indonesian rupiah 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 FY2019, JBIC supported the export of equipment to Malaysia's largest integrated complex consisting of a refinery and ethylene, propylene, and other petrochemical plants. In this project, JBIC contributed



Mixed use development project in Myanmar (Yankin)

to the smooth structuring of project financing with its abundant experience and knowledge of project financing by participating in the project development from the early stages of discussions with public institutions of other countries. This project contributes to maintaining and improving the international competitiveness of Japanese industry by creating business opportunities for Japanese companies in the field of petroleum refining and petrochemicals in Malaysia.

As for the export of ships, JBIC contributed to maintaining and improving 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.

### 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 FY2019, the number of loans, equity participations and guarantees to mid-tier enterprises and SMEs totaled 82. JBIC encouraged mid-tier enterprises and SMEs to expand to overseas markets through its direct loans in U.S. dollars and local currencies such as Thai baht or the credit lines (TSLs) at Japanese regional financial institutions by providing them with long-term loans in foreign currencies. In FY2019, JBIC strengthened cooperation with regional financial institutions, such as by forming co-financing with 23 regional financial institutions, including six regional financial institutions involved in forming co-financing for the first time.

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 yuan 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.

### Responding to the Diverse Needs of and Crises Faced by Japanese Companies

The international economic conditions surrounding Japan, such as political conditions in each country and economic trend in emerging countries, are constantly changing. During 2020 in particular, the spread of COVID-19 has been having an enormous impact on the global economy since the start of the year. While accurately responding to these changes, to trends in the global economy, and to the funding needs of Japanese companies, JBIC continues to provide support to maintain and improve the international competitiveness of Japanese industry.

Taking the impact of COVID-19 on the Japanese economy and industry into consideration, the Industry Finance Group will provide prompt support for the crises faced by numerous Japanese companies large and small, including mid-tier enterprises and SMEs. 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–FY2020), 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.



An integrated complex consisting of a refinery and petrochemical plants



Container ship  
(Note) A ship of virtually the same size as the one being financed

# 4. 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 government of Japan 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's 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. JBIC supplies funding to investments in those high priority fields by means of equity financing.

In this fiscal year, which is the final year of 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

The overseas expansion by Japanese companies has recently shown a notable move towards utilizing overseas M&A as a way to obtain new technologies and technical know-how to promote innovation, and to acquire and capture markets 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. To realize the Fourth Industrial Revolution, it is important for companies to promote innovation. Under the "Action Plan of the Growth Strategy" approved by the Cabinet on July 17, 2020, a measure by the government of Japan, there are expectations particularly for the provision of new funds to start-up companies that will spur innovation and for the promotion of collaboration between existing companies and start-up companies. 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 with new innovative technologies is expected to intensify further. Under such circumstances, Japanese industries are pushing ahead with strategic efforts such as corporate partnership and technological collaboration 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 overseas markets, overseas M&A activity is one of the important strategies adopted by Japanese companies for accelerating growth. Under such conditions, overseas M&A activities by Japanese companies in 2019 reached a record high of 826 deals. It is important to continue to supply funds in response to the needs of Japanese companies for M&A.

While appropriately focusing on major changes in the environment such as the rebuilding of supply chains and the shift to online and remote social activities due to the spread of COVID-19, 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.

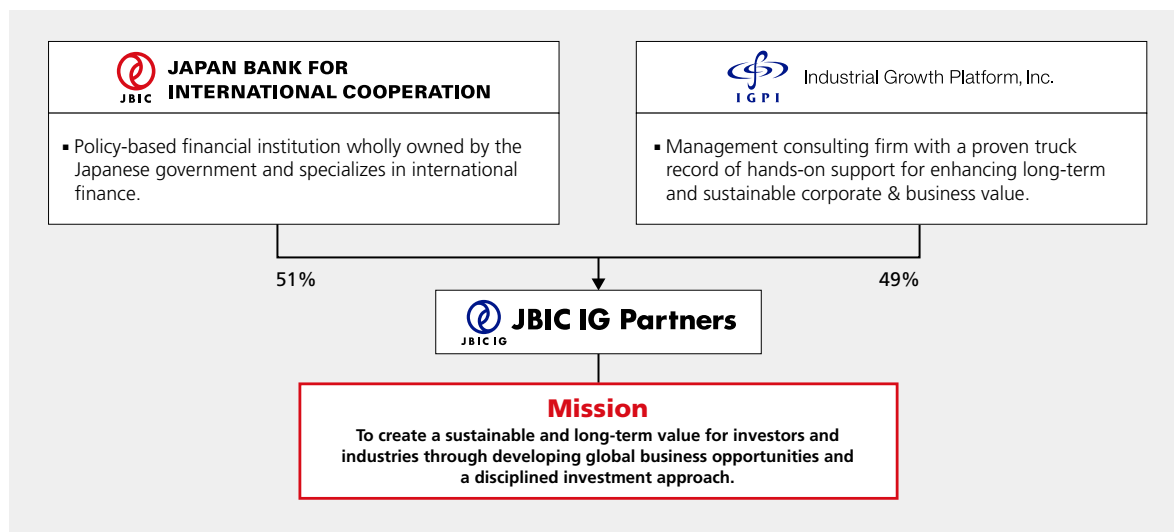
### Overview of JBIC IG Partners (JBIC IG)

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

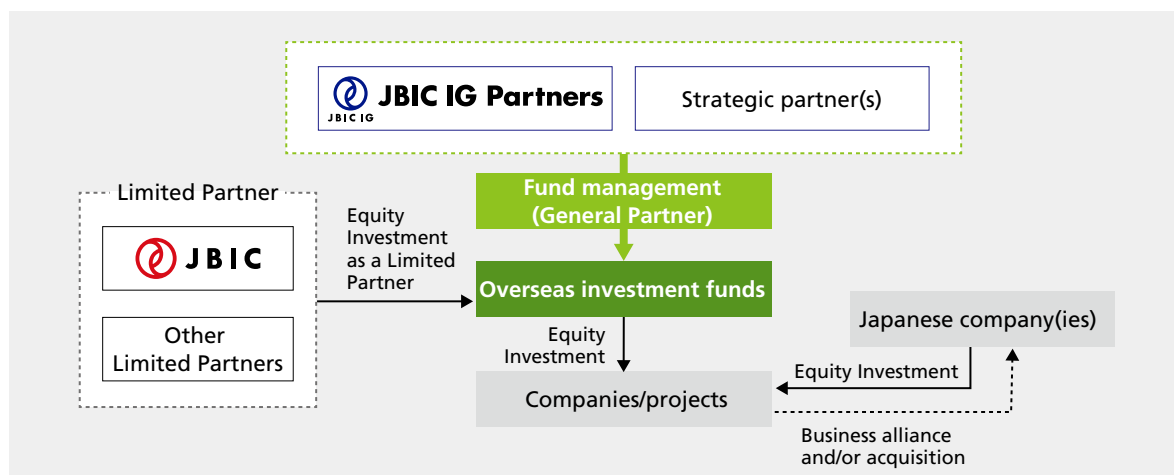
JBIC IG composes overseas funds by partnering with foreign sovereign wealth funds (SWF) and international investors, through investment advisory services to overseas funds.

As its first effort, in September 2017, 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. By the end of June 2020, JBIC IG executed a total of 15 investments in these two funds. Additionally, JBIC IG is undertaking activities to bring together and promote business collaboration between investee companies in these funds and Japanese companies. 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.





## JBIC's Activities

### Strengthening JBIC's Capability of Equity Financing

#### Promoting Open Innovation by Japanese Companies

To support strategic efforts by Japanese companies to promote innovation, JBIC concluded an agreement for equity participation in Vertex Master Fund (SG) II LP (the Fund), based in Singapore to invest in venture capital funds around the world, including the U.S., China, Southeast Asia, India, and Israel. Vertex Master Fund II (GP) Pte. Ltd., which is a subsidiary of Singaporean fund manager Vertex Venture Holdings Ltd. (Vertex), has established and is managing this fund of funds.

The Fund intends to assist Japanese companies in expanding the overseas business operations by offering them business opportunities with the portfolio companies of each investee fund. The equity participation by JBIC in the Fund is expected to contribute, through the service provided by the Fund, to maintaining and strengthening the international competitiveness of Japanese companies.

#### Support for Building Energy Value Chain through Equity Financing

JBIC together with Osaka Gas Co., Ltd. (Osaka Gas) made a joint investment in AGP International Holdings Pte. Ltd. (AG&P) in Singapore. AG&P is an engineering and construction company founded in 1900. Since 2015, the company has been making equity investments into small- and medium-scale LNG terminals as well as in city gas distribution projects, predominantly in India, thereby making a foray into midstream and downstream businesses related to LNG. Osaka Gas intends to gain a foothold and further expanding its overseas business by participating in new LNG terminal and city gas projects in South Asia and other regions, where the company does not have a presence, and by utilizing its knowledge and experience cultivated through domestic business to promote cooperation with AG&P.

Based on the policies of the government of Japan, including the "Strategic Energy Plan" approved by the Cabinet in July 2018, it is considered that expansion of the LNG market in Asia contributes not only to the expansion of the overseas business foundation of the Japanese energy industry, but also to the securement of stable supply of LNG to Japan. The investment from Osaka Gas and JBIC will be used for midstream and downstream businesses

related to LNG in South Asia and other regions, which AG&P plans to expand. As Japan's policy-based financial institution, JBIC will continue to contribute to these types of policies.

#### Support for ESG Investment through Equity Financing

JBIC in September 2019 made an additional investment in the Japan ASEAN Women Empowerment Fund (the Fund) investing in microfinance institutions (MFIs) in ASEAN countries and others. The Fund was launched in 2016 to support female entrepreneurs in those countries, and has supported approximately 290,000 female micro entrepreneurs by financing 30 MFIs across 7 countries. In September 2016, JBIC invested in the Fund along with Sumitomo Life Insurance Company (Sumitomo Life Insurance) and other Japanese institutional investors.

Sumitomo Life Insurance has an interest in the field of microfinance with the aim of diversifying its medium- and long-term revenue base and achieving a sustainable growth of its corporate value, and actively pursues ESG investment. Through the investment in the Fund, Sumitomo Life Insurance expects to obtain the relevant knowledge and information. Providing continued support for their strategy, the investment of JBIC in the Fund is expected to help Japanese companies maintain and increase their international competitiveness.



Signing ceremony with AG&P





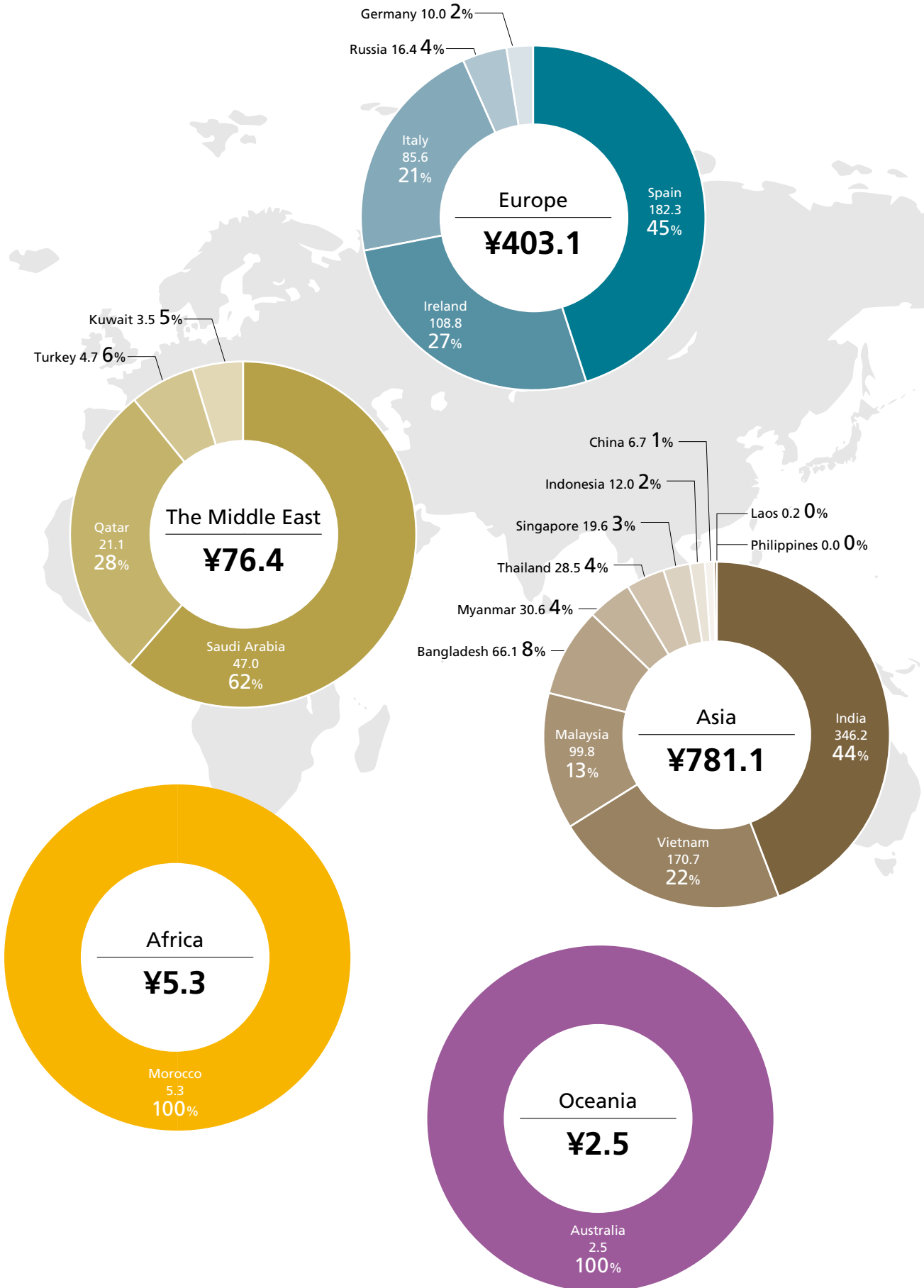
### 3. Examples of Business Outcomes in FY2019

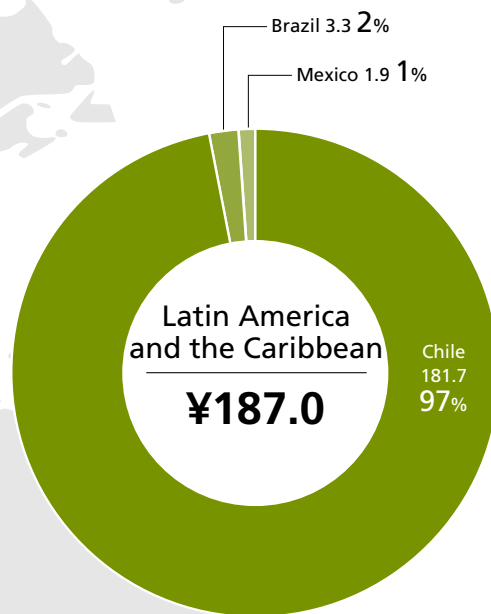
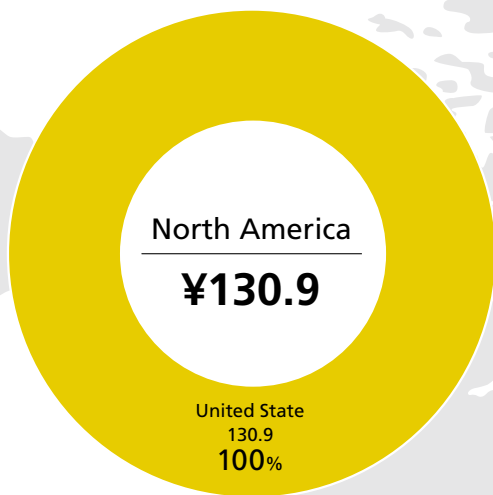
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# 1. Overview of Business Outcomes by Region

Geographical Distribution of Loan and Equity Participation Commitments

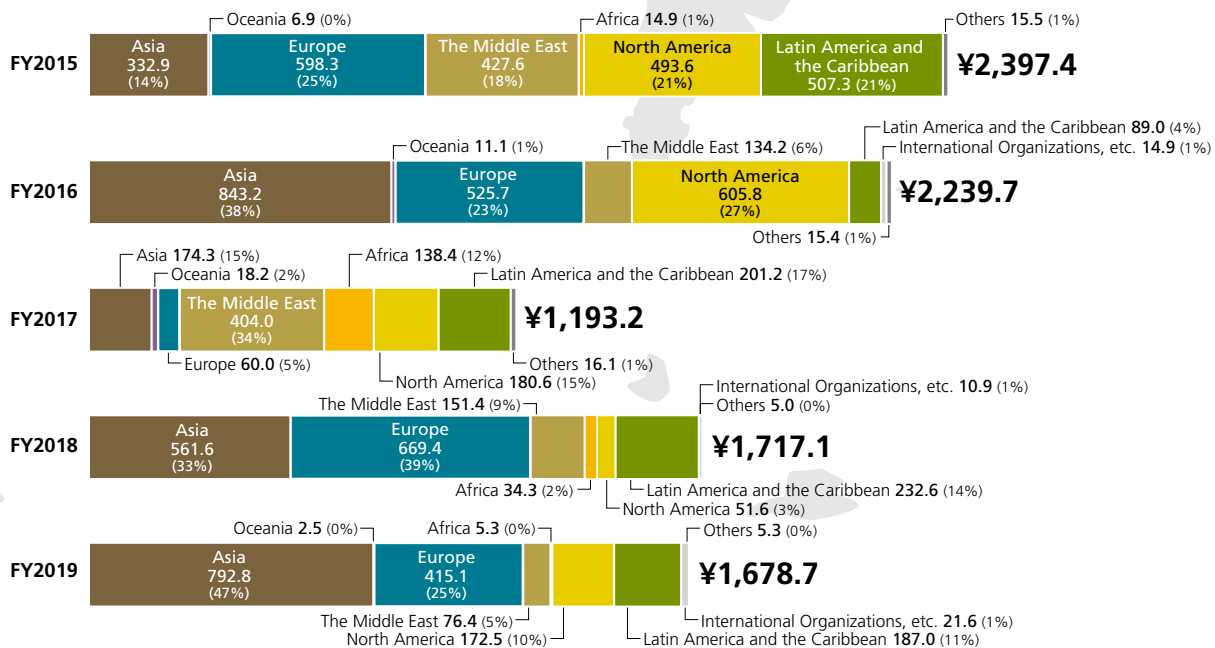
(FY2019; unit: billions of yen)





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

(Unit: billions of yen)





## 2. Examples of Business Outcomes by Region

### Asia



#### China

##### Loan for Manufacturing and Sales of Plastic Compounds

Supporting overseas business expansion of Japanese chemical manufacturer through local currency loan

JBIC concluded a loan agreement with Asahi Kasei Plastics (Changshu) Co., Ltd. (APCS), a Chinese subsidiary of Asahi Kasei Corporation. APCS use the loan to construct a new plant in Changshu, Jiangsu Province, China for manufacturing and sales of plastic compounds<sup>1</sup> mainly used for automobile components.

As the use of electric vehicles increases, and stricter environmental regulations apply, the demand for plastic compounds, to reduce vehicle weight, improve cruising distance and lower CO<sub>2</sub> emissions, is expected to grow.

Asahi Kasei has plastic compounds manufacturing and sales facilities in Asia including China as well as in Europe and America. The company has decided to construct a new plant in Changshu as part of an ongoing effort to enhance its respond to the demands of customers in China and to maintain and increase its market share. This Chinese yuan denominated loan supports the overseas expansion of Asahi Kasei.



#### Bangladesh

##### Buyer's Credit for Bangladesh Chemical Industries Corporation

Supporting export of fertilizer plant-related facilities by Japanese company

JBIC concluded a loan agreement for buyer's credit (export finance)<sup>2</sup> with Bangladesh Chemical Industries Corporation (BCIC), a state-run entity of Bangladesh. BCIC will build a new fertilizer plant on the existing Ghorasal fertilizer plant site in the Narsingdi district, Dhaka city in the northeast of Bangladesh. The loan is intended to provide the funds for BCIC to purchase from Mitsubishi Heavy Industries, Ltd. a complete set of the equipment for the plant.

Agriculture is an important industry for Bangladesh, and there is strong demand for fertilizer. This loan supports the export of the fertilizer plant-related facility which is the largest in capacity for Bangladesh. The project will contribute to an increase in the domestic production of ammonia and urea, which are important to the agricultural sector.



#### Thailand

QI-ESG<sup>3</sup> Project

##### Project Financing for Gulf PD Natural Gas-Fired Combined Cycle Power Plant Project

Supporting Japanese company's participation in IPP project

JBIC concluded a loan agreement with Gulf PD Company Limited (GPD) of Thailand, in which Mitsui & Co., Ltd. holds an equity stake. JBIC provides project financing<sup>4</sup> for a Gulf PD Natural Gas-Fired Combined Cycle Power Plant Project in Thailand.

In this project, GPD will construct, own, and operate a 2,500MW Natural Gas-Fired Combined Cycle Power Plant located in Rojana Industrial Park, Rayong Province, in the east of Thailand. The electricity produced by the plant will be sold to the Electricity Generating Authority of Thailand for a period of 25 years.

According to the power development plan of the government of Thailand, the country's demand for electricity is projected to grow by an annual average of approximately 3.1% until 2037, and this project is considered to be a part of the major base load. The project is also significant for Japanese firms operating in Thailand, from the point of view of ensuring a stable supply of electricity. As such, the project will not only contribute to infrastructure development in Thailand, but also contribute broadly to overseas economic activities of Japanese firms.



1. Compounds are combined with additives, such as glass fibers or flame retardants, to match the needs of the product for which they will be used.
2. Buyer's credit is a loan JBIC extends directly to a foreign importer (buyer) to finance the import of machinery and equipment or others from a Japanese company.
3. "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)" was launched in July 2018. It aimed at providing a wide range of financing support for infrastructure development to help preserve the global environment. In January 2020, QI-ESG was revised and incorporated into "Growth Investment Facility/Window for the Development of Quality Infrastructure for Environmental Preservation and Sustainable Growth (QI-ESG Window)" (see page 83).
4. Project finance is a financing scheme in which repayments for a loan are made solely from the cash flows generated by the project.





## Singapore

### Equity Participation in AGP International Holdings Pte. Ltd. in Singapore

#### Supporting Japanese companies' overseas business expansion

JBIC concluded a shareholders' agreement together with Osaka Gas Co., Ltd. (Osaka Gas)<sup>5</sup> for a joint investment in AGP International Holdings Pte. Ltd. (AG&P) in Singapore.

As an engineering and construction company, AG&P has globally expanded its modular construction business for the petrochemicals, mining, power, oil & gas, and LNG sectors. Since 2015, the company has been making equity investments into small- and medium-scale LNG terminals as well as in city gas distribution projects, predominantly in India, thereby making a foray into midstream and downstream businesses related to LNG.

Osaka Gas intends to gain a foothold and further expand its overseas business by participating in new LNG terminal and city gas projects in Southeast Asia and by promoting cooperation with AG&P. The investment by JBIC supports overseas business deployment of Osaka Gas and will contribute to the expansion of the LNG market in Asia.



## Indonesia

### QI-ESG Project

### Loan for Manufacturing and Sales of Acrylic Acid by Japanese Company

#### Supporting overseas business expansion of Japanese chemical industry

JBIC concluded a loan agreement with PT. NIPPON SHOKUBAI INDONESIA (NSI), an Indonesian subsidiary of NIPPON SHOKUBAI CO., LTD (NIPPON SHOKUBAI). This loan is intended to finance the increase of production capacity and the optimization of existing equipment for NSI's acrylic acid manufacturing and sales business in Cilegon, Banten province, located in the western part of the island of Java, Indonesia.

Acrylic acid is used as a key material of superabsorbent polymer (SAP), which is primarily used in disposable diapers and sanitary products, as well as acrylate (AES), which is used in adhesives, paint and others. Demand for acrylic acid, AES, and SAP is forecasted to greatly increase in the Asia region. NIPPON SHOKUBAI will increase the production capacity of acrylic acid and optimize energy use within the plant by making use of the waste heat from the acrylic acid manufacturing process.

This loan supports overseas expansion of NIPPON SHOKUBAI and will contribute to the preservation of the global environment through the effective use of waste heat and more efficient use of energy by upgrading equipment.



## India

### Growth Investment Facility Project

### Loan for Acquisition of Essar Steel India Limited by Nippon Steel Corporation

#### Supporting overseas M&A of Japanese company in the steel industry

JBIC concluded a loan agreement to finance part of the funds required for Nippon Steel Corporation (Nippon Steel), in partnership with ArcelorMittal S.A. of Luxembourg (AM), to acquire Essar Steel India Limited (Essar<sup>6</sup>).

The steel market in India is expected to make steady growth along with its economic and population growth, and localization of production of steel products is progressing. Essar, or renamed ArcelorMittal Nippon Steel India Limited (AM/NS India) is the fourth largest steel company in India, with an integrated steel mill<sup>7</sup> in western India, an area strong in steel demand. Nippon Steel will work with AM to revitalize and expand the business of AM/NS India and intends to capture growing steel demand in India in the mid- to long-term as a member of India's steel industry.

This loan supports overseas expansion of existing business as well as new business deployment of the Japanese company by providing long-term foreign currency funds necessary for its overseas M&A activities.



(Photo provided by AM/NS India)

5. Osaka Gas will invest through its subsidiary.

6. Essar changed its corporate name to ArcelorMittal Nippon Steel India Limited after the acquisition was completed on December 16, 2019.

7. In this steel mill, manufacturing of pig iron from iron ore, steel making, rolling and processing are conducted in an integrated manner.

## Asia



### Malaysia

#### Buyer's Credit for RAPID Project

Supporting export to Malaysia by Japanese company through project finance

JBIC concluded a project finance based buyer's credit agreement with Pengerang Refining Company Sdn. Bhd. (PRC) of Malaysia.

The purpose of this project is to provide financing to PRC, which is indirectly invested in, via wholly owned subsidiaries, by Petroliaam Nasional Berhad (PETRONAS), the state-owned petroleum company in Malaysia, and Saudi Arabian Oil Company (Saudi Aramco), the state-owned national oil company in Saudi Arabia. PRC plans to construct and operate an integrated complex (RAPID) in Pengerang, a municipality in the southeastern region of the state of Johor in Malaysia. It will be the largest complex of its type in Malaysia, housing a refinery with a daily refining capacity of 300,000 barrels and ethylene, propylene, and other petrochemical plants. The loan will be used by PRC to purchase a steam cracker facility<sup>1</sup> from Toyo Engineering Corporation.

This project will contribute to the creation of business opportunities for Japanese companies in the field of petroleum refining and petrochemicals in Malaysia and is in line with the economic and industrial policies of the governments of Malaysia and Saudi Arabia.



### Myanmar

Growth Investment Facility Project

#### Loan for Mixed Use Development Project by Japanese Company

Supporting overseas business development of Japanese company

JBIC concluded a loan agreement with Kajima Myanmar Holding Pte. Ltd. (KMH) in Singapore, which is invested in by Kajima Corporation (Kajima) together with the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN). This loan is intended to finance the real estate complex development and operation project by Kajima Yankin PPP Co., Ltd. (KYP), a subsidiary of KMH in Myanmar. The project, consisting of a hotel, long-term stay hotels, offices, and commercial facilities, is planned in Yankin Township, Yangon, Myanmar.

Identifying "increase of profitability in the real estate business" as one of the key pillars of its strategies, Kajima promotes real estate development in line with the needs of each overseas market. This project supports overseas infrastructure business development utilizing technologies and know-how owned by the Japanese company. It will also incorporate a Building Energy Management System (BEMS) which is installed in the most modern buildings in Japan, thereby contributing to global environment preservation through the efficient use of energy.



### ASEAN Region

#### Additional Investment in Fund Investing in Microfinance Institutions in ASEAN and Other Countries

Enhancement of international competitiveness of Japanese companies and promotion of women's social empowerment

JBIC concluded an agreement for additional investment in the Japan ASEAN Women Empowerment Fund (the Fund), which is managed by BlueOrchard Finance Ltd. and invests in microfinance<sup>2</sup> institutions (MFIs) in ASEAN and other countries. The Fund was launched in 2016 to support female entrepreneurs in those countries and has supported approximately 290,000 female micro entrepreneurs by financing 30 MFIs across seven countries. In September 2016, JBIC signed an agreement to invest in the Fund along with Sumitomo Life Insurance Company (Sumitomo Life Insurance) and other Japanese institutional investors and this time will make additional investment in the Fund.

Sumitomo Life Insurance has an interest in the field of microfinance and actively pursues ESG investment and financing. Through the investment in the Fund, Sumitomo Life Insurance expects to obtain the relevant knowledge and information.

In addition, JBIC participated in "The G7 2X Challenge: Financing for Women<sup>3</sup>," an initiative aiming to contribute to the promotion of women's social empowerment. This investment is in line with the goal of this initiative.



1. A steam cracker complex is a facility to produce chemical compounds such as ethylene, from naphtha.

2. Microfinance is a small-scale financial service for low-income earners.

3. An initiative announced by development finance institutions (DFIs) of the G7 (The Group of Seven) at the G7 Summit held on June 9, 2018 in Charlevoix, Canada. Under the initiative, DFIs will mobilize their own funds as well as private capital for supporting businesses, corporations and funds that contribute to the social empowerment for women.

## Oceania



### Australia

#### Loan for Abra Lead Mine Development Project

Supporting Japanese company's long-term and stable procurement of lead concentrate

JBIC concluded a loan agreement with Toho Zinc Co., Ltd. (Toho Zinc) for the development of the Abra lead mine, located in the state of Western Australia, Australia. The loan is intended to provide long-term capital necessary for the development of the Abra lead mine. Development will be undertaken by CBH Resources Limited, an Australian subsidiary of Toho Zinc, through investment in Abra Mining Pty Limited (AMPL), also in Australia.

Toho Zinc will own 40% interest in AMPL, offtake the equivalent proportion of lead concentrate produced, which it plans to supply to refineries in Japan.

Lead, which is used in automobile batteries including electric car batteries, is an indispensable metal resource for Japan. Since Japan relies solely on imports for lead concentrates, it is significant to secure a long-term, stable supply of lead resources. This project supports the additional development of a lead mine in which Japanese companies hold interests and, as such, is in line with the Japanese government's policies.



## Europe



### Ireland

#### Loan for SMBC Aviation Capital Limited, Aircraft Leasing Company

Supporting overseas business expansion of Japanese aircraft leasing industry

JBIC concluded a loan agreement with SMBC Aviation Capital Limited (SMBCAC) of Ireland, which is invested in by Sumitomo Mitsui Finance and Leasing Co., Ltd. and Sumitomo Mitsui Banking Corporation. The loan is intended to provide the funds for SMBCAC to procure aircrafts up to March 2024.

As of October 2019, SMBCAC is ranked the fifth largest aircraft leasing company in the world, based on the number of aircraft it owns and manages. SMBCAC aims to secure a competitive edge in the aircraft leasing industry by further expanding the number of aircraft it owns and manages, to capture future aircraft demand. This loan financially supports the overseas expansion of SMBCAC.



#### MOU for Business Cooperation with the EBRD

Strengthening cooperation related to the promotion of environmental preservation and innovations

JBIC concluded a memorandum of understanding (MOU) with the European Bank for Reconstruction and Development (EBRD) to fortify cooperation between the both parties, including the promotion of the global environmental preservation and innovations.

JBIC has been enhancing initiatives in the environmental sector under its Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG) established in July 2018. The EBRD also aims to increase the percentage of its Green Investment over the total commitment amount to 40% in FY 2020. The bank has a long track record in supporting environmental investments and providing technical assistance mainly in Central and Eastern Europe, Central Asia, and North Africa. By signing this MOU, JBIC will further strengthen the pursuit of co-financing for global environmental preservation in these regions.

As Japan's policy-based financial institution, JBIC will continue to actively support the creation and promotion of business opportunities for Japanese companies while closely collaborating with international financial institutions.

## Middle East



### Turkey

#### Loan for Car Logistics Terminal Operation Project in Turkey Supporting overseas expansion of logistics infrastructure business

JBIC concluded a loan agreement with OYAK NYK Ro-Ro Liman İşletmeleri A.Ş. (OYAK NYK Ro-Ro Port), a Turkish company invested in by Nippon Yusen Kabushiki Kaisha (NYK LINE) and a subsidiary of Ordu Yardımlaşma Kurumu (OYAK), one of the leading industrial groups in Turkey. The loan is intended to provide the funds necessary for OYAK NYK Ro-Ro Port to construct and operate a car logistics terminal in Körfez, Kocaeli Province.

NYK LINE, under its car marine transport division, conducts the operation of terminals as well as marine vessel logistics all over the world. Turkey is attracting attention globally as a base for the manufacture and export of automobiles, and is forecasted to greatly increase in automobile manufacturing. Amidst these developments, this loan will support the construction and operation of a car logistics terminal. It will also contribute to the overseas expansion of NYK LINE's terminal operation business through collaborating with the company's marine vessel logistics business.



### Qatar

QI-ESG Project

#### Project Financing for Facility D Natural Gas-Fired Power Generation and Desalination Project Supporting Japanese company's participation in overseas IWPP project

JBIC concluded a project financing loan agreement with Umm Al Houl Power (UHP) of Qatar for an expansion project for the Facility D Natural Gas-Fired Power Generation and Desalination Project.

UHP was established by Mitsubishi Corporation (MC) and JERA Corporation (JERA), together with Qatar Petroleum, Qatar Electricity & Water Company Q.P.S.C. and Qatar Foundation for Education, Science and Community Development. It owns a natural gas-fired combined cycle power and desalination plant in the south of Doha, the capital of Qatar. This project will construct an additional desalination plant, which will be operated on an integrated basis with the existing plant and sell the water produced to Qatar General Electricity and Water Corporation for a period of 25 years after the completion of construction.

In Qatar, the demand for water is trending upward reflecting the country's economic growth. Given such circumstance the project is expected to play an important role as a major water supplier for the country.



### United Arab Emirates

#### Export Credit Line to Dar Alhai Trading FZE of Dubai Supporting export of construction and other machinery by Japanese companies

JBIC concluded a loan agreement with Dar Alhai Trading FZE (DAHT) of Dubai, in UAE for providing an export credit line<sup>1</sup>. This loan provides DAHT with the funds to purchase construction and other machinery from Japanese companies.

DAHT is a private company that imports, sells, and leases automobiles, construction machinery, and other goods. DAHT has been purchasing construction machinery from Japanese companies and intends to continue to make such purchases moving forward. This loan is to support the sales of construction machinery to DAHT by Japanese companies. This is the first loan to a private company in the Emirate of Dubai to be financed by JBIC.



1. An export credit line is a form of export credit in which JBIC makes a commitment for the maximum amount of credit to be extended to foreign banks or other entities to finance the export of machinery and equipment from Japan.



## Africa

### Morocco **QI-ESG Project and JBIC Facility for African Investment and Trade Enhancement (FAITH 3) Project**

#### **Project Financing for Taza Onshore Wind Power Generation Project**

Supporting Japanese company's participation in renewable energy power generation business in Africa

JBIC concluded a project financing loan agreement with Moroccan company Parc Eolien de Taza SA (PETS), established jointly by Mitsui & Co., Ltd. and EDF Renouvelables of France, for the Taza onshore wind power generation project in Morocco. For this project, PETS will construct, own, and operate an onshore wind power generation plant in Taza in the northern area of Morocco. PETS will sell the generated electricity to Morocco's public electricity and water company for 20 years following the completion of construction. This is JBIC's first financing for a renewable energy project in Morocco.

Morocco is aiming to raise the ratio of renewable energy to 52% of total capacity generated by 2030, and this project is in line with this energy policy. Also, through supporting the renewable energy business in Africa where Japanese companies have limited business experience, this loan will contribute to maintaining and enhancing the international competitiveness of Japanese companies in this field.



### **African Region**

FAITH 3 Project

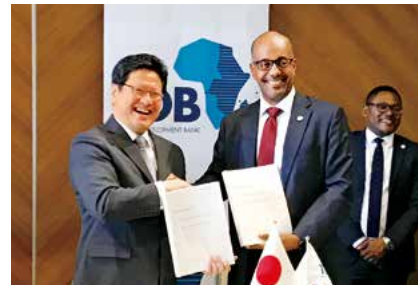
#### **Export Credit Lines for Regional Development Financial Institutions in Africa**

Supporting export of machinery and equipment by Japanese companies

JBIC concluded a general agreement for providing an export credit line with the Eastern and Southern African Trade and Development Bank (TDB). The credit line is intended to provide business entities in 22 countries mainly in Sub-Saharan Africa, through TDB, with funds necessary for the import of machinery and equipment from Japanese companies and their overseas affiliates.

JBIC also concluded a general agreement for providing an export credit line with the African Export-Import Bank (Afreximbank). The credit line is extended, via Afreximbank, to business entities in its 51 member countries in Africa to also provide funds necessary for the import of machinery and equipment from Japanese companies and their overseas affiliates.

Demand for machinery and equipment, which are needed for economic development, is expected to continue to expand in Africa. In light of this, these credit lines are being set up to financially support the efforts of Japanese companies and their overseas affiliates to expand exports to this region. It is also expected to help further strengthening the economic relationship between Japan and Africa.



## North America



### United States

#### Signing Statement of Mutual Cooperation with the State of Texas of the U.S.

Supporting diverse business development of Japanese companies in the State of Texas

JBIC signed a Statement of Mutual Cooperation (the Statement) with the Texas Office of the Governor, the State of Texas of the U.S. (the State of Texas). The Statement aims to strengthen the cooperative relationship between JBIC and the State of Texas for the purpose of further promoting business development through investments by Japanese companies in a wide range of areas, including energy, mobility, digital connectivity, resilience, and the water industry.

The State of Texas comprised of a large economic zone which has the second largest population and second highest GDP in the U.S. Going forward, Japanese companies are expected to actively carry out further business development there, owing in part to the state's outstanding business environment, such as its large market and tax benefits, and its geographical location which facilitates access to other areas in the U.S. and markets in Latin America. A number of Japanese companies have developed their business in the State of Texas, and to date, JBIC has provided support for natural resource development and other projects carried out by these Japanese companies. By establishing a cooperative relationship with the State of Texas to encourage business collaboration in a wide range of areas, including in new fields, such as energy efficiency, alternative energy, mobility, and resilience. This is expected to further promote Japanese companies to engage in a wide and diverse range of business activities in the State of Texas.



## Latin America



### Chile

#### **Project Financing for Quebrada Blanca Phase 2 Project** Supporting Japan's long-term and stable procurement of copper concentrates

JBIC concluded a project financing loan agreement with Compañía Minera Teck Quebrada Blanca S.A. (CMTQB) of Chile to finance expansion of the Quebrada Blanca copper mine. JBIC also concluded a loan agreement with Sumitomo Metal Mining Co., Ltd. (SMM) and with Sumitomo Corporation (SC), respectively.

The purpose of these loans is to provide long-term finance necessary for the development of the Quebrada Blanca Phase 2 project in Tarapaca (Region I), Chile. The project is being undertaken by CMTQB, a company invested in by Teck Resources Limited of Canada, SMM, SC and Empresa Nacional de Minería (ENAMI) of Chile.

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. This project supports the additional development of the copper mine in which Japanese companies hold interests and will help to secure a long-term, stable supply of copper concentrates.



### Brazil

#### **Loan for Freight Railway Project** Supporting overseas expansion of logistics infrastructure business

JBIC concluded a loan agreement with VLI Multimodal S.A. (VLI Multimodal) of Brazil. This loan is provided to VLI Multimodal, a subsidiary of VLI S.A. (VLI), for financing the update of facilities on existing freight railway routes. VLI is jointly invested in by Mitsui & Co., Ltd. and Vale S.A. (Vale) of Brazil and operates freight railway transportation business in the country.

In Brazil, freight railway network plays an important role in the transport of general cargo such as grain, fertilizer, iron raw materials and steel products. This project will increase the carrying capacity on the freight railway routes for which VLI holds the operational rights. In addition to leading to improvements in logistics costs in Brazil, this project will contribute to maintaining and strengthening the international competitiveness of Japanese companies in the logistics infrastructure business.



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

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

## China

### KATATA ELECTRIC CO., LTD. (Shiga Prefecture)

Printed Circuit Boards Manufacturing and Sales Business

KATATA ELECTRIC is engaged in the manufacture and sale of printed circuit boards (PCBs) for home electric appliances and industrial and office automation (OA) equipment. In 2005, it established KATATA ELECTRIC (KUNSHAN) CO., LTD. (KEK) in Jiangsu, China, as a manufacturing base to promote business expansion in the country. By increasing KEK's production capacity, KATATA ELECTRIC aims to improve the quality and increase the production efficiency of PCBs. JBIC provided to KEK with the funds necessary to expand its PCB production capacity.



## Indonesia

Growth Investment Facility Project

### SHINWA PACKAGE CO., LTD. (Hyogo Prefecture)

Manufacturing and Sales Business of Transport Boxes for Container Transport

SHINWA PACKAGE is engaged in the manufacture and sale of steel transport boxes used to transport automobiles, construction machinery, industrial equipment and semiconductors and has already been undertaking business overseas, in Thailand and Indonesia. JBIC provided Indonesian rupiah-denominated loan to its subsidiary in Indonesia, PT. SHINWA PACKAGE INDONESIA (SPI), to increase its production capacity. SHINWA PACKAGE seeks to increase market share in Indonesia through the capital investment in SPI.



## Indonesia

Growth Investment Facility Project

### SHINKO KOGYO CO., LTD. (Okayama Prefecture)

Automotive Parts Manufacturing and Sales Business

SHINKO KOGYO is engaged in the manufacture and sale of a range of automotive parts from propeller shafts to transmissions. JBIC provided Indonesian rupiah-denominated loan to its subsidiary in Indonesia, PT. Shinko Kogyo Indonesia (PT. SKI), which are necessary for its automotive parts manufacturing and sales business. By expanding PT. SKI's production capacity, SHINKO KOGYO seeks to increase market share in Indonesia, where economy is growing.



## Indonesia

Growth Investment Facility Project

### Toyo Corporation (Aichi Prefecture)

Sales and Processing Business of Tools and Machines

Toyo is engaged in the wholesale, processing and polishing of tools and machines. It established PT. Precision Tools Service Indonesia (PTSI) in 2011 in Indonesia for securing a sales base locally. Toyo aims to further expand its sales and processing business in Indonesia where demand for tools and machines is expected to expand in line with the country's economic growth. JBIC provided to Toyo funds necessary for PTSI's business.





**Laos****MISUZU Co., Ltd. (Shiga Prefecture)****Electric Conductors Manufacturing and Sales Business**

MISUZU is engaged in the manufacture and sale of various electric conductors widely used in household appliances, solar panels, robots, gastrocameras and endoscopes. The MISUZU Group decided to increase the production capacity of MISUZU Lao Co., Ltd. (MS-LAO) in Laos in order to increase share in the ASEAN market. JBIC provided loan to MISUZU to expand MS-LAO's production capacity and production volume.

**Philippines****Biotech Japan Corporation (Niigata Prefecture)****Packaged Cooked Rice Manufacturing and Sales Business**

Biotech Japan (BTJ) is engaged in the manufacturing and sales of low-protein food (rice and bread), utilizing its lactic acid bacteria fermentation technology. In the Philippines, where rice is a dietary staple, there is a growing demand for packaged cooked rice, especially in urban areas. Furthermore, increasing attention has been drawn towards low-protein rice as a solution for lifestyle-related diseases. Based on its original fermentation and maturation technology, BTJ has developed a low-protein long grain rice and established Biotech JP Corp. (BTJP) in the Philippines. JBIC provided a loan to BTJP to construct a new production plant.

**Thailand****YAMATO CO., LTD. (Iwate Prefecture)****Restaurant Operation and Meat Processing Business**

YAMATO is engaged in the operation of "Yakiniku Reimen Yamato" barbecue restaurants, located mainly in Iwate and Miyagi Prefecture. It has established YAMATO (THAILAND) CO., LTD. (YMT) in Thailand, where Japanese food is popular in urban areas. YMT aims to expand its restaurant business, using ingredients produced in Japan, as well as expanding its meat business targeting local restaurants in Thailand. JBIC provided a loan to YMT to fund the expansion of its refrigeration-related facilities for the development of its business in Thailand. This is the first loan to support the overseas business development of a mid-tier enterprise/SME headquartered in Iwate Prefecture for JBIC.

**Thailand****Growth Investment Facility Project****Hakuzo Medical Corporation (Osaka Prefecture)****Manufacturing and Sales Business of Medical Tools and Hygiene Materials**

Hakuzo Medical is engaged in the manufacture and sale of medical tools and hygiene materials. It established Hakuzo Medical Asia Co., Ltd. (HMAC) in 2018 in Thailand to increase market share in Southeast Asian countries where economic growth is pushing up medical needs. JBIC provided to Hakuzo Medical funds necessary for HMAC to carry out the manufacturing and sales business of medical tools and sanitary materials. These funds were used to construct a plant in Thailand.



**Vietnam****Yonezawa Kikai KK (Osaka Prefecture)****Manufacturing and Sales Business of Metal Furniture Parts**

Yonezawa Kikai is engaged in the manufacture and sale of metal furniture parts, such as shelves, cabinets and stainless wagons mainly used in pharmacies and medical institutions. It has established a local subsidiary in Vietnam, YONEZAWA TOOL MFG. VIETNAM CO., LTD. (YTV), to advance into the ASEAN market where continued growth is expected. JBIC provided loan to Yonezawa Kikai for YTV to carry out the manufacturing and sales business of metal furniture parts.

**Vietnam****Nissei Technology Corporation (Hyogo Prefecture)****Manufacturing and Sales Business of Optical and Precision Components**

Nissei Technology is engaged in the manufacture and sale of optical products and precision plastic products and is recently focusing on plastic lenses for smartphones. It established NISSEI TECHNOLOGY (VIETNAM) LTD. (NTV) in 2006 in Vietnam with the aim of expanding its business in the country and other countries in Asia. JBIC provided loan to NTV to construct a plant and to expand its production facilities.

**Vietnam****Nihon Kolmar Holdings Co., Ltd. (Osaka Prefecture)****Cosmetics Contract Manufacturing Business**

Nihon Kolmar Holdings is mainly engaged in the manufacture of cosmetics under ODM/OEM\*. With demand for cosmetics expected to grow in Southeast Asian countries, it established KOLMAR VIETNAM CO., LTD. (KVCL) in 2018 in Vietnam in seeking to obtain ODM and OEM orders from cosmetics manufacturers making a foray into these countries. JBIC provided loan to KVCL to construct a new cosmetics plant.

\*Original design manufacturing (ODM) is a business model in which a company plans, designs and manufactures a product and then supplies the product to a client company. In original equipment manufacturing (OEM), a company commissions production of a product for a client company based on detailed charts and technical instruction given by such client company.

**India****MIYAMA ELECTRIC CO., LTD. (Tokyo)****Automotive Parts Manufacturing and Sales Business**

MIYAMA ELECTRIC is engaged in the manufacture and sale of automotive parts, including switches for automobile interior lighting. In 2019, it established MIYAMA ELECTRIC INDIA PRIVATE LIMITED (MEIP) in India, seeking to acquire a business base overseas. On the back of the growing automobiles market in India with the country's economic growth, MIYAMA ELECTRIC aims to expand its business through MEIP. JBIC provided to MIYAMA ELECTRIC funds necessary for MEIP to construct a new plant in India.



**India****TAKEI CO., LTD. (Ibaraki Prefecture)****Precast Concrete Products Manufacturing and Sales Business**

TAKEI is engaged in the manufacturing and sales of precast concrete products. In 2019, Japan Axis Investment Co., Ltd. (JAI), which is invested in by TAKEI, established Fuji Infrastructure Technologies Private Limited (FIT) in India. TAKEI intends to expand its business in India through FIT, anticipating the growth in demand for precast concrete products driven by the rising infrastructure demand in the country. JBIC provided a loan to JAI for FIT to construct a new plant and carry out their precast concrete products manufacturing and sales business.

**Mexico****Nukabe Corporation (Gunma Prefecture)****Manufacturing and Sales Business of Automotive Parts and Other Products**

Nukabe is engaged in the manufacturing and sales of automotive parts, transportation machinery and equipment. Nukabe established Nukabe Mexicana S.A. de C.V. (NKBM) in Mexico, where the production of automotive parts related to four-wheel vehicles for the North American market is expected to increase. Nukabe aims to expand its overseas production of automotive parts and other products through NKBM. JBIC provided a loan to NKBM for purchasing manufacturing equipment necessary for its manufacturing and sales business of automotive parts and other products.

**Mexico****Growth Investment Facility Project****Uchiyama Manufacturing Corp. (Okayama Prefecture)****Automotive Parts Manufacturing and Sales Business**

Uchiyama Manufacturing Corp. (UMC) is a manufacturer of industrial rubber products and is mainly engaged in the manufacture and sale of bearing seals and gaskets for automobiles. In 2018, it established UCHIYAMA MANUFACTURING DE YUCATAN S. A. DE C.V. (UMY) in Mexico with the aim of further expanding its business in the automobile market in the Americas. JBIC provided to UMC funds necessary for UMY's automotive parts manufacturing and sales business. These funds were used to construct a plant.



# 4. Examples of Business Outcomes Relating to Environment

## Supporting Environmental Conservation and Improvement Projects

Achieving both environmental preservation and economic development is globally recognized as a common challenge for developed and developing countries. 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; 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.

### Loan for Manufacture and Sales of Solar Panel Sheet Glasses by Japanese Company

QI-ESG Project

JBIC concluded a loan agreement respectively with NSG Glass North America, Inc. (NSG GNA), a U.S. subsidiary of Nippon Sheet Glass Company, Ltd. (NSG), and with NSG Vietnam Glass Industries, Ltd. (VGI), a Vietnamese subsidiary of NSG. These loans are intended to finance the manufacturing and sales of transparent conductive oxide (TCO) glasses for solar panels by NSG GNA and VGI.

NSG has a long-term contract in place with First Solar, Inc. (First Solar), one of the world's leading manufacturers of thin film solar modules in the U.S. As demand for thin film solar modules is expanding globally, First Solar continues to scale up the production of its high-performance modules. Utilizing a new plant to be constructed by NSG GNA and a production line to be upgraded by VGI, NSG aims to set up a system to supply First Solar with TCO glasses that are a basic component of these solar modules.

The loans will contribute to the preservation of the global environment by ensuring the supply of the basic components that are essential for the solar power generation business.



### Third Credit Line for CAF under GREEN Operations

Growth Investment Facility Project

JBIC set up a credit line with Corporación Andina de Fomento (CAF).

This credit line is intended to finance, through CAF, the necessary funds for environment-related projects such as supply of water, prevention of water pollution and maintenance and upgrade of electric power distribution networks in CAF's member countries in the Latin America and Caribbean region, as part of JBIC's GREEN operations. It is the third loan made to CAF, following the one in 2011 and the other in 2016.

CAF, whose main shareholders are its 19 member countries<sup>1</sup> mainly in the Latin America and Caribbean region, aims to achieve economic integration, as well as to promote economic development and trade finance in the region. JBIC has built a strong cooperative relationship with CAF over a period of more than forty years since 1975, through JBIC loans for infrastructure projects, as well as for exports of machinery and equipment to the Latin America and Caribbean region and for industrial investment and export promotion in the region. This loan, which focuses on the environmental sector, will further strengthen cooperation between the two institutions.

1. CAF's member countries: Argentina, Bolivia, Brazil, Columbia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela, Barbados, Chile, Costa Rica, Spain, Jamaica, Mexico, Dominican Republic and Portugal (as of the end of December 2019)



## Partnerships and Knowledge Sharing in the Environmental Sector

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

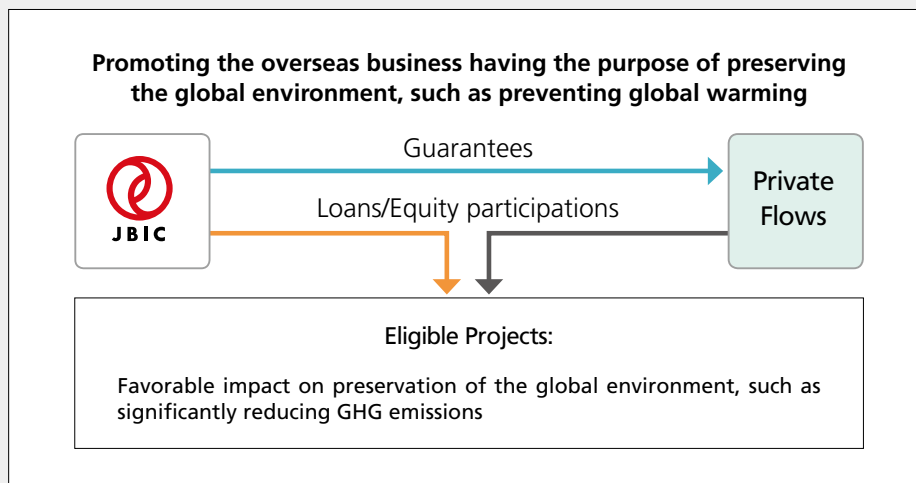
through activities such as holding seminars and participating in relevant events. JBIC also simultaneously forms close partnerships with foreign governments and government agencies, domestic prefectural and municipal governments, and other stakeholders both in Japan and abroad.

### GREEN Operations

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.



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

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

## Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC conducted the 31st 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 FY2019 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 “influence of friction between the U.S. and China” and “overseas expansion of open innovation” as individual topics.

In the FY2019 survey, trade friction between the U.S. and China, economic slowdown in China, trouble due to Brexit, and a strained situation in the Middle East, all contributed to the uncertainty in the global situation. Overseas production ratio reached 36.8%, the highest level since the survey began. However, the proactive stance toward overseas business is not necessarily shared by all companies, with some taking more conservative views of the future outlook.

Among promising countries for overseas business for the next few years, China lost its share of the vote, and India was back to the top position for the first time in three years. At the same time, there were also signs of emergence of next prospective countries in Asian countries, particularly Vietnam and Thailand but could also be seen in the Philippines and Myanmar. China’s drop is, therefore, creating the opportunity for other Asian countries to be re-evaluated.

Approximately half of businesses responded that friction between the U.S. and China was causing a decline in profits. This confirms the impacts that this issue is creating across a broad range of industries, including automotive, chemicals, and electrical equipment & electronics. On the other hand, this survey also revealed that Japanese businesses are trying to co-exist with China and the U.S. Efforts include flexible changes to supply chains to mitigate effects of the U.S.-China conflict, as well as measures such as introducing factory automation (FA) and strengthening company data management.

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.

## Collaboration with Overseas Governmental Organizations and International Organizations

JBIC hosted workshops on the gas sector in the Philippines at the Senate’s and House of Representatives’ Committee on Energy in January and February 2020, respectively. Amid concerns over the depletion of domestic natural gas reserves in the future, the Philippines is considering projects to develop liquefied natural gas (LNG) terminals and construct gas-fired power plants that use LNG from these terminals. The objectives of the workshop included: 1) confirming the economics of a gas-fired power plant and its cost competitiveness; 2) urging government officials to re-acknowledge the need for gas-fired power generation in the Philippines and 3) determining what actions the government needs to take to implement LNG receiving terminal projects. The workshops were also intended to increase opportunities for Japanese companies to participate in the LNG business in the Philippines. Participants had an animated discussion during open discussion session, asking questions about the development of a regulatory and legal framework in the gas sector in Japan, exploring the importance of gas and LNG as stable power supply in the future, and clarifying on how to prioritize energy sources in the energy policy and the structure of energy mix in power generation.

In November 2019, the City of San Antonio and Japan Business Federation Keidanren USA co-hosted a summit on disaster prevention and recovery in San Antonio, Texas. The U.S. Japanese companies with operations in the U.S. and a power utility company in San Antonio participated in the event to deliver presentations and exchange opinions on disaster prevention and recovery. JBIC gave a presentation about its financing tools and its support in the State of Texas. Texas attracts investments from a large number of Japanese companies, with its favorable investment environment, which includes a preferential taxation system, geographical advantages and developed experienced, skilled labor market. On the other hand, Texas faces the challenge of responding to natural disasters such as hurricanes. Participants from San Antonio listened closely to the presentations of the Japanese companies



Gas sector workshop in the Philippines

about their sophisticated technology and expertise with disaster prevention and recovery. A similar event was held in February 2020 in Los Angeles, California.

In May 2019, JBIC held the Japan-China Third Country Market Financing Cooperation Forum jointly with the China Development Bank (CDB). Under an MOU<sup>1</sup> signed by JBIC and CDB in 2018, the forum was held to discuss and pursue cooperation between Japanese and Chinese companies in third country markets. In the keynote speech, JBIC Governor MAEDA Tadashi described the past support jointly provided by JBIC, CDB and the Export-Import Bank of China for collaborative projects by Japanese and Chinese companies in third countries. He also stressed that financial support, which is in line with the global standards concerning openness, transparency, economic viability, debt sustainability and compliance with laws and regulations, of JBIC and CDB based on the MOU will benefit both Japanese and Chinese companies as well as the third countries in which the projects are being undertaken.



Panel discussion by JBIC

development of environmental infrastructure projects. JBIC signed an MOU with ADB in November 2015 to promote the quality of infrastructure investment in the Asia-Pacific region. JBIC conducts regular meetings with ADB to share its experience and know-how in the sectors of infrastructure and renewable energy, as well as to exchange views on project development in such sectors. In accordance with the MOU, JBIC provided information about various potential projects and discussed the possibility of financing such projects in collaboration with ADB during this round of meetings.

At the G20 Osaka Summit held in June 2019, the G20 leaders agreed to the "Osaka Blue Ocean Vision," which has the goal of reducing marine plastic litter pollution to zero by 2050. In order to achieve this initiative, the government of Japan presented its policy for building the capability of waste disposal management in developing countries and establishing the necessary infrastructure in such countries. In its "Free and Open Indo-Pacific Vision," the government also promotes improved connectivity between ASEAN and Indo-Pacific nations, emphasizing that collaborations with various countries in the region is becoming increasingly important.

During the said meetings, JBIC discussed with ADB about developing pilot projects that are expected to help improve the environment in island states through the introduction of Japanese technology while exchanging opinions about further cooperation in future projects.



OYA Toshio, Senior Managing Director of JBIC (left), and Michael Barrow, Director General of ADB's Private Sector Operations Department

Keynote speech by MAEDA Tadashi, Governor of JBIC

In April 2019, JBIC, the Long-Term Investors Club (LTIC) and Development Bank of Japan Inc. (DBJ) co-hosted the annual LTIC Steering Committee Meeting and the D20 Conference in Tokyo. Emphasizing importance of lending and investment activity based on a long-term perspective towards sustainable economic growth, major European development financial institutions created the LTIC in 2009, with the aim of sharing best practices among the LTIC members and promoting research about long-term lending and investment businesses. JBIC and DBJ are Japanese members of the LTIC.

The LTIC's annual Steering Committee Meeting is joined by member institutions in the country hosting the G20. They discuss the latest issues related to long-term lending and investment for stable economic growth and also seek solutions. The D20 Conference (D stands for a DFI, Development Finance Institution) takes place at the same time as the annual LTIC Steering Committee Meeting. At the Conference, participants share information about various issues related to long-term lending and investment among D20/LTIC members and exchange their opinions and views. This year's D20 Conference participants discussed financing for sustainable infrastructure development and reduction in social costs. They exchanged their opinions through keynote speeches and panel discussions.

In February 2020, JBIC held meetings with the Asian Development Bank (ADB) to discuss the sustainable

1. In October 2018, JBIC and CDB signed an MOU to promote cooperation between the two institutions for projects in third countries, which involve both Japanese and Chinese companies.





## 4. Financial Instruments

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# 1. Financial Instruments

## Export Loans

Export loans are provided to overseas importers and financial institutions to support finance exports of Japanese machinery, equipment, and technology mainly to developing countries. In particular, products such as marine vessels, power generation facilities, and other types of plant equipment incorporate a significant amount of advanced technology, and their export will be instrumental in enhancing the technological base of Japanese industries. Furthermore, Japanese shipbuilding and plant facilities industries have a broad range of supporting industries, including mid-tier enterprises and SMEs producing parts and components, and thus the loans are expected to positively contribute to the business of these Japanese companies. Export loans in specific sectors are also available to developed countries (see note).

Terms and conditions of export loans are determined based on the Arrangement on Officially Supported Export Credits (OECD Arrangement). In principle, the loan amount

should not exceed the value of an export contract or technical service contract, and excludes the down payment. Local costs may be covered provided that the amount is within the scope prescribed by the OECD Arrangement.

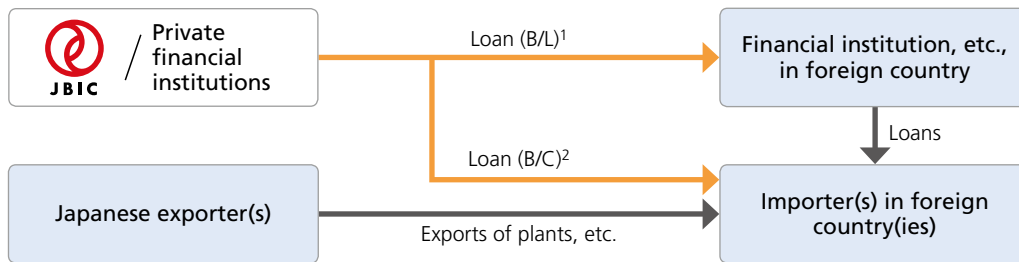
Note: Eligible Sectors of Export Loans in Developed Countries (as of August 31, 2020)

[Integrated Infrastructure System Projects]

Railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), highly efficient gas-fired power generation, electricity storage, development of telecommunications network, manufacture of chemicals that use organic substances derived from animals and plants, waste incineration and waste to energy, smart grid

[Other Export Transactions]

Ships, satellites, aircrafts, medical positron beam therapy equipment



1. Loan to foreign financial institutions (bank-to-bank loan or "B/L")
2. Loan to foreign importers (buyer's credit or "B/C")

### Supporting Export of Container Ship Built by Japanese Shipbuilders



Container vessel of virtually the same size as the one being financed

JBIC concluded a buyer's credit agreement with Wan Hai Lines (Singapore) Pte Ltd, a subsidiary in Singapore owned by Wan Hai Lines Ltd. Group (Wan Hai Group), for financing the purchase of container vessels.

The Wan Hai Group is a Taiwanese full-container vessel shipping company. This loan is provided for the Wan Hai Group to purchase eight 3,036 TEU container vessels built by Japanese

shipbuilder Japan Marine United Corporation (JMU).

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

### Supporting Export of Steel-Manufacturing Facilities by Japanese Companies

JBIC concluded an individual buyer's credit agreement with JSW Steel Limited (JSW Steel), a major private steel manufacturing company in India, in which JFE Steel Corporation holds a 15% stake. JSW Steel plans to expand the Vijayanagar Works in Karnataka State in southwestern India. This loan is intended to provide the necessary funds for JSW Steel to purchase a complete set of facilities for a wire rod mill, used in the processing of steel, from overseas subsidiaries of Primetals Technologies Ltd. in the U.K., a joint venture established by

Mitsubishi Heavy Industries and its partners.

In India, demand for steel is expected to expand in the medium to long term, particularly in the infrastructure sector, driven by its economic growth, and it thereby has a strong interest in Japanese high-quality steel-manufacturing facilities. This loan supports Japanese companies to further expand export of machinery and equipment manufactured by their overseas subsidiaries.

## Import Loans

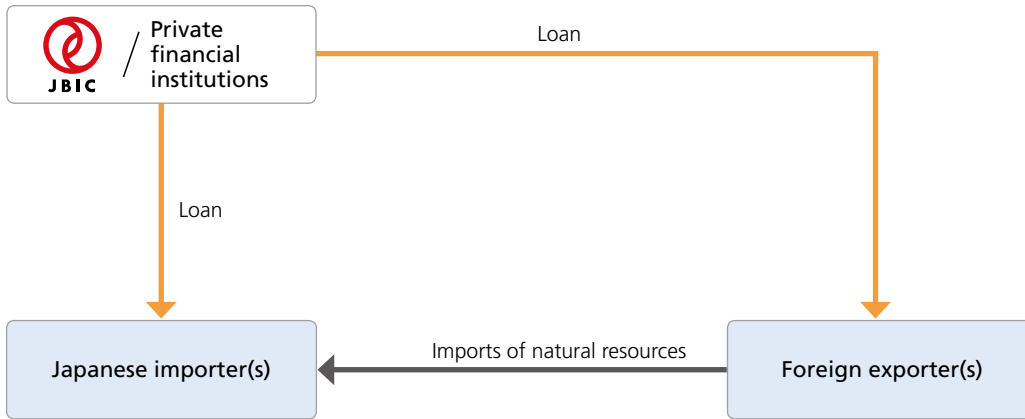
Import loans support imports of strategically important goods including natural resources. They are extended to Japanese importers or foreign exporters. Since Japan is poorly endowed with natural resources, stable imports of natural resources over the long term are one of the key factors underpinning 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 import of aircraft. (See page 69 for the guarantee schemes for importing manufactured products.)

### Products Eligible for Import Loans (Natural Resources)

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





## Overseas Investment Loans

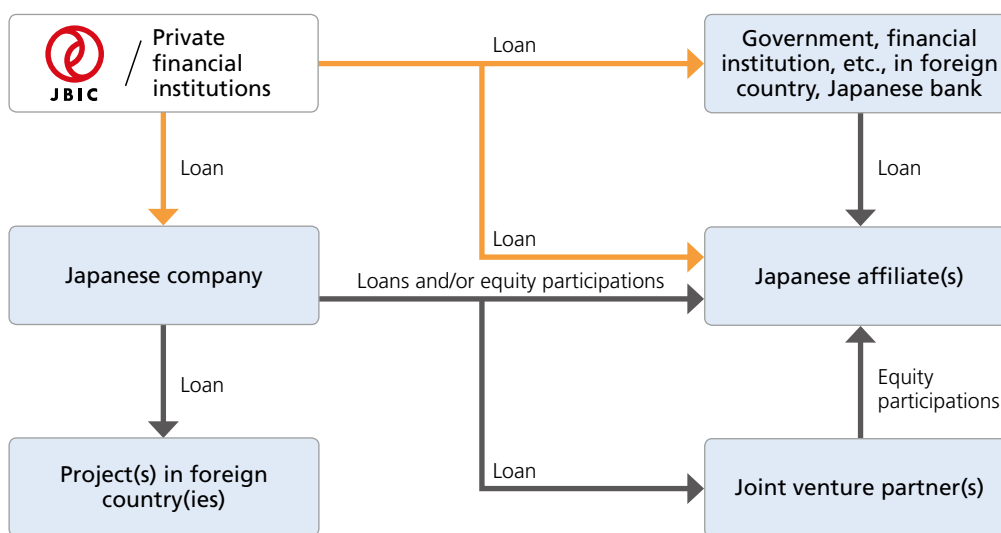
Overseas investment loans support Japanese foreign direct investments. The loans can be provided to Japanese companies (investors), overseas Japanese affiliates (including joint ventures), and foreign governments or financial institutions that have equity participations in or provide loans to such overseas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

Direct loans to Japanese companies<sup>1</sup> 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<sup>2</sup> for projects in developed countries for specific sectors<sup>3</sup>.

Notes 1. & 2. In order to support the overseas business of Japanese companies affected by COVID-19 Pandemic, JBIC provides temporary measures available until June 30, 2021 (see page 83). These are: 1) loans and guarantees for business of Japanese companies, including mid-tier enterprises and SMEs, are conducting in developed countries; and 2) loans to domestic Japanese companies for their overseas business.

3. Eligible Sectors of Overseas Investment Loans in Developed Countries (as of August 31, 2020)

Railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, CCS, highly efficient gas-fired power generation, smart grid, electricity storage, development of telecommunications network, shipbuilding and marine transport, satellite launching and operation, aircraft maintenance and sales, medical business (related to positron beam therapy facility), manufacture of chemicals that use organic substances derived from animals and plants, waste incineration and waste to energy, M&A activities, etc.



### Contributing to Stable Supply of Energy Resources for Japan



PAO NOVA TEC (Conceptual drawing of completed natural gas liquefaction facility)

JBIC concluded a loan agreement with Japan Arctic LNG B.V. (J-ARC), a Dutch entity. This loan is intended to provide funds necessary for J-ARC, which is established by Mitsui & Co., Ltd. (Mitsui) jointly with the Japan Oil, Gas and Metals National Corporation (JOGMEC), to acquire a 10% stake in Arctic LNG 2 LLC (Arctic LNG 2) in Russia. J-ARC will acquire the stake from PAO NOVATEK of Russia. Arctic

LNG 2 plans to construct and operate an LNG plant on the Gydan Peninsula in the Yamalo-Nenets Autonomous District of Russia. J-ARC will acquire a 10% interest in this project through the acquisition of equity, and Mitsui plans to offtake LNG proportionate to the equity stake. This will contribute to the stable supply of LNG, which is an important resource for Japan.

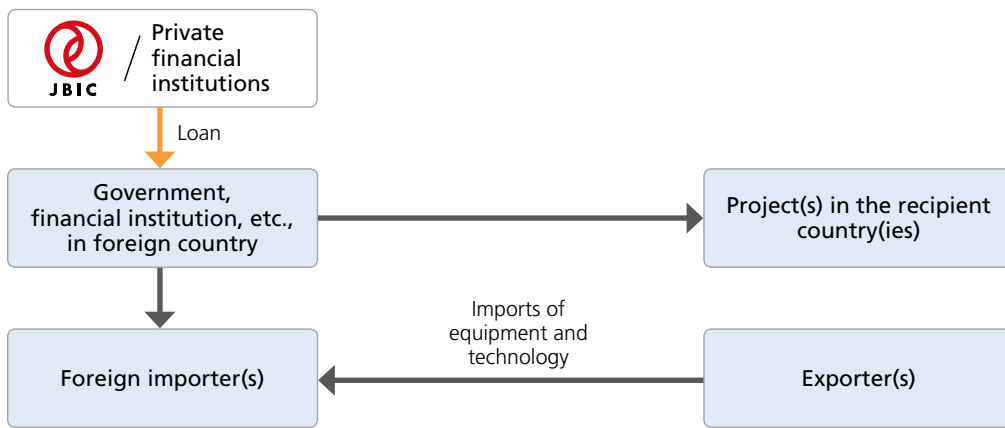


## Untied Loans

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.

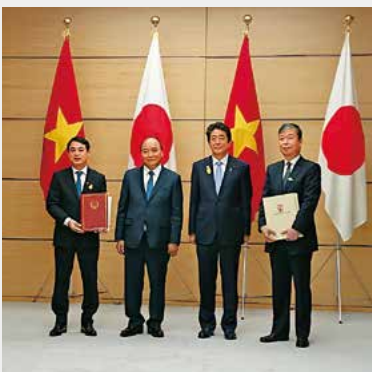
Capital procured from untied loans is used to: secure

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 Vietnam

QI-ESG Project



JBIC concluded a loan agreement to set up a credit line with Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) as part of its Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG). JBIC provides both financing and a partial guarantee for the portion co-financed by private financial institutions.

This credit line is intended to finance, through Vietcombank, renewable energy projects such as solar

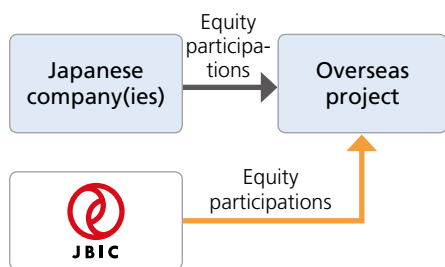
power generation projects in Vietnam, as part of GREEN operations. It is the first GREEN credit line extended to Vietnam. Vietcombank is a major state-owned commercial bank in Vietnam, in which the government of Vietnam has an equity share of approximately 75%. It offers a wide variety of financial services in the country and is actively expanding its support to renewable energy projects. This loan, which focuses on the environmental sector, will further strengthen cooperation between JBIC and Vietcombank.

## Equity Participations

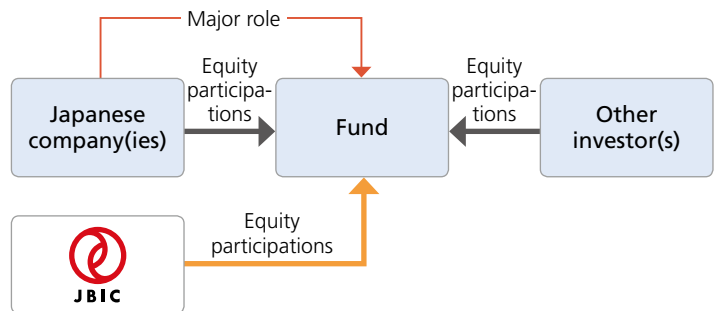
Equity participations are capital contributions to companies where Japanese companies have equity stakes to undertake overseas projects, as well as funds where Japanese

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

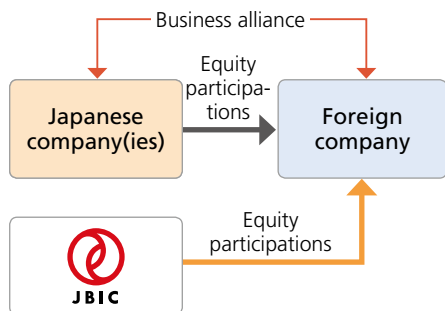
### ■ Japanese companies make equity participations in an overseas project



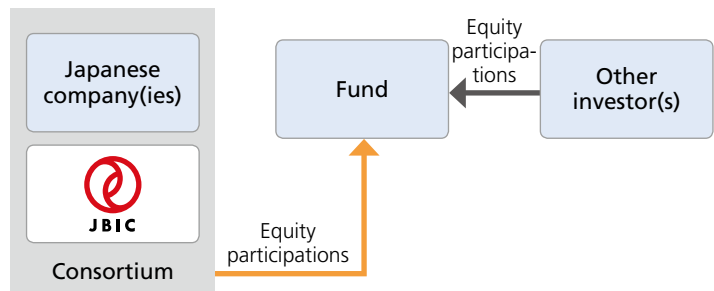
### ■ Japanese companies participate in a fund (and perform such a major role as general partner in their management and investment decisions)



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



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



### Equity Participation in a Fund of Funds Investing in Venture Capital Funds Worldwide

JBIC concluded an agreement for equity participation in Vertex Master Fund (SG) II LP (the Fund), established in Singapore to invest in venture capital funds around the world, including the U.S., China, Southeast Asia, India, and Israel. Vertex Master Fund II (GP) Pte. Ltd., which is a subsidiary of Singaporean fund manager Vertex Venture Holdings Ltd. (Vertex), has established and is managing this fund of funds.

This Fund intends to support Japanese companies strengthening the overseas business operations by offering them business opportunities with the portfolio companies of each investee funds. The equity participation by JBIC in the Fund is expected to contribute, through the support provided by the Fund, to maintaining and strengthening the international competitiveness of Japanese companies.

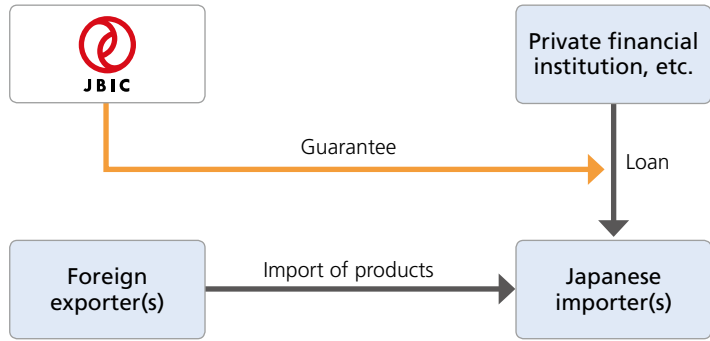
## Guarantees

In addition to loans and equity participations, JBIC provides support through its guarantee facility. Guarantees are provided for loans extended by private financial institutions, bonds issued by governments of developing countries or

overseas Japanese companies, as well as for currency swap transactions. JBIC also issues reinsurance for guarantees from export credit agencies in other countries.

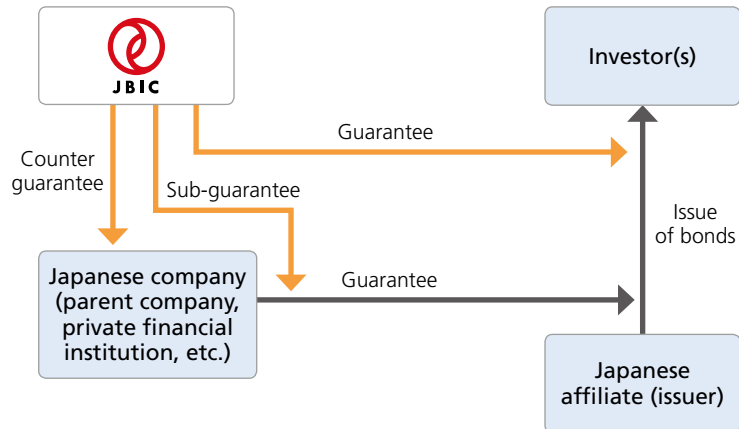
### ■ Guarantees for Imports of Manufactured Products

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



### ■ Guarantees for Corporate Bonds Issued by Japanese Affiliates

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



## Contributing to Stable Aircraft Import



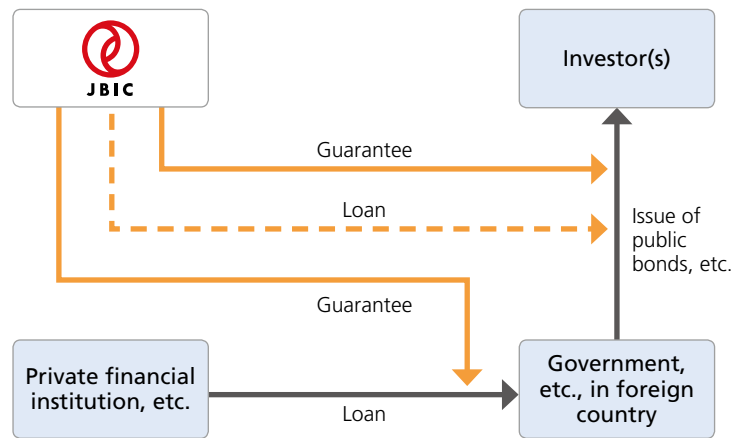
JBIC concluded a guarantee agreement with private financial institutions for the principal and interest of their loans to ANA HOLDINGS INC. (ANAHD). This guarantee is intended to support ANAHD in obtaining financing from private financial institutions to import aircraft from the Boeing Company of the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

JBIC also concluded a guarantee agreement with 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 Airbus S.A.S. of France.

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.

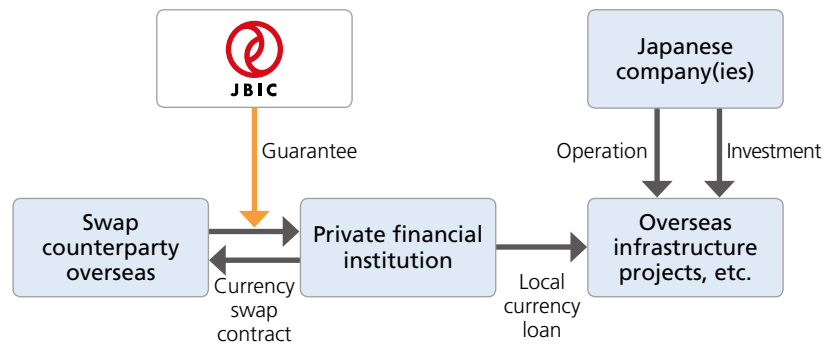
### ■ Guarantees for Cofinancing, Overseas Syndicated Loans, and Public Sector Bonds

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.



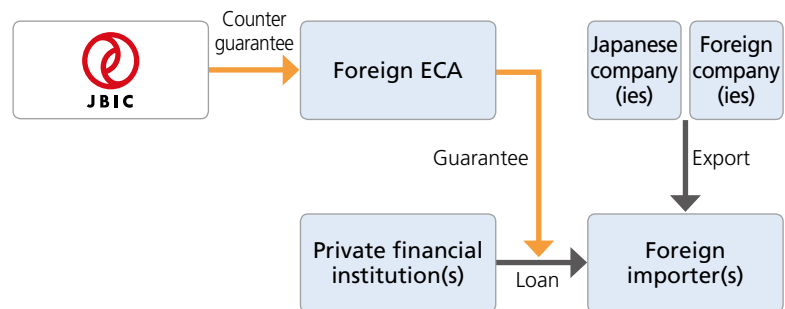
### ■ Guarantees for Currency Swaps

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.



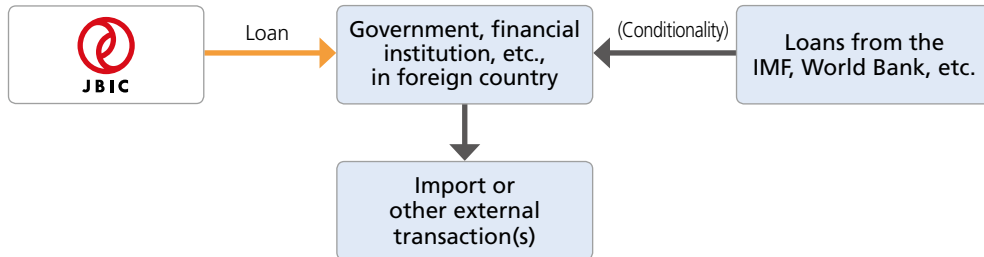


## Bridge Loans

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<sup>1</sup> 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 conducive to specific projects. This is an effective means of identifying potentially quality projects, and is expected to lead to increasing exports of materials and services from Japan, as well as expand opportunities to participate in projects by Japanese companies. Research and studies are conducted at each stage necessary for realization of the project, including preparation of a master plan for an individual project, conducting of prefeasibility and feasibility studies (Pre-F/S, F/S), front-end engineering design (FEED), and studies of regions and industry sectors conducive to

specific projects. After the research and studies are completed, follow-up reviews are conducted at least once each year to confirm the progress of the project.

Research and studies are conducted in the following sequence.

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

## Securitization and Other Financial Instruments

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

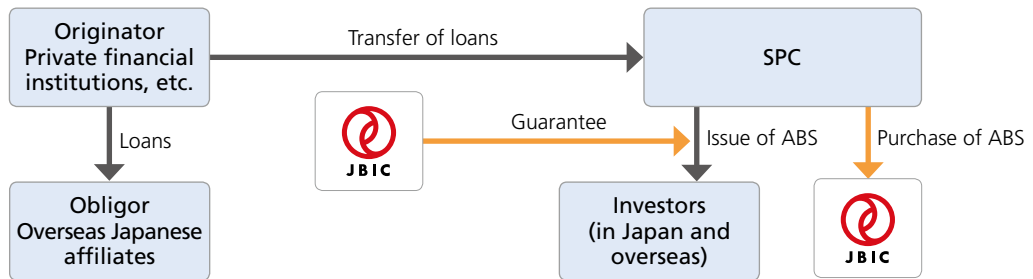
### 1. Securitization (Guarantees)

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

### 2. Securitization (Acquisition of Securities)

JBIC supports bond issues by acquiring a portion of the ABS issued by SPC or trust companies with loans or other assets as collateral. JBIC's acquisition will support the securitization needs of the originators<sup>1</sup> 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.

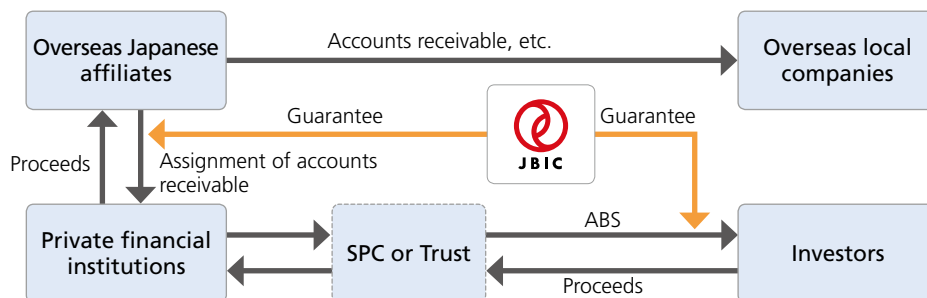


\* The above diagram depicts a scheme where SPC are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

### 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).

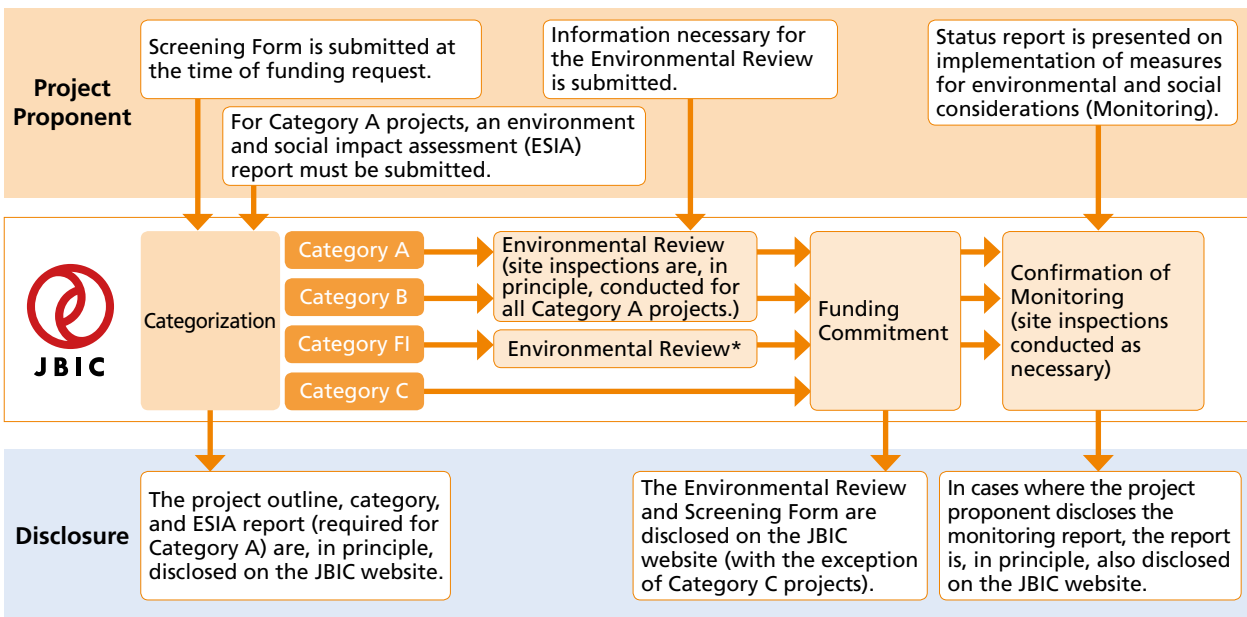
The Environmental Guidelines set out the procedures, criteria, and requirements that JBIC-financed projects must

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

## 2. Prominent Initiatives in Recent Years

### Establishment of the Growth Investment Facility

JBIC established and launched the Growth Investment Facility on January 30, 2020.

The establishment of this facility was announced in the “Comprehensive Economic Measures to Create a Future with Security and Growth” (December 5, 2019, Cabinet decision). The Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG), established in July 2018, has been revised and incorporated into this new facility. Its purpose is to provide wide-ranging support in assisting Japanese companies with overseas M&As and global value chain restructuring as well as development of quality infrastructure.

On April 30, 2020, JBIC established the Emergency Window for Overcoming the COVID-19 Crisis (COVID-19

Emergency Window) under this Growth Investment Facility as a response to COVID-19 and to support Japanese companies’ business overseas (temporary measures available until June 30, 2021). The establishment of this window was announced in the “Emergency Economic Measures to Cope with COVID-19” (April 20, 2020, Cabinet decision).

Depending on projects being supported, this facility now offers three windows, namely the Window for the Development of Quality Infrastructure for Environmental Preservation and Sustainable Growth (QI-ESG Window), Window for Supporting Japanese Companies’ Overseas Business Expansion (Overseas Business Expansion Window) and COVID-19 Emergency Window.

#### Support for Overseas Business of Japanese Companies Affected by COVID-19

JBIC provides the following financial support to the overseas business of Japanese companies affected by the COVID-19 pandemic under the Growth Investment Facility (COVID-19 Emergency Window). These overseas investment loans are available provisionally until June 30, 2021.

##### **1. Loans and guarantees for business that Japanese companies, including mid-tier enterprises and SMEs, are conducting in developed countries**

For JBIC’s financing support for business conducted by Japanese companies in developed countries, the eligible business areas have been limited to the fields specified in Article 5 of the Enforcement Order of the Japan Bank for International Cooperation Act. The purpose of this measure is to provisionally expand this scope and provide loans and guarantees to a wider range of businesses in developed countries under JBIC’s overseas investment loans.

##### **2. Loans to domestic Japanese companies for their overseas business**

JBIC conventionally provides loans to domestic Japanese companies to support overseas M&A transactions and overseas expansion of mid-tier enterprises and SMEs. The purpose of this measure is to provisionally allow JBIC to provide loans to domestic Japanese companies to support other overseas activities as well.

JBIC provides these overseas investment loans in accordance with the Cabinet Order for Partial Revision to the Enforcement Order of the Japan Bank for International Cooperation Act promulgated and enforced in July 2020 and the relevant announcement of the Ministry of Finance.



## Expansion of the Eligible Sectors of JBIC's Support

The Cabinet Order for Partial Revision to the Enforcement Order of the Japan Bank for International Cooperation Act was promulgated and went into effect in January 2020. This revision expands the eligible sectors for JBIC's support

in (1) export loans for the exports of Japanese products to developed countries and (2) overseas investment loans for projects in developed countries.

### Eligible Sectors of JBIC's Support in Developed Countries

#### (1) Export Loans

##### Integrated Infrastructure System Projects

Railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, CCS, highly efficient gas-fired power generation, electricity storage, development of telecommunications network, manufacture of chemicals that use organic substances derived from animals and plants, waste incineration and waste to energy, smart grid

##### Other Export Transactions

Ships, satellites, aircrafts, medical positron beam therapy equipment

#### (2) Overseas Investment Loans

Railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, CCS, highly efficient gas-fired power generation, smart grid, electricity storage, development of telecommunications network, shipbuilding and marine transport, satellite launching and operation, aircraft maintenance and sales, medical business (related to positron beam therapy facility), manufacture of chemicals that use organic substances derived from animals and plants, waste incineration and waste to energy, M&A activities, etc.

\* Underlined items are the additions under the revision.

## Establishment of Representative Office in Istanbul

On March 19, 2020, JBIC opened a Representative Office in Istanbul, Turkey.

Turkey is a promising market having a population of over 80 million. It connects Europe, the Middle East, Russia, Central Asia, and Africa, serving as a foothold for doing business in each region. In the two decades since 2000, Turkey has established its position as an export base to Europe, and some 60,000 foreign companies are already operating in the country.

Through the opening of this office, JBIC strengthens relations with Turkey and its neighbors and works to provide support to Japanese companies' business development in these countries.



## Participation in the 7th Tokyo International Conference on African Development

The 7th Tokyo International Conference on African Development (TICAD 7) took place in Yokohama from August 28 to 30, 2019. The interests of African leaders have been shifting from aid to business. In the Public-Private Business Dialogue, a newly introduced program, the government of Japan promised enhanced support through JBIC, JICA, NEXI, JOGMEC, and other institutions, under the New TICAD based on the “double E’s” of “Entrepreneurship” and “Enterprise” as well as on the “double I’s” of “Investment” and “Innovation”.

JBIC’s Deputy Governor Hayashi stressed that JBIC will enhance the Facility for African Investment and Trade Enhancement (FAITH 3) through the three pillars:

(1) enhancement of impact investing, (2) enhancement of partnership, and (3) enhancement of risk-assuming functions.

JBIC also took the opportunity of TICAD 7 to hold and participated in 30 meetings in total, further strengthening the relationships with relevant African countries and development financial institutions, while exchanging opinions on providing financial support for specific projects.

Under FAITH 3, JBIC will step up its efforts to support business expansion of Japanese companies in Africa and contribute to Africa’s social and environmental development.

### Signing of MOU on Business Cooperation with the Development Bank of Southern Africa (DBSA)



JBIC signed a Memorandum of Understanding (MOU) with the Development Bank of Southern Africa (DBSA) for business promotion between Japan and African countries.

The objective of this MOU is to reinforce the exchange of information between JBIC and DBSA on political and economic climates as well as potential projects in African countries.

DBSA was established by the government of South Africa with the aim of providing financial support and advice for social and economic development in the Southern African region and for improving standards of living in the region. In recent years, DBSA has forged strong relations with governments on the continent and extended its mandate to the rest of the Africa.

### Signing of MOU on Business Cooperation with the West African Development Bank (BOAD)



JBIC signed an MOU with the West African Development Bank (BOAD) for business promotion between Japan and West African countries.

The objective of this MOU is to promote the business expansion of Japanese companies in the West African region through the exchange of information between JBIC and BOAD on political and economic climates as well as potential projects in West African countries.

BOAD is a regional development finance institution established by the member countries\* of the West African Economic and Monetary Union. Its mission is to drive the equitable development of its member countries and foster economic integration in West Africa. Also, it has strong relationships with the governments of the member countries and is extensively involved with infrastructure development in the West African region.

\* Cote d'Ivoire, Benin, Senegal, Niger, Togo, Burkina Faso, Mali, and Guinea-Bissau

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

As economies in emerging market countries, especially in Asia, continue to develop an increasing number of mid-tier enterprises and SMEs seek to expand their own business in emerging markets in addition to responding to the overseas advancement of their business partners. With mid-tier enterprises and SMEs having a variety of overseas business, their funding needs have also grown more diverse.

To respond to financial needs of mid-tier enterprises and SMEs for their overseas expansion, JBIC has further enhanced cooperation with Japanese private financial institutions, including regional banks and Shinkin (credit) banks, and with foreign local financial institutions. In addition to individual loan schemes based on co-financing with private financial institutions, JBIC also provides two-step loans (including finance leases) through organizations such as private financial institutions enabling more prompt and flexible response to the diversifying funding needs. Additionally, JBIC is actively providing local currency-denominated loans along with conventional loans in U.S. dollars, Japanese Yen, and Euro.

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

Utilizing the know-how and experience of overseas financing that JBIC has accumulated over the years, JBIC provides long-term financing to Japanese companies, including mid-tier enterprises and SMEs, that is necessary for overseas investment (including capital investment),

export of products, and M&As of foreign companies that have unique technology or customer base through co-financing with private financial institutions.

## Cooperation with Japanese Private Financial Institutions

Private financial institutions with mid-tier enterprises and SMEs as their client base, play an important role when they seek to develop their business expand overseas. Among private financial institutions, regional banks and Shinkin (credit) banks have especially close ties to mid-tier enterprises and SMEs. In cooperation with such private financial institutions, JBIC broadly supports the overseas expansion of local Japanese companies by co-hosting seminars focused on overseas business development etc.

In addition to date, JBIC has general agreements with a number of private financial institutions to establish credit lines for the funds necessary for the overseas business development mid-tier enterprises and SMEs in emerging market countries (see the list on the next page).

## Cooperation with Local Financial Institutions in Emerging Countries

It is essential for mid-tier enterprises and SMEs to obtain support from local financial institutions in emerging countries well acquainted with the local area.

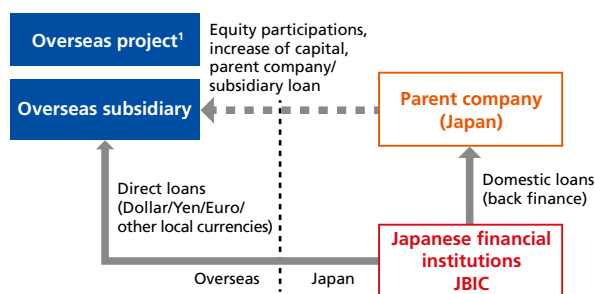
Besides supporting Japanese affiliates overseas, JBIC has also strengthened its relationships with local financial institutions in emerging countries, For example, providing

## Examples to Support Overseas Business of Mid-tier Enterprises and SMEs

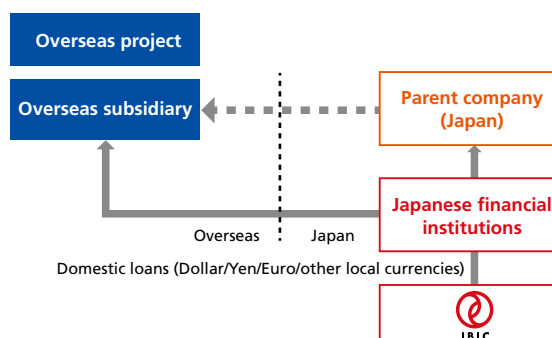
- Prompt and flexible support through small amount of loans (several tens of millions of yen)
- Reducing currency exchange risk through local currency-denominated loans in addition to loans in U.S. dollars, Japanese Yen, and Euro
- Responding to diverse funding needs by utilizing variety of financing tools, including loans for M&As, export loans, and equity participations
- Collaborating with private financial institutions (regional banks, Shinkin banks, mega banks, and local financial institutions) to respond to and support overseas business of mid-tier enterprises and SMEs in Japan
- Utilizing networks of JBIC overseas offices in 17 cities to provide information services on overseas investment environment and assist 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	Signing date of Agreement	Financial Institutions
October 2015	SUMITOMO MITSUI TRUST LEASING (SINGAPORE) PTE. LTD.	February 2019	The Toho Bank, Ltd.
March 2016	PT. BUMIPUTERA-BOT FINANCE	February 2019	The Hokkoku Bank, Ltd.
November 2017	PT. SMFL Leasing Indonesia	February 2019	The Chiba Bank, Ltd.
February 2018	P.T. Bank Resona Perdanía	February 2019	The Nanto Bank, Ltd.
March 2018	Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.	March 2019	The Hiroshima Bank, Ltd.
September 2018	PT. RESONA INDONESIA FINANCE	March 2019	The Aichi Bank, Ltd.
December 2018	The Shizuoka Bank, Ltd.	May 2019	The Chugoku Bank, LTD.
December 2018	The Bank of Yokohama, Ltd.	July 2019	The Hokuriku Bank, Ltd.
December 2018	Bangkok Mitsubishi UFJ Lease Co., Ltd.	November 2019	The Bank of Yokohama, Ltd.
December 2018	Saitama Resona Bank, Limited	January 2020	PT. Mitsubishi UFJ Lease & Finance Indonesia
December 2018	The Joyo Bank, Ltd.	January 2020	THE BANK OF NAGOYA, Ltd.
December 2018	The Hachijuni Bank, Ltd.	March 2020	SMFL Leasing (Thailand) Co., Ltd.
January 2019	THE NISHI-NIPPON CITY BANK, LTD.	March 2020	THE SHIGA BANK, LTD.

Note: This list is of financial institutions for which the credit line is valid as at the end of March 2020.

two-step loans to them with the objective of fostering and supporting local companies that supply raw materials and parts to Japanese affiliates overseas.

In addition, JBIC has concluded MOUs with local financial institutions in emerging countries to set up a system to support overseas business expansion of mid-tier enterprises and SMEs. Under these MOUs, JBIC has opened or expanded single contact point for overseas affiliates of Japanese companies ("Japan desk") in these local financial institutions and has established a framework to discuss cooperation and collaboration that involve Japanese private financial institutions.

### 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 respective countries, stable financing of local currency funds is an important issue in their business strategy. JBIC prepares long-term fixed-rate local currency loans alongside with finance from private financial institutions to their Japanese clients' affiliates overseas. If a private financial institution cannot provide a loan in a particular local currency, JBIC provides a loan in the required local currency and the private financial institution provides a yen-denominated loan through the parent company in Japan.

In China, there exists a continued need for long-term Chinese yuan-denominated loans from Japanese mid-tier enterprises and SMEs operating in the country to increase production capacities or for other purposes. The country, however, restricts funds raised from outside China (for example, using a model based on the difference between investment and registered investment). In order to ensure prompt and flexible response to clients' financial

needs under these restrictions, JBIC has signed a general agreement with Japanese regional banks having a branch in China to establish credit lines for yuan-denominated two-step loans.

### Information Services and Seminars

In addition to individual consulting services for mid-tier enterprises and SMEs' overseas expansion of their business, 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 organizations such as private 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 FY2019, JBIC created guidebooks on the investment environments in Vietnam, India, Indonesia, and Thailand.

Moreover, JBIC offers an itinerant advisory service in many parts of Japan in cooperation with organizations such as prefectural and municipal governments as well as local chambers of commerce and industry that 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 variety of topics such as the overseas investment climate and funding in overseas business.





## 5. Operational and Administrative Policies

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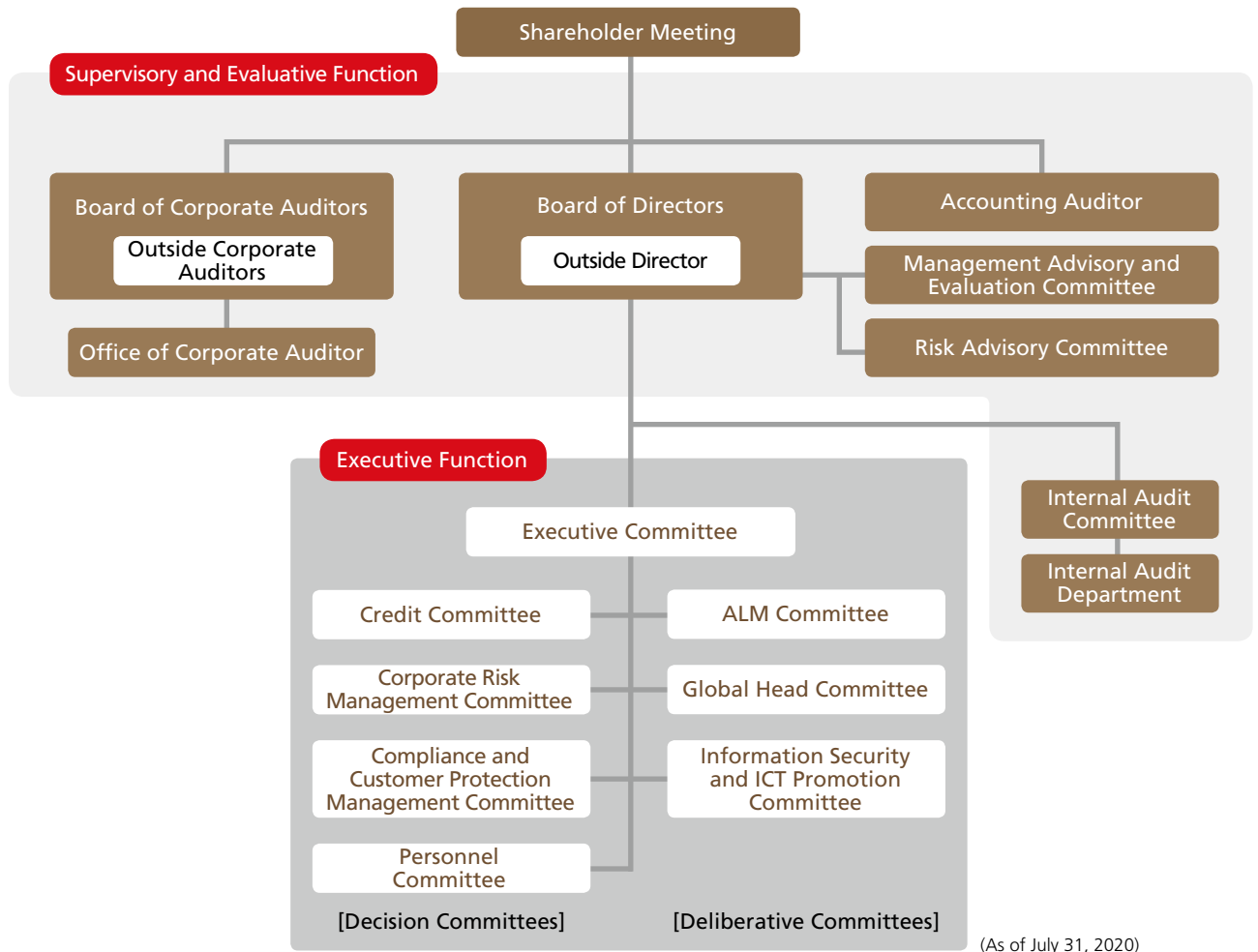
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# 1. Corporate Governance

## Fundamental Approach to Corporate Governance

JBIC is making efforts to build corporate governance structure in conducting operations with particular attention to integrity and efficiency, as it seeks to fulfill the mission

set out under the JBIC Act (Law No. 39, 2011) and realize its corporate philosophy.



## Involvement of Japanese Government

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

## Supervisory and Evaluation Function and the Conduct of JBIC Operations

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

committees were set up by the Executive Committee that delegates specific tasks to them.

### (1) Board of Directors

The Board of Directors consists of eight members, of which two members are outside directors as set forth in the Companies Act. The outside directors supervise the conduct of JBIC operations from the point of view of a corporate outsider, apart from representative directors of JBIC. In addition, the outside directors contribute to improving the governance of JBIC as a member of the Management Advisory and Evaluation Committee as well as the Risk Advisory Committee.

### (2) Board of Corporate Auditors

The Board of Corporate Auditors consists of three auditors, of which two are outside corporate auditors, as set forth in the Companies Act. Outside corporate auditors contribute to improving the governance structure of JBIC, as they



cooperate with the full-time auditor in auditing the conduct of its operations. As a section helping them execute their responsibilities, there is the Office of Corporate Auditor.

### (3) Management Advisory and Evaluation Committee

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

### (4) Risk Advisory Committee

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

### (5) Internal Audit Committee

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

### (6) Executive Committee

The Executive Committee consists of representative directors, executive directors, and all the managing executive officers. They make decisions and deliberations concerning important managerial matters, thereby taking responsibility for conducting flexible JBIC operations, as delegated by the Board of Directors. 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.

#### ■ List of Members of the Management Advisory and Evaluation Committee

(As of July 31, 2020)

Name	Occupation
URATA Shujiro	Professor Emeritus, Waseda University
ENDO Noriko	Project Professor, Research Centers and Institutes, Keio University Global Research Institute
KAWAMURA Yoshinori	JBIC Managing Director (Outside Director)
KOIZUMI Shinichi	JBIC Managing Director (Outside Director)
SUZUKI Yoshikatsu	Journalist (former editor-in-chief <i>Diplomacy</i> )
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)

#### (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 Risk Advisory Committee

(As of July 31, 2020)

Name	Occupation
ABE Shuhei	President, CEO of SPARX Group Co., Ltd.
OGAWA Eiji	Professor, Faculty of Economics, Tokyo Keizai 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 Management, 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, 2020)

<b>Governor</b>	<b>MAEDA Tadashi</b>
<b>Deputy Governor</b>	<b>HAYASHI Nobumitsu</b>
<b>Executive Managing Director</b>	<b>AMAKAWA Kazuhiko</b>
<b>Senior Managing Director</b>	<b>OYA Toshio</b>
<b>Senior Managing Director</b>	<b>TANAKA Kazuhiko</b>
<b>Senior Managing Director</b>	<b>KUROISHI Kuninori</b>
<b>Managing Director (Outside Director)</b>	<b>KOIZUMI Shinichi</b>
<b>Managing Director (Outside Director)</b>	<b>KAWAMURA Yoshinori</b>

### Global Heads of the Groups

(As of October 1, 2020)

<b>Global Head of Corporate Planning Group</b>	<b>HASHIYAMA Shigeto (Managing Executive Officer)</b>	<b>Corporate Planning Group</b>
<b>Global Head of Credit, Assessment and Risk Management Group</b>	<b>OYA Toshio (Senior Managing Director)</b>	<b>Credit, Assessment and Risk Management Group</b>
<b>Global Head of Treasury and Systems Group</b>	<b>TANAKA Kazuhiko (Senior Managing Director)</b>	<b>Treasury and Systems Group</b>
<b>Global Head of Energy and Natural Resources Finance Group</b>	<b>NISHITANI Tsuyoshi (Managing Executive Officer)</b>	<b>Energy and Natural Resources Finance Group</b>
<b>Global Head of Infrastructure and Environment Finance Group</b>	<b>TANIMOTO Masayuki (Managing Executive Officer)</b>	<b>Infrastructure and Environment Finance Group</b>
<b>Global Head of Industry Finance Group</b>	<b>ISOBE Koichi (Managing Executive Officer)</b>	<b>Industry Finance Group</b>
<b>Global Head of Equity Finance Group</b>	<b>FUJINO Shinji (Managing Executive Officer)</b>	<b>Equity Finance Group</b>

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<sup>1</sup>, 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, 2020.

### Credit Risk of Derivatives, etc.

(As of March 31, 2020; unit: 100 million yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts	Market Value
Interest Rate Swaps	54,916	3,162	2,099
Currency Swaps	39,139	3,582	337
Forward Exchange Contracts	633	6	0
Credit Risk Reductions through Netting		(2,066)	
Total	94,688	4,685	2,437

"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

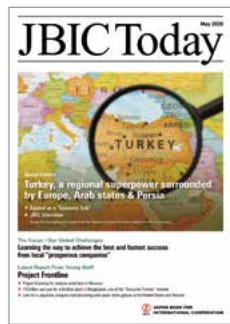
JBIC is providing and disseminating information to a broad range of the domestic and overseas public in an effort to promote further understanding of its operations and activities.

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 (2020 Seminars canceled). The cumulative number of seminar participants is approximately 730 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	<ul style="list-style-type: none"> <li>Available at the Head Office and the Osaka Branch</li> <li>Distributed to the National Diet Library and economic organizations, etc.</li> </ul>
Annual Report, Public Relations Magazine, etc.	<ul style="list-style-type: none"> <li>Available at the Head Office, the Osaka Branch, and Representative Offices</li> <li>Distributed to interested persons/institutions</li> </ul>
Website: <ul style="list-style-type: none"> <li>Type of Business Operations, Operational Results, Overview of Organization, Financial Composition, etc.</li> </ul>	<ul style="list-style-type: none"> <li>On the internet Address: <a href="https://www.jbic.go.jp/en/">https://www.jbic.go.jp/en/</a></li> </ul>

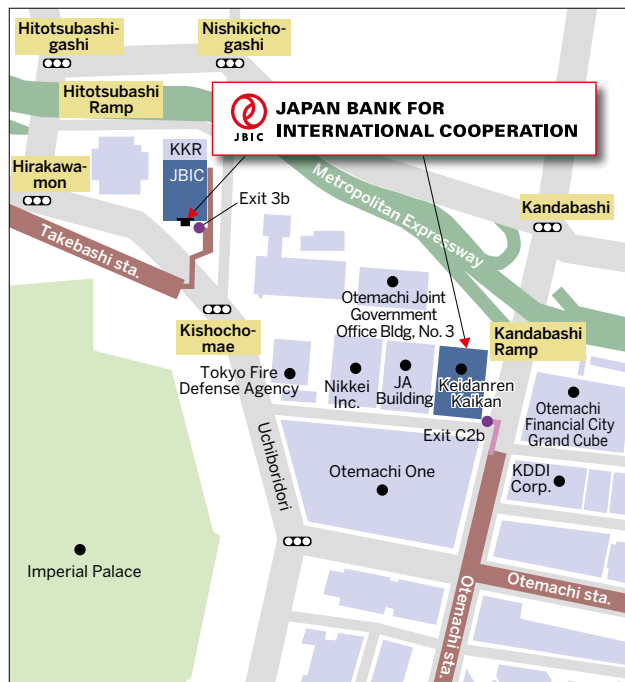


# Access to JBIC Head Office and Osaka Branch

## JBIC Head Office

4-1, Ohtemachi 1-chome, Chiyoda-ku,  
Tokyo 100-8144, Japan

(Legal Affairs and Compliance Office and IT Planning and  
Operations Administration Department: 14th floor,  
Keidanren Kaikan 3-2 Ohtemachi 1-chome, Chiyoda-ku,  
Tokyo 100-0004, Japan)



## JBIC Osaka Branch

23rd floor, HERBIS ENT Office Tower,  
2-22, Umeda 2-chome, Kita-ku, Osaka-city,  
Osaka 530-0001, Japan



## JBIC Head Office

4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan

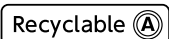
For further information, please contact

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Tel: (+81-3) 5218-3100 Fax: (+81-3) 5218-3955

Annual reports, news releases, and bulletins, etc., are available on the JBIC website.

Website (URL) <https://www.jbic.go.jp/en/>



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