

2. Financial Statements

| | |
|--|----|
| 1. Statutory Financial Statements | 18 |
| 1. Consolidated Financial Statements | 18 |
| Consolidated Balance Sheets | 18 |
| Consolidated Statements of Operations | 20 |
| Consolidated Statements of Comprehensive Income | 20 |
| Consolidated Statements of Changes in Net Assets | 21 |
| Consolidated Statements of Cash Flows | 24 |
| Notes to Consolidated Financial Statements | 25 |
| (Supplementary Information) | |
| Financial Statements for Each Operation | 56 |
| 2. Composition of Liabilities and Net Assets | 63 |
| 3. The Average Balance of Interest-earning Assets and Interest-bearing Liabilities, Interest and Earning Yields | 65 |
| 4. Breakdown of Operating Expenses | 66 |
| 5. Balance of Due from Banks, Receivables under Resale Agreements and Securities —Application of Surplus Funds | 67 |
| 6. Information on Derivatives Transactions | 68 |
| 7. Yield / Interest Rate | 69 |
| 8. Loans Outstanding per Employee | 69 |
| 9. Loans Outstanding by Industry | 70 |
| 10. Write-off of Loans | 70 |
| 11. Assets in Foreign Currencies (Loans and Equity Participation) | 71 |
| 12. Administrative Expense Ratio | 72 |
| 13. Balance of Loans / Borrowings, Bonds and Notes by Maturity | 73 |
| 14. Information on the Quality of Assets | 74 |
| Consolidated Financial Statements in Accordance with International Financial Reporting Standards (IFRS) for Reference Only | 76 |

1. Statutory Financial Statements

Overview of Accounting

- The consolidated financial statements of the Bank are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976). Moreover, its assets and liabilities are classified, also on a consolidated basis, pursuant to the Ordinance on the Accounting Practices to Be Observed by Japan Bank for International Cooperation (Ordinance of the Ministry of Finance No. 15 of 2012), while revenues and expenditures are reported on the same basis, in compliance with the latter Ordinance.
- The non-consolidated financial statements of the Bank are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963). Furthermore, its assets and liabilities basis are classified, on a stand-alone basis, pursuant to the Ordinance on the Accounting Practices to Be Observed by Japan Bank for International Cooperation (Ordinance of the Ministry of Finance No. 15 of 2012) while non-consolidated revenues and expenditures are reported in compliance with the latter Ordinance.
- Pursuant to provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, audit certification has been made by Ernst & Young ShinNihon LLC for the Bank's consolidated financial statements for the fiscal year under review (from April 1, 2020, to March 31, 2021) as well as non-consolidated financial statements for the business year under review (from April 1, 2020, to March 31, 2021).

1. Consolidated Financial Statements

■ Consolidated Balance Sheets

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--|---|---|--|
| Assets: | | | |
| Cash and due from banks | ¥ 1,544,838 | ¥ 1,233,919 | \$ 11,146 |
| Securities <small>Note 7</small> | 358,748 | 272,359 | 2,460 |
| Loans and bills discounted <small>Note 8</small> | 13,133,980 | 13,556,815 | 122,453 |
| Other assets <small>Note 9</small> | 434,040 | 281,625 | 2,544 |
| Property, plant and equipment <small>Note 10</small> | 28,146 | 29,110 | 263 |
| Buildings | 3,051 | 3,706 | 33 |
| Land | 24,311 | 24,311 | 220 |
| Construction in progress | 0 | 31 | 0 |
| Other | 782 | 1,059 | 10 |
| Intangible assets | 5,227 | 4,210 | 38 |
| Software | 5,227 | 4,210 | 38 |
| Customers' liabilities for acceptances and guarantees | 2,118,383 | 1,835,123 | 16,576 |
| Allowance for loan losses | (285,855) | (339,841) | (3,070) |
| Total assets | ¥ 17,337,510 | ¥ 16,873,323 | \$ 152,410 |

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---|---|---|--|
| Liabilities: | | | |
| Borrowed money | ¥ 6,786,499 | ¥ 6,651,321 | \$ 60,079 |
| Bonds payable | Note 9 4,886,646 | 4,964,965 | 44,847 |
| Other liabilities | 424,572 | 374,034 | 3,379 |
| Provision for bonuses | 586 | 585 | 5 |
| Provision for directors' bonuses | 10 | 10 | 0 |
| Net defined benefit liability | 6,715 | 6,338 | 57 |
| Provision for directors' retirement benefits | 44 | 47 | 0 |
| Acceptances and guarantees | 2,118,383 | 1,835,123 | 16,576 |
| Total liabilities | ¥ 14,223,458 | ¥ 13,832,426 | \$ 124,943 |
| Net assets: | | | |
| Capital stock | ¥ 1,883,800 | ¥ 1,963,800 | \$ 17,738 |
| Retained earnings | 995,688 | 981,523 | 8,866 |
| Total shareholder's equity | 2,879,488 | 2,945,323 | 26,604 |
| Valuation difference on available-for-sale securities | (3,486) | 2,088 | 19 |
| Deferred gains or losses on hedges | 231,303 | 95,238 | 860 |
| Foreign currency translation adjustment | 6,475 | (2,072) | (19) |
| Total accumulated other comprehensive income | 234,291 | 95,254 | 860 |
| Non-controlling interests | 271 | 318 | 3 |
| Total net assets | ¥ 3,114,051 | ¥ 3,040,896 | \$ 27,467 |
| Total liabilities and net assets | ¥ 17,337,510 | ¥ 16,873,323 | \$ 152,410 |

■ Consolidated Statements of Operations

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---|--|--|---|
| Ordinary income: | ¥ 485,856 | ¥ 284,742 | \$ 2,572 |
| Interest income | 417,832 | 234,073 | 2,114 |
| Interest on loans and discounts | 399,375 | 213,473 | 1,928 |
| Interest and dividends on securities | 1,536 | 2,171 | 20 |
| Interest on deposits with banks | 16,860 | 2,257 | 20 |
| Interest on interest swaps | — | 16,086 | 145 |
| Other interest income | 60 | 84 | 1 |
| Fees and commissions | 25,595 | 26,708 | 241 |
| Other ordinary income | — | 8,733 | 79 |
| Other income | 42,428 | 15,226 | 138 |
| Reversal of allowance for loan losses | 7,215 | — | — |
| Recoveries of written-off claims | 29,308 | 2 | 0 |
| Other | Note 12 | 5,905 | 15,224 |
| Ordinary expenses: | 369,071 | 240,369 | 2,171 |
| Interest expense | 329,800 | 150,276 | 1,357 |
| Interest on borrowed money and rediscounts | 126,812 | 41,163 | 372 |
| Interest on bonds | 118,280 | 108,967 | 984 |
| Interest on interest swaps | 84,686 | — | — |
| Other interest expense | 19 | 145 | 1 |
| Fees and commissions payments | 3,253 | 3,040 | 28 |
| Other ordinary expenses | 8,924 | 5,991 | 54 |
| General and administrative expenses | 21,365 | 20,129 | 182 |
| Other expenses | 5,728 | 60,932 | 550 |
| Provision of allowance for loan losses | — | 53,986 | 488 |
| Other | Note 13 | 5,728 | 6,946 |
| Ordinary profit | 116,784 | 44,372 | 401 |
| Extraordinary income | 16 | 10 | 0 |
| Gain on disposal of noncurrent assets | 16 | 10 | 0 |
| Extraordinary loss | 0 | — | — |
| Loss on disposal of noncurrent assets | 0 | — | — |
| Net income before income taxes | 116,801 | 44,382 | 401 |
| Income taxes – current | 25 | 45 | 0 |
| Total income taxes | 25 | 45 | 0 |
| Net income | 116,775 | 44,337 | 401 |
| Net income attributable to non-controlling interests | 35 | 46 | 1 |
| Net income attributable to owner of parent | ¥ 116,740 | ¥ 44,290 | \$ 400 |

■ Consolidated Statements of Comprehensive Income

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---|--|--|---|
| Net income | ¥ 116,775 | ¥ 44,337 | \$ 401 |
| Other comprehensive income (loss) | 238,637 | (139,036) | (1,256) |
| Valuation difference on available-for-sale securities | (2,929) | 5,575 | 50 |
| Deferred gains or losses on hedges | 242,351 | (136,064) | (1,229) |
| Foreign currency translation adjustment | 1,391 | (3,389) | (30) |
| Share of other comprehensive income (loss) of equity method investments | (2,176) | (5,157) | (47) |
| Comprehensive income (loss) | ¥ 355,413 | ¥ (94,699) | \$ (855) |
| (Comprehensive income (loss) attributable to) | | | |
| Owner of parent | 355,377 | (94,746) | (856) |
| Non-controlling interests | 35 | 46 | 1 |

■ Consolidated Statements of Changes in Net Assets

From April 1, 2019 to March 31, 2020

(In millions of yen)

| | Shareholder's equity | | |
|--|----------------------|-------------------|----------------------------|
| | Capital stock | Retained earnings | Total shareholder's equity |
| Balance at the beginning of current period | ¥ 1,785,300 | ¥ 905,474 | ¥ 2,690,774 |
| Changes of items during the period | | | |
| Issuance of new shares | 98,500 | | 98,500 |
| Payment to National Treasury | | (26,525) | (26,525) |
| Net income attributable to owner of parent | | 116,740 | 116,740 |
| Net changes of items other than shareholder's equity | | | |
| Total changes of items during the period | 98,500 | 90,214 | 188,714 |
| Balance at the end of current period | ¥ 1,883,800 | ¥ 995,688 | ¥ 2,879,488 |

(In millions of yen)

| | Accumulated other comprehensive income (loss) | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income (loss) | | |
| Balance at the beginning of current period | ¥ (557) | ¥ (11,048) | ¥ 7,260 | ¥ (4,345) | ¥ 235 | ¥ 2,686,664 |
| Changes of items during the period | | | | | | |
| Issuance of new shares | | | | | | 98,500 |
| Payment to National Treasury | | | | | | (26,525) |
| Net income attributable to owner of parent | | | | | | 116,740 |
| Net changes of items other than shareholder's equity | (2,929) | 242,351 | (785) | 238,637 | 35 | 238,673 |
| Total changes of items during the period | (2,929) | 242,351 | (785) | 238,637 | 35 | 427,387 |
| Balance at the end of current period | ¥ (3,486) | ¥ 231,303 | ¥ 6,475 | ¥ 234,291 | ¥ 271 | ¥ 3,114,051 |

From April 1, 2020 to March 31, 2021

(In millions of yen)

| | Shareholder's equity | | |
|--|----------------------|-------------------|----------------------------|
| | Capital stock | Retained earnings | Total shareholder's equity |
| Balance at the beginning of current period | ¥ 1,883,800 | ¥ 995,688 | ¥ 2,879,488 |
| Changes of items during the period | | | |
| Issuance of new shares | 80,000 | | 80,000 |
| Payment to National Treasury | | (58,455) | (58,455) |
| Net income attributable to owner of parent | | 44,290 | 44,290 |
| Net changes of items other than shareholder's equity | | | |
| Total changes of items during the period | 80,000 | (14,164) | 65,835 |
| Balance at the end of current period | ¥ 1,963,800 | ¥ 981,523 | ¥ 2,945,323 |

(In millions of yen)

| | Accumulated other comprehensive income (loss) | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income (loss) | | |
| Balance at the beginning of current period | ¥ (3,486) | ¥ 231,303 | ¥ 6,475 | ¥ 234,291 | ¥ 271 | ¥ 3,114,051 |
| Changes of items during the period | | | | | | |
| Issuance of new shares | | | | | | 80,000 |
| Payment to National Treasury | | | | | | (58,455) |
| Net income attributable to owner of parent | | | | | | 44,290 |
| Net changes of items other than shareholder's equity | 5,575 | (136,064) | (8,547) | (139,036) | 46 | (138,990) |
| Total changes of items during the period | 5,575 | (136,064) | (8,547) | (139,036) | 46 | (73,155) |
| Balance at the end of current period | ¥ 2,088 | ¥ 95,238 | ¥ (2,072) | ¥ 95,254 | ¥ 318 | ¥ 3,040,896 |

From April 1, 2020 to March 31, 2021

(In millions of U.S. dollars)

| | Shareholder's equity | | |
|--|----------------------|-------------------|----------------------------|
| | Capital stock | Retained earnings | Total shareholder's equity |
| Balance at the beginning of current period | \$ 17,015 | \$ 8,994 | \$ 26,009 |
| Changes of items during the period | | | |
| Issuance of new shares | 723 | | 723 |
| Payment to National Treasury | | (528) | (528) |
| Net income attributable to owner of parent | | 400 | 400 |
| Net changes of items other than shareholder's equity | | | |
| Total changes of items during the period | 723 | (128) | 595 |
| Balance at the end of current period | \$ 17,738 | \$ 8,866 | \$ 26,604 |

(In millions of U.S. dollars)

| | Accumulated other comprehensive income (loss) | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income (loss) | | |
| Balance at the beginning of current period | \$ (31) | \$ 2,089 | \$ 58 | \$ 2,116 | \$ 2 | \$ 28,127 |
| Changes of items during the period | | | | | | |
| Issuance of new shares | | | | | | 723 |
| Payment to National Treasury | | | | | | (528) |
| Net income attributable to owner of parent | | | | | | 400 |
| Net changes of items other than shareholder's equity | 50 | (1,229) | (77) | (1,256) | 1 | (1,255) |
| Total changes of items during the period | 50 | (1,229) | (77) | (1,256) | 1 | (660) |
| Balance at the end of current period | \$ 19 | \$ 860 | \$ (19) | \$ 860 | \$ 3 | \$ 27,467 |

■ Consolidated Statements of Cash Flows

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Cash flows from operating activities | | | |
| Net income before income taxes | ¥ 116,801 | ¥ 44,382 | \$ 401 |
| Depreciation and amortization | 2,740 | 2,107 | 19 |
| Losses (profits) of equity method investments | 2,828 | (375) | (3) |
| Increase (decrease) in allowance for loan losses | (7,270) | 53,986 | 488 |
| Increase (decrease) in provision for bonuses | 20 | (0) | (0) |
| Increase (decrease) in provision for directors' bonuses | 0 | (0) | (0) |
| Increase (decrease) in net defined benefit liability | (273) | (376) | (3) |
| Increase (decrease) in provision for directors' retirement benefits | 13 | 2 | 0 |
| Interest income | (417,832) | (234,073) | (2,114) |
| Interest expense | 329,800 | 150,276 | 1,357 |
| Loss (gain) related to securities | (5,639) | (7,731) | (70) |
| Foreign exchange losses (gains) | (1,589) | (2,076) | (19) |
| Losses (gains) on disposal of noncurrent assets | (16) | (10) | (0) |
| Net decrease (increase) in loans and bills discounted | 442,581 | (422,834) | (3,819) |
| Net increase (decrease) in borrowed money | (788,214) | (135,177) | (1,221) |
| Net decrease (increase) in deposits (excluding deposits paid to Bank of Japan) | (48,062) | 52,865 | 478 |
| Increase (decrease) in straight bonds-issuance and redemption | 300,887 | 75,992 | 686 |
| Interest received | 449,048 | 267,557 | 2,417 |
| Interest paid | (338,465) | (165,793) | (1,498) |
| Other | 188,455 | (33,668) | (305) |
| Subtotal | 225,814 | (354,949) | (3,206) |
| Income taxes paid | (6) | (45) | (1) |
| Net cash provided by (used in) operating activities | 225,807 | (354,995) | (3,207) |
| Cash flows from investing activities | | | |
| Purchase of securities | (32,310) | (11,313) | (102) |
| Proceeds from sales of securities | 17,727 | 58,500 | 528 |
| Proceeds from redemption of securities | 23,500 | 30,000 | 271 |
| Purchase of property, plant and equipment | (773) | (1,583) | (14) |
| Proceeds from sales of property, plant and equipment | 22 | 15 | 0 |
| Purchase of intangible assets | (653) | (477) | (4) |
| Net cash provided by (used in) investing activities | 7,512 | 75,141 | 679 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of new shares | 98,500 | 80,000 | 723 |
| Payment to national treasury | (26,525) | (58,455) | (528) |
| Net cash provided by (used in) financing activities | 71,974 | 21,544 | 195 |
| Effect of exchange rate change on cash and cash equivalents | — | — | — |
| Net increase (decrease) in cash and cash equivalents | 305,294 | (258,309) | (2,333) |
| Cash and cash equivalents at beginning of period | 734,292 | 1,039,586 | 9,390 |
| Cash and cash equivalents at end of period | ¥ 1,039,586 | ¥ 781,277 | \$ 7,057 |

Note 16

■ Notes to Consolidated Financial Statements

1. Basis of presentation

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

The amounts indicated in millions of yen are rounded down by omitting figures less than one million. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts. Items less than 1 million yen are presented as “0,” which are presented as “-” in the consolidated financial statements prepared in accordance with IFRS (Exhibit 7).

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.71=\$1.00, the foreign exchange rate on March 31, 2021, has been used in translations. The presentation of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at the aforementioned rate or any other rates.

2. Scope of consolidation

(a) Consolidated subsidiaries

The number of consolidated subsidiaries is two.

Company names: JBIC IG Partners
Russia-Japan Investment Fund, L.P.

(b) Unconsolidated subsidiaries

There are no applicable subsidiaries.

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

Company name: RJIF Management Limited

(Reason for determining not to be a subsidiary)

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

3. Application of the equity method

(a) Unconsolidated subsidiaries accounted for using the equity method

There are no applicable subsidiaries.

(b) Affiliates accounted for using the equity method

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

Company names: IFC Capitalization (Equity) Fund, L.P.
IFC Capitalization (Subordinated Debt) Fund, L.P.

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

There are no applicable subsidiaries.

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

Major company names: Credit Guarantee and Investment Facility
RJIF Management Limited

These companies were not included in the scope of the equity method primarily because they do not have significant impacts on the consolidated financial statements in respect of any of the following items: Net income (the amount proportionate to the share of net income of such companies), Retained earnings (the amount proportionate to the share of retained earnings of such companies) and Accumulated other comprehensive income (loss) (the amount proportionate to the share of other comprehensive income (loss) of such companies).

4. Balance sheet dates of consolidated subsidiaries

The financial statements of the consolidated subsidiaries are used in preparing the consolidated financial statements.

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

| March 31 | 2021 |
|-------------|------|
| December 31 | 1 |
| March 31 | 1 |

Appropriate adjustments are made for significant transactions that occurred during the period between the consolidated closing date and the subsidiary's balance sheet date above.

5. Significant accounting policies

(a) Securities

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

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

(b) Valuation method for derivative financial instruments

Derivative financial instruments are measured at fair value.

Financial assets and financial liabilities arising from derivatives transactions that are executed with the same counterparties and are measured at fair value are offset on a counterparty-by-counterparty basis if a valid ISDA Master Netting Agreement is entered into. The resulting amount is recognized in the consolidated balance sheets.

(c) Depreciation and amortization basis for fixed assets

(i) Property, plant and equipment

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

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

Buildings: 3 years to 50 years

Other: 2 years to 35 years

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

(ii) Intangible assets

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

(d) Allowance for loan losses

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

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

Of Potentially bankrupt borrowers with restructured loans and others, (excluding foreign governments and other governmental entities) whose loan exceeds a threshold amount, if it is possible to reasonably estimate cash flows from the collection of principal and the receipt of interest, the allowance for claims on such debtors is provided based on an approach whereby the difference between the amount of cash flows discounted by the original contractual interest rates and the carrying amount of the claims is determined to be the allowance for loan losses ("cash flow estimation approach").

The allowance for claims on debtors other than Bankrupt borrowers, Substantially bankrupt borrowers and Potentially bankrupt borrowers is provided primarily in consideration of the expected loss amount over the average remaining periods of loans, and the expected loss amount is calculated primarily based on the probability of default which is based on the actual bankruptcies during a certain period in the past. The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

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

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the residual book value of the claims, after deducting the amount which is deemed collectible through the disposal of collateral or the execution of guarantees, is written off. There were no accumulated write-offs as of March 31, 2021 (the accumulated write-offs as of March 31, 2020 were ¥2,897 million).

(e) Provision for bonuses

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

(f) Provision for directors' bonuses

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

(g) Provision for directors' retirement benefits

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

(h) Accounting for retirement benefits

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

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

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

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

(i) Foreign currency translation and revaluation method

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

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

(j) Accounting for hedges of interest rate risk

(i) Hedge accounting

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

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans, borrowed money, bonds and notes

(iii) Hedging policy

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

(iv) Assessment of hedge effectiveness

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

(k) Accounting for hedges of foreign exchange risks

Hedging instruments used to hedge foreign exchange risks associated with foreign currency denominated monetary assets and liabilities are accounted for primarily using the deferral method under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standard for Foreign Currency Transactions for Banks" (The Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Committee Practical Guideline No. 25 of October 8, 2020).

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

Furthermore, deferral hedge accounting is applied to some forward exchange contracts as hedging instruments used to hedge the foreign exchange risk arising from individual investments in affiliates denominated in foreign currencies.

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

“Cash and cash equivalents” as stated in the consolidated statements of cash flows consists of cash on hand and deposits with the Bank of Japan in Cash and due from banks in the consolidated balance sheets.

(m) **Consumption and other taxes**

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

(n) **Standards and Guidance issued but not yet applied**

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 31, 2020)

(i) **Overview**

In order to enhance comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (collectively, the “Accounting Standards for Fair Value Measurement”) were developed to provide guidance, on fair value measurement approaches. The “Accounting Standards for Fair Value Measurement” apply to fair value measurement of the following:

- Financial instruments under the “Accounting Standard for Financial Instruments”

Furthermore, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to require additional notes on items including the breakdown of financial instruments based on the levels of fair value.

(ii) **Expected date of application**

JBIC plans to apply the accounting standards and implementation guidance above from the beginning of the fiscal year ending March 31, 2022.

(iii) **Effects of application of the accounting standards and implementation guidance**

The effects of the application of the accounting standards and implementation guidance above on the consolidated financial statements are immaterial.

6. Significant accounting estimates

The following item in the consolidated financial statements for the current fiscal year is based on accounting estimates that may have a significant effect on the consolidated financial statements for the next fiscal year.

- Allowance for loan losses

(i) **Amount recognized in the consolidated financial statements for the current fiscal year**

| | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---------------------------|---|--|
| Allowance for loan losses | ¥ 339,841 | \$ 3,070 |

(ii) **Information on significant accounting estimates related to the identified item**

① **Calculation method**

The calculation method of allowance for loan losses is described in “5. Significant accounting policies, (d) Allowance for loan losses” in the notes to the consolidated financial statements.

JBIC engages in financing activities to realize its policy objectives as a policy-based financial institution and may incur loss from being impossible or difficult to recover its loans due to, among other factors, a deterioration in borrowers' creditworthiness. To address such a risk of JBIC incurring loss arising from a reduction in, or diminishment of, asset value attributable to a deterioration in borrowers' financial condition and for other reasons, JBIC calculates an expected loss amount and recognizes it as allowance for loan losses. JBIC engages in significant financing activities with overseas governments, governmental institutions, and overseas corporations as part of its support of overseas economic transactions. Because of the characteristics of these activities, sovereign or country risk is a relatively significant part of the credit risk JBIC is exposed to in connection with these activities.

Allowance for loan losses is calculated in accordance with JBIC's internal rules for self-assessment of asset quality and internally established standards. The calculation process includes the determination of the borrowers' category based on the evaluation of borrowers' solvency in consideration of their repayment status, financial condition, performance, future prospects and other relevant factors, and the estimation of future cash flows under the cash flow estimation approach.

(Note) For the details of the credit risk JBIC is exposed to in connection with its financing activities, see the descriptions in "17. Financial instruments and related disclosure, (a) Status of financial instruments, (ii) Types of financial instruments and risks, ① Credit risk" in the notes to the consolidated financial statements.

② Major assumptions

Major assumptions are the future prospects for borrowers, etc. used in the borrowers' category determination and future cash flows of individual claims used under the cash flow estimation approach.

The future prospects for borrowers, etc. used in the borrowers' category determination, future cash flows of individual claims used under the cash flow estimation approach and other assumptions are affected by changes in borrowers' business environment and whether their business strategy is successful. Therefore, JBIC's estimation and judgment are reassessed and modified whenever the economic environment changes or new information becomes available.

Given the above, such estimation and judgment may have a significant effect on the amount of allowance for loan losses.

③ Effects on the consolidated financial statements for the next fiscal year

The spread of COVID-19 is causing political and economic impacts on borrowers' countries or regions as well as financial impacts on individual borrowers. The borrowers' category is determined in consideration of currently-available information that has effects on estimates.

While effects of the spread of COVID-19 vary significantly across countries and are subject to significant uncertainty related to the degree of vaccine roll-out and the development in policy-based support, allowance for loan losses is currently provided based on the assumption that the level of the credit risk of outstanding loans and other investments as of March 31, 2021 will be the same as the historical level for the near future, and is calculated based on specific items including the probability of default that incorporates the actual number of bankruptcies during a certain period in the past, on the basis that the global economic growth rate is expected to recover to a certain extent in 2021 from its significant decline in the previous year according to global economic outlooks published by international organizations, etc. and other factors.

As the future outlook is uncertain, the situation of COVID-19 or its economic impacts may differ significantly from the assumption above. In such a case, the allowance for loan losses as of the end of the fiscal year ending March 31, 2022 may change.

The amount of allowance for loan losses as of March 31, 2021 is the current best estimate. However, given a high estimation uncertainty related to other factors in addition to COVID-19, there is a risk that the actual amount of allowance for loan losses may differ from the estimate and, as a result, may have a significant effect on the consolidated financial statements for the next fiscal year.

(Changes in presentation)

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) is applied in preparing the consolidated financial statements as of the end of the current fiscal year and significant accounting estimates are described in the notes thereto.

However, in accordance with the transitional treatment set out in the proviso in paragraph 11 of ASBJ Statement No. 31, comparative information for the previous fiscal year is not presented.

7. Equity and other securities of or investments in unconsolidated subsidiaries and affiliates

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|-----------------------------|---|---|--|
| Equity and other securities | ¥ 21,795 | ¥ 24,229 | \$ 219 |
| Investments | 107,469 | 80,187 | 724 |

8. Loans

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|-------------------|---|---|--|
| Bankrupt loans | ¥ — | ¥ — | \$ — |
| Non-accrual loans | 185,309 | 215,417 | 1,946 |

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

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

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---|---|---|--|
| Loans with interest or principal repayments three months or more in arrears | ¥ 8,690 | ¥ 54,839 | \$ 495 |

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

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--------------------|---|---|--|
| Restructured loans | ¥ 159,118 | ¥ 218,411 | \$ 1,973 |

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

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--------------|---|---|--|
| Total amount | ¥ 353,118 | ¥ 488,668 | \$ 4,414 |

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

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--------------------------|---|---|--|
| Balance of undrawn loans | ¥ 1,373,586 | ¥ 1,810,200 | \$ 16,351 |

9. Assets pledged as collateral

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---------------|---|---|--|
| Bonds payable | ¥ 4,886,646 | ¥ 4,964,965 | \$ 44,847 |

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--|---|---|--|
| Cash collateral paid for financial instruments | ¥ 56,950 | ¥ 106,650 | \$ 963 |

10. Accumulated depreciation of Property, plant and equipment

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--------------------------|---|---|--|
| Accumulated depreciation | ¥ 2,637 | ¥ 3,178 | \$ 29 |

11. Contingent liabilities

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

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|-------------------|---|---|--|
| Joint obligations | ¥ 90,000 | ¥ 70,000 | \$ 632 |

12. Items included in Other under Other income

Other under Other income includes the following:

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---|--|--|---|
| Gains on sales of equity and other securities | ¥ 1,228 | ¥ 4,851 | \$ 44 |
| Gains on investments in partnerships | 4,411 | 9,825 | 89 |
| Profits of equity method investments | — | 375 | 3 |

13. Items included in Other under Other expenses

Other under Other expenses includes the following:

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Losses on written-off of loans | ¥ 2,897 | ¥ — | \$ — |
| Losses on devaluation of equity and other securities | — | 6,945 | 62 |
| Losses of equity method investments | 2,828 | — | — |

14. Reclassification adjustments and tax effects of other comprehensive income (loss)

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Valuation difference on available-for-sale securities: | | | |
| Amount recognized in the current fiscal year | ¥ (2,892) | ¥ 4,447 | \$ 40 |
| Reclassification adjustments | (36) | 1,127 | 10 |
| Before tax effect adjustment | (2,929) | 5,575 | 50 |
| Tax effect | — | — | — |
| Valuation difference on available-for-sale securities | (2,929) | 5,575 | 50 |
| Deferred gains or losses on hedges: | | | |
| Amount recognized in the current fiscal year | 157,642 | (123,031) | (1,111) |
| Reclassification adjustments | 84,709 | (13,033) | (118) |
| Before tax effect adjustment | 242,351 | (136,064) | (1,229) |
| Tax effect | — | — | — |
| Deferred gains or losses on hedges | 242,351 | (136,064) | (1,229) |
| Foreign currency translation adjustment: | | | |
| Amount recognized in the current fiscal year | 1,336 | (3,597) | (32) |
| Reclassification adjustments | 55 | 207 | 2 |
| Before tax effect adjustment | 1,391 | (3,389) | (30) |
| Tax effect | — | — | — |
| Foreign currency translation adjustment | 1,391 | (3,389) | (30) |
| Share of other comprehensive income (loss) of equity method investments: | | | |
| Amount recognized in the current fiscal year | (632) | (3,032) | (27) |
| Reclassification adjustments | (1,544) | (2,125) | (20) |
| Before tax effect adjustment | (2,176) | (5,157) | (47) |
| Tax effect | — | — | — |
| Share of other comprehensive income (loss) of equity method investments | (2,176) | (5,157) | (47) |
| Total other comprehensive income (loss) | ¥ 238,637 | ¥ (139,036) | \$ (1,256) |

15. Changes in Net assets

(a) Issued shares and treasury stock

For the fiscal year ended March 31, 2020, the type and the number of issued shares and treasury stock are as follows:

(Unit: thousands of shares)

| Types | The number of shares at the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | The number of shares at the end of the fiscal year | Remarks |
|------------------|--|------------------------------------|------------------------------------|--|---------|
| Issued shares | | | | | |
| Common stock | 1,635,300,000 | 98,500,000 | — | 1,733,800,000 | Note |
| Classified stock | — | — | — | — | |
| Total | 1,635,300,000 | 98,500,000 | — | 1,733,800,000 | Note |
| Treasury stock | | | | | |
| Common stock | — | — | — | — | |
| Classified stock | — | — | — | — | |
| Total | — | — | — | — | |

(Note) The reason for an increase in shares is the issuance of 98,500,000 thousand new shares.

For the fiscal year ended March 31, 2021, the type and the number of issued shares and treasury stock are as follows:

(Unit: thousands of shares)

| Types | The number of shares at the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | The number of shares at the end of the fiscal year | Remarks |
|------------------|--|---------------------------------|---------------------------------|--|---------|
| Issued shares | | | | | |
| Common stock | 1,733,800,000 | 80,000,000 | — | 1,813,800,000 | Note |
| Classified stock | — | — | — | — | |
| Total | 1,733,800,000 | 80,000,000 | — | 1,813,800,000 | Note |
| Treasury stock | | | | | |
| Common stock | — | — | — | — | |
| Classified stock | — | — | — | — | |
| Total | — | — | — | — | |

(Note) The reason for an increase in shares is the issuance of 80,000,000 thousand new shares.

16. Cash flows

A reconciliation of Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020 and 2021 to Cash and due from banks in the consolidated balance sheets is as follows:

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---------------------------|--|--|---|
| Cash and due from banks | ¥ 1,544,838 | ¥ 1,233,919 | \$ 11,146 |
| Time deposits and others | (505,252) | (452,642) | (4,089) |
| Cash and cash equivalents | ¥ 1,039,586 | ¥ 781,277 | \$ 7,057 |

17. Financial instruments and related disclosure

(a) Status of financial instruments

(i) Policies for financial instruments

Based on the JBIC Act, JBIC is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society while supplementing the financial transactions implemented by private-sector financial institutions, by performing the financial function to promote the overseas development and securement of resources which are important for Japan; maintaining and improving the international competitiveness of Japanese industries; promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming, as well as preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption.

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

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

The consolidated foreign subsidiary of JBIC engages in investments and other related activities as its principal operation.

(ii) Types of financial instruments and risks

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

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

① Credit risk

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

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

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

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

② Market risk

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

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

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

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

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

③ Liquidity risk

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

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

(iii) Risk management structure for financial instruments

The risk management structure of JBIC is described below.

① Credit risk management

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

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

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

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

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

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

② Market risk management

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

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

1) Foreign exchange risk

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

2) Interest rate risk

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

a. Yen-denominated loan operations

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

b. Foreign currency-denominated loan operations

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

3) Status of market risk

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

a. Market risk (VaR)

| As of March 31, 2021 (In billions of yen) | As of March 31, 2021 (In billions of U.S. dollars) |
|--|---|
| ¥ 167.6 | \$ 1.5 |

b. Market risk (VaR) measurement model

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

c. Risk management using VaR

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

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

The following points should generally be noted in measuring VaR:

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

③ Liquidity risk management related to funding

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

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

④ Derivative transactions

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

(iv) Supplementary explanation concerning fair value of financial instruments

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

(b) Fair value of financial instruments

The carrying amount on the consolidated balance sheets as of March 31, 2020 and 2021 and the related fair value, and difference are as follows. Note that unlisted securities whose fair value is extremely difficult to be determined are not included in the following tables (refer to Note 2).

As of March 31, 2020

(In millions of yen)

| | Amount on consolidated balance sheet | Fair value | Difference |
|---|--------------------------------------|--------------|------------|
| (1) Cash and due from banks | ¥ 1,544,838 | ¥ 1,544,838 | ¥ — |
| (2) Securities | | | |
| Trading securities | 16,284 | 16,284 | — |
| Available-for-sale securities | 60,603 | 60,603 | — |
| (3) Loans and bills discounted | 13,133,980 | | |
| Allowance for loan losses ⁽¹⁾ | (272,373) | | |
| | 12,861,606 | 12,986,412 | 124,805 |
| (4) Other assets ⁽²⁾ | 56,950 | 56,950 | — |
| Total assets | ¥ 14,540,283 | ¥ 14,665,088 | ¥ 124,805 |
| (1) Borrowed money | 6,786,499 | 6,831,157 | 44,658 |
| (2) Bonds payable | 4,886,646 | 5,162,845 | 276,198 |
| (3) Other liabilities ⁽²⁾ | 268,460 | 268,460 | — |
| Total liabilities | ¥ 11,941,606 | ¥ 12,262,463 | ¥ 320,857 |
| Derivative transactions ⁽³⁾ | | | |
| Derivative transactions not qualifying for hedge accounting | (20) | (20) | — |
| Derivative transactions qualifying for hedge accounting | 243,795 | 243,795 | — |
| Total derivative transactions | ¥ 243,775 | ¥ 243,775 | ¥ — |

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

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

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

As of March 31, 2021

(In millions of yen)

| | Amount on consolidated balance sheet | Fair value | Difference |
|---|--------------------------------------|--------------|------------|
| (1) Cash and due from banks | ¥ 1,233,919 | ¥ 1,233,919 | ¥ — |
| (2) Securities | | | |
| Trading securities | 13,333 | 13,333 | — |
| Available-for-sale securities | 30,860 | 30,860 | — |
| (3) Loans and bills discounted | 13,556,815 | | |
| Allowance for loan losses ⁽¹⁾ | (324,534) | | |
| | 13,232,280 | 13,250,316 | 18,036 |
| (4) Other assets ⁽²⁾ | 106,650 | 106,650 | — |
| Total assets | ¥ 14,617,044 | ¥ 14,635,080 | ¥ 18,036 |
| (1) Borrowed money | 6,651,321 | 6,682,059 | 30,738 |
| (2) Bonds payable | 4,964,965 | 5,166,195 | 201,229 |
| (3) Other liabilities ⁽²⁾ | 127,610 | 127,610 | — |
| Total liabilities | ¥ 11,743,897 | ¥ 11,975,864 | ¥ 231,967 |
| Derivative transactions ⁽³⁾ | | | |
| Derivative transactions not qualifying for hedge accounting | 0 | 0 | — |
| Derivative transactions qualifying for hedge accounting | (26,251) | (26,251) | — |
| Total derivative transactions | ¥ (26,250) | ¥ (26,250) | ¥ — |

As of March 31, 2021

(In millions of U.S. dollars)

| | Amount on consolidated balance sheet | Fair value | Difference |
|---|--------------------------------------|------------|------------|
| (1) Cash and due from banks | \$ 11,146 | \$ 11,146 | \$ — |
| (2) Securities | | | |
| Trading securities | 120 | 120 | — |
| Available-for-sale securities | 279 | 279 | — |
| (3) Loans and bills discounted | 122,453 | | |
| Allowance for loan losses ^(*) | (2,931) | | |
| | 119,522 | 119,685 | 163 |
| (4) Other assets ^(*) | 963 | 963 | — |
| Total assets | \$ 132,030 | \$ 132,193 | \$ 163 |
| (1) Borrowed money | 60,079 | 60,356 | 277 |
| (2) Bonds payable | 44,847 | 46,665 | 1,818 |
| (3) Other liabilities ^(*) | 1,152 | 1,152 | — |
| Total liabilities | \$ 106,078 | \$ 108,173 | \$ 2,095 |
| Derivative transactions ^(*) | | | |
| Derivative transactions not qualifying for hedge accounting | 0 | 0 | — |
| Derivative transactions qualifying for hedge accounting | (237) | (237) | — |
| Total derivative transactions | \$ (237) | \$ (237) | \$ — |

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

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

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

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

Assets

(1) Cash and due from banks

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

(2) Securities

Trading securities (including investments in affiliates) are held by the consolidated foreign subsidiary and are measured at fair value through profit or loss based on IFRS.

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

(3) Loans and bills discounted

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

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

However, for claims on Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, expected credit losses on such claims are calculated based on the expected collectible amount from the collateral or guarantee. Since fair value approximates the amount on the consolidated balance sheets at the fiscal year end after deducting the allowance for loan losses, this amount is used for fair value.

(4) Other assets

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

Liabilities

(1) Borrowed money

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

(2) Bonds payable

Market value is used as fair value of bonds.

(3) Other liabilities

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

Derivative transactions

Derivative transactions are disclosed in "19. Derivative transactions."

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

Classification

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---|---|---|--|
| 1) Unlisted stocks (unconsolidated subsidiaries and affiliates) ⁽¹⁾ | ¥ 19,960 | ¥ 21,632 | \$ 195 |
| 2) Unlisted stocks (other than unconsolidated subsidiaries and affiliates) ^{(1) (2)} | 77,311 | 53,843 | 487 |
| 3) Partnership investments (unconsolidated subsidiaries and affiliates) ⁽³⁾ | 107,469 | 80,187 | 724 |
| 4) Partnership investments (other than unconsolidated subsidiaries and affiliates) ⁽³⁾ | 77,119 | 72,502 | 655 |
| Total | ¥ 281,861 | ¥ 228,166 | \$ 2,061 |

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

⁽²⁾ No impairment loss is recognized for unlisted stocks (other than unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2020.

Impairment loss of ¥6,945 million (\$62 million) is recognized for unlisted stocks (other than unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2021.

⁽³⁾ For Partnership investments comprised of unlisted stocks that do not have quoted market prices available and for which fair value is extremely difficult to be determined, fair values are not presented.

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

As of March 31, 2020

(In millions of yen)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|---|------------------------|---|---|---|--|------------------------|
| Due from banks ⁽¹⁾ | ¥ 1,544,838 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Securities | | | | | | |
| Available-for-sale securities | 30,000 | 2 | — | — | 30,600 | — |
| Loans and bills discounted ⁽²⁾ | 1,604,627 | 2,770,810 | 2,461,688 | 2,385,042 | 2,177,642 | 1,548,859 |
| Total | ¥ 3,179,466 | ¥ 2,770,812 | ¥ 2,461,688 | ¥ 2,385,042 | ¥ 2,208,242 | ¥ 1,548,859 |

⁽¹⁾ Demand deposits in Due from banks are included in "Due within one year."

⁽²⁾ Loans and bills discounted of ¥185,309 million whose redemption is not estimable, such as claims against Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, are not included in the table above.

⁽³⁾ Of Other assets, the information about cash collateral paid for financial instruments is not presented since there is no fixed maturity date for repayments.

As of March 31, 2021

(In millions of yen)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|---|------------------------|---|---|---|--|------------------------|
| Due from banks ⁽¹⁾ | ¥ 1,233,919 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Securities | | | | | | |
| Available-for-sale securities | — | — | — | — | 30,600 | — |
| Loans and bills discounted ⁽²⁾ | 1,310,149 | 2,878,267 | 3,390,199 | 2,173,999 | 2,168,294 | 1,420,487 |
| Total | ¥ 2,544,069 | ¥ 2,878,267 | ¥ 3,390,199 | ¥ 2,173,999 | ¥ 2,198,894 | ¥ 1,420,487 |

As of March 31, 2021

(In millions of U.S. dollars)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|---|------------------------|---|---|---|--|------------------------|
| Due from banks ⁽¹⁾ | \$ 11,146 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Securities | | | | | | |
| Available-for-sale securities | — | — | — | — | 277 | — |
| Loans and bills discounted ⁽²⁾ | 11,834 | 25,998 | 30,622 | 19,637 | 19,585 | 12,831 |
| Total | \$ 22,980 | \$ 25,998 | \$ 30,622 | \$ 19,637 | \$ 19,862 | \$ 12,831 |

⁽¹⁾ Demand deposits in Due from banks are included in "Due within one year."

⁽²⁾ Loans and bills discounted of ¥215,417 million (\$1,946 million) whose redemption is not estimable, such as claims against Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, are not included in the table above.

⁽³⁾ Of Other assets, the information about cash collateral paid for financial instruments is not presented since there is no fixed maturity date for repayments.

(Note 4) Redemption schedule for Borrowed money and Bonds payable with future redemption dates

As of March 31, 2020

(In millions of yen)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|----------------|---------------------|---|---|---|--|---------------------|
| Borrowed money | ¥ 1,485,135 | ¥ 3,198,620 | ¥ 1,149,343 | ¥ 510,100 | ¥ 230,600 | ¥ 212,700 |
| Bonds payable | 858,471 | 1,345,960 | 1,088,300 | 814,459 | 789,017 | — |
| Total | ¥ 2,343,606 | ¥ 4,544,580 | ¥ 2,237,643 | ¥ 1,324,559 | ¥ 1,019,617 | ¥ 212,700 |

(*1) Of Other liabilities, the information about cash collateral received for financial instruments is not presented since there is no fixed maturity date for repayments.

As of March 31, 2021

(In millions of yen)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|----------------|---------------------|---|---|---|--|---------------------|
| Borrowed money | ¥ 191,800 | ¥ 3,305,964 | ¥ 2,312,457 | ¥ 508,100 | ¥ 120,300 | ¥ 212,700 |
| Bonds payable | 498,195 | 1,756,005 | 1,182,455 | 1,039,983 | 498,195 | — |
| Total | ¥ 689,995 | ¥ 5,061,969 | ¥ 3,494,912 | ¥ 1,548,083 | ¥ 618,495 | ¥ 212,700 |

As of March 31, 2021

(In millions of U.S. dollars)

| | Due within one year | Due after one year but within three years | Due after three years but within five years | Due after five years but within seven years | Due after seven years but within ten years | Due after ten years |
|----------------|---------------------|---|---|---|--|---------------------|
| Borrowed money | \$ 1,732 | \$ 29,862 | \$ 20,888 | \$ 4,589 | \$ 1,087 | \$ 1,921 |
| Bonds payable | 4,500 | 15,861 | 10,680 | 9,394 | 4,500 | — |
| Total | \$ 6,232 | \$ 45,723 | \$ 31,568 | \$ 13,983 | \$ 5,587 | \$ 1,921 |

(*1) Of Other liabilities, the information about cash collateral received for financial instruments is not presented since there is no fixed maturity date for repayments.

18. Market value of securities

Information relating to “Equity securities of and other investments in subsidiaries and affiliates” is presented in the notes to the consolidated financial statements.

(a) Trading securities

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Unrealized gains (losses) included in profit or loss for the fiscal year | ¥ 1,228 | ¥ 674 | \$ 6 |

(b) Held-to-maturity debt securities

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(c) Available-for-sale securities

As of March 31, 2020

(In millions of yen)

| Type | Carrying amount | Acquisition cost | Difference |
|---|-----------------|------------------|------------|
| Securities whose carrying amount exceeds their acquisition cost | | | |
| Stocks | ¥ — | ¥ — | ¥ — |
| Debt securities | — | — | — |
| Japanese government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 30,648 | 30,600 | 48 |
| Subtotal | 30,648 | 30,600 | 48 |
| Securities whose carrying amount does not exceed their acquisition cost | | | |
| Stocks | — | — | — |
| Debt securities | — | — | — |
| Japanese government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 29,955 | 30,000 | (45) |
| Subtotal | 29,955 | 30,000 | (45) |
| Total | ¥ 60,603 | ¥ 60,600 | ¥ 3 |

As of March 31, 2021

(In millions of yen)

| Type | | Carrying amount | Acquisition cost | Difference |
|---|---------------------------|-----------------|------------------|------------|
| Securities whose carrying amount exceeds their acquisition cost | Stocks | ¥ — | ¥ — | ¥ — |
| | Debt securities | — | — | — |
| | Japanese government bonds | — | — | — |
| | Corporate bonds | — | — | — |
| | Other | 30,860 | 30,600 | 260 |
| Subtotal | | 30,860 | 30,600 | 260 |
| Securities whose carrying amount does not exceed their acquisition cost | Stocks | — | — | — |
| | Debt securities | — | — | — |
| | Japanese government bonds | — | — | — |
| | Corporate bonds | — | — | — |
| | Other | 0 | 0 | — |
| Subtotal | | 0 | 0 | — |
| Total | | ¥ 30,860 | ¥ 30,600 | ¥ 260 |

As of March 31, 2021

(In millions of U.S. dollars)

| Type | | Carrying amount | Acquisition cost | Difference |
|---|---------------------------|-----------------|------------------|------------|
| Securities whose carrying amount exceeds their acquisition cost | Stocks | \$ — | \$ — | \$ — |
| | Debt securities | — | — | — |
| | Japanese government bonds | — | — | — |
| | Corporate bonds | — | — | — |
| | Other | 279 | 276 | 3 |
| Subtotal | | 279 | 276 | 3 |
| Securities whose carrying amount does not exceed their acquisition cost | Stocks | — | — | — |
| | Debt securities | — | — | — |
| | Japanese government bonds | — | — | — |
| | Corporate bonds | — | — | — |
| | Other | 0 | 0 | — |
| Subtotal | | 0 | 0 | — |
| Total | | \$ 279 | \$ 276 | \$ 3 |

(d) Held-to-maturity debt securities sold

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

(e) Available-for-sale securities sold

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

(In millions of yen)

| | Amount of sales | Total gain on sales | Total loss on sales |
|---------------------------|-----------------|---------------------|---------------------|
| Stocks | ¥ — | ¥ — | ¥ — |
| Debt securities | — | — | — |
| Japanese government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 42,524 | 4,176 | 0 |
| Total | ¥ 42,524 | ¥ 4,176 | ¥ 0 |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| | Amount of sales | Total gain on sales | Total loss on sales |
|---------------------------|-----------------|---------------------|---------------------|
| Stocks | \$ — | \$ — | \$ — |
| Debt securities | — | — | — |
| Japanese government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 384 | 38 | 0 |
| Total | \$ 384 | \$ 38 | \$ 0 |

(f) **Change in classification of securities**

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

(g) **Impairment of securities**

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

(h) **Money held in trust**

(i) Money held in trust for trading purposes

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(ii) Money held in trust for holding-to-maturity purposes

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(iii) Other money held in trust (other than trading and holding-to-maturity purposes)

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(i) **Net unrealized gains (losses) on available-for-sale securities are as follows:**

Fiscal year ended March 31, 2020

(In millions of yen)

| | | |
|---|---|---------|
| Valuation difference | ¥ | (3,486) |
| Available-for-sale securities ^(*) | | (3,486) |
| Other money held in trust | | — |
| (+) Deferred tax assets (or (-) Deferred tax liabilities) | | — |
| Valuation difference on available-for-sale securities (before following adjustments) | ¥ | (3,486) |
| (-) Non-controlling interests | | — |
| (+) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method | | — |
| Valuation difference on available-for-sale securities | ¥ | (3,486) |

(*) Available-for-sale securities includes foreign exchange translation differences in respect of available-for-sale securities whose fair value cannot be readily determined.

Fiscal year ended March 31, 2021

(In millions of yen)

| | | |
|---|---|-------|
| Valuation difference | ¥ | 2,088 |
| Available-for-sale securities ^(*) | | 2,088 |
| Other money held in trust | | — |
| (+) Deferred tax assets (or (-) Deferred tax liabilities) | | — |
| Valuation difference on available-for-sale securities (before following adjustments) | ¥ | 2,088 |
| (-) Non-controlling interests | | — |
| (+) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method | | — |
| Valuation difference on available-for-sale securities | ¥ | 2,088 |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| | |
|---|-------|
| Valuation difference | \$ 19 |
| Available-for-sale securities (*) | 19 |
| Other money held in trust | — |
| (+/-) Deferred tax assets (or -) Deferred tax liabilities | — |
| Valuation difference on available-for-sale securities (before following adjustments) | \$ 19 |
| (-) Non-controlling interests | — |
| (+/-) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method | — |
| Valuation difference on available-for-sale securities | \$ 19 |

(*) Available-for-sale securities includes foreign exchange translation differences in respect of available-for-sale securities whose fair value cannot be readily determined.

19. Derivative transactions

Notes to derivative transactions for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

(a) Derivative transactions not qualifying for hedge accounting

For derivative transactions not qualifying for hedge accounting, the contract value at the fiscal year end or notional amount defined in agreements, and fair value and valuation gain (loss) and the fair value calculation method are as follows. The contract value does not indicate the market risk of the derivative transactions.

(i) Interest rate-related transactions

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(ii) Currency-related transactions

Fiscal year ended March 31, 2020

(In millions of yen)

| Category | Type | Contract value | Contract value (Maturing after one year) | Fair value | Valuation gain (loss) |
|------------------|------------------------------------|----------------|--|------------|-----------------------|
| Over-the-counter | Forward foreign exchange contracts | | | | |
| | Sell | ¥ — | ¥ — | ¥ — | ¥ — |
| | Buy | 5,321 | — | (20) | (20) |
| | Total | ¥ — | ¥ — | ¥ (20) | ¥ (20) |

(Notes) 1. Transactions above are measured at fair value and valuation gain (loss) is recognized in the consolidated statements of operations.
2. Calculation of fair value is based on the discounted cash flows.

Fiscal year ended March 31, 2021

(In millions of yen)

| Category | Type | Contract value | Contract value (Maturing after one year) | Fair value | Valuation gain (loss) |
|------------------|------------------------------------|----------------|--|------------|-----------------------|
| Over-the-counter | Forward foreign exchange contracts | | | | |
| | Sell | ¥ — | ¥ — | ¥ — | ¥ — |
| | Buy | 12,432 | — | 0 | 0 |
| | Total | ¥ — | ¥ — | ¥ 0 | ¥ 0 |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| Category | Type | Contract value | Contract value (Maturing after one year) | Fair value | Valuation gain (loss) |
|------------------|------------------------------------|----------------|--|------------|-----------------------|
| Over-the-counter | Forward foreign exchange contracts | | | | |
| | Sell | \$ — | \$ — | \$ — | \$ — |
| | Buy | 112 | — | 0 | 0 |
| | Total | \$ — | \$ — | \$ 0 | \$ 0 |

(Notes) 1. Transactions above are measured at fair value and valuation gain (loss) is recognized in the consolidated statements of operations.
2. Calculation of fair value is based on the discounted cash flows.

- (iii) Equity-related transactions
 - Fiscal year ended March 31, 2020
Not applicable.
 - Fiscal year ended March 31, 2021
Not applicable.
- (iv) Bond-related transactions
 - Fiscal year ended March 31, 2020
Not applicable.
 - Fiscal year ended March 31, 2021
Not applicable.
- (v) Commodity-related transactions
 - Fiscal year ended March 31, 2020
Not applicable.
 - Fiscal year ended March 31, 2021
Not applicable.
- (vi) Credit derivative transactions
 - Fiscal year ended March 31, 2020
Not applicable.
 - Fiscal year ended March 31, 2021
Not applicable.

(b) Derivative transactions qualifying for hedge accounting

For derivative transactions qualifying for hedge accounting, the contract value at the fiscal year end or notional amount defined in agreements, and fair value and its calculation method, by hedged item and by hedge accounting method, are as follows. The contract value does not indicate the market risk of the derivative transactions.

(i) Interest rate-related transactions

Fiscal year ended March 31, 2020

(In millions of yen)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value | |
|-------------------------|--------------------|---|-----------------------------------|--|-------------|-----------|
| Basic accounting method | Interest rate swap | Loans and bills discounted Borrowed money Bonds payable | | | | |
| | | | Receive/fixed and pay/floating | ¥ 4,631,196 | ¥ 3,975,970 | ¥ 270,617 |
| | | | Receive/floating and pay/fixed | 662,747 | 647,837 | (60,215) |
| | | | Receive/floating and pay/floating | 163,245 | — | (449) |
| | Total | | ¥ — | ¥ — | ¥ 209,952 | |

(Note) Calculation of fair value is based on the discounted cash flows.

Fiscal year ended March 31, 2021

(In millions of yen)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value | |
|-------------------------|--------------------|---|-----------------------------------|--|-------------|-----------|
| Basic accounting method | Interest rate swap | Loans and bills discounted Bonds payable | | | | |
| | | | Receive/fixed and pay/floating | ¥ 4,912,691 | ¥ 4,414,496 | ¥ 171,507 |
| | | | Receive/floating and pay/fixed | 575,659 | 571,564 | (38,017) |
| | | | Receive/floating and pay/floating | — | — | — |
| | Total | | ¥ — | ¥ — | ¥ 133,489 | |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value | |
|-------------------------|--------------------|---|-----------------------------------|--|------------|----------|
| Basic accounting method | Interest rate swap | Loans and bills discounted Bonds payable | | | | |
| | | | Receive/fixed and pay/floating | \$ 44,374 | \$ 39,874 | \$ 1,549 |
| | | | Receive/floating and pay/fixed | 5,200 | 5,163 | (343) |
| | | | Receive/floating and pay/floating | — | — | — |
| | Total | | \$ — | \$ — | \$ 1,206 | |

(Note) Calculation of fair value is based on the discounted cash flows.

(ii) Currency-related transactions

Fiscal year ended March 31, 2020

(In millions of yen)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value |
|-------------------------|------------------------------------|--|----------------|--|------------|
| Basic accounting method | Currency swap | Loans and bills discounted | ¥ 3,913,914 | ¥ 3,168,743 | ¥ 33,753 |
| | Forward foreign exchange contracts | Bonds payable | | | |
| | | Loans and bills discounted | | | |
| | Sell | Investments in capital and other items | 58,035 | — | 90 |
| | Buy | | 2 | — | (0) |
| | Total | | ¥ — | ¥ — | ¥ 33,843 |

Note 1. These are mainly accounted for using the deferral method of hedge accounting under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standard for Foreign Currency Transactions for Banks" (JICPA Industry Audit Committee Report No. 25 of July 29, 2002).

Note 2. Calculation of fair value is based on the discounted cash flows.

Fiscal year ended March 31, 2021

(In millions of yen)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value |
|-------------------------|------------------------------------|--|----------------|--|-------------|
| Basic accounting method | Currency swap | Loans and bills discounted | ¥ 4,499,143 | ¥ 3,410,142 | ¥ (159,382) |
| | Forward foreign exchange contracts | Investments in capital and other items | | | |
| | Sell | | 36,499 | — | (359) |
| | Buy | | 4 | — | 0 |
| | Total | | ¥ — | ¥ — | ¥ (159,741) |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| Hedge accounting | Type | Major hedged items | Contract value | Contract value (Maturing after one year) | Fair value |
|-------------------------|------------------------------------|--|----------------|--|------------|
| Basic accounting method | Currency swap | Loans and bills discounted | \$ 40,639 | \$ 30,802 | \$ (1,440) |
| | Forward foreign exchange contracts | Investments in capital and other items | | | |
| | Sell | | 330 | — | (3) |
| | Buy | | 0 | — | 0 |
| | Total | | \$ — | \$ — | \$ (1,443) |

Note 1. These are mainly accounted for using the deferral method of hedge accounting under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standard for Foreign Currency Transactions for Banks" (JICPA Industry Audit Committee Report No. 25 of October 8, 2020).

Note 2. Calculation of fair value is based on the discounted cash flows.

(iii) Equity-related transactions

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(iv) Bond-related transactions

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

20. Retirement benefits

(a) Overview of retirement benefit plans

JBIC abolished the welfare pension fund plan effective October 1, 2014 and has established a defined benefit corporate pension plan and a defined contribution pension plan.

JBIC has a defined benefit pension plan comprised of a corporate pension plan (transferred from a welfare pension fund plan effective October 1, 2014) and a lump-sum severance indemnity plan. Although JBIC's corporate pension plan is a multi-employer plan, the amount of the pension assets corresponding to its own contribution can be reasonably calculated based on the ratio of the projected benefit obligations, and therefore notes are included in the following notes related to the defined pension plan.

Under the corporate pension plan (funded type), pension or lump-sum payments are provided based on salary and service period. Under the lump-sum severance indemnity plan (unfunded type), lump-sum payments are provided as retirement benefits based on salary and service period. In addition, JBIC has established a defined contribution-type retirement benefit plan effective October 1, 2014.

(b) Defined benefit pension plan

(i) Changes in the projected benefit obligation

| Category | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Projected benefit obligation at the beginning of the fiscal year | ¥ 11,472 | ¥ 11,098 | \$ 100 |
| Service cost | 472 | 460 | 4 |
| Interest cost | 11 | 27 | 1 |
| Actuarial losses | 177 | 355 | 3 |
| Retirement benefit paid | (837) | (772) | (7) |
| Prior service costs | (197) | — | — |
| Projected benefit obligation at the end of the fiscal year | ¥ 11,098 | ¥ 11,168 | \$ 101 |

(ii) Changes in the plan assets

| Category | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--|--|--|---|
| Pension assets at the beginning of the fiscal year | ¥ 4,483 | ¥ 4,382 | \$ 40 |
| Expected return on plan assets | 112 | 109 | 1 |
| Actuarial gains (losses) | (106) | 428 | 4 |
| Contributions by the employer | 129 | 130 | 1 |
| Retirement benefit paid | (235) | (221) | (2) |
| Pension assets at the end of the fiscal year | ¥ 4,382 | ¥ 4,830 | \$ 44 |

(iii) Reconciliation of the projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset in the consolidated balance sheets

| Category | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---|---|---|--|
| Funded projected benefit obligation | ¥ 6,040 | ¥ 6,179 | \$ 56 |
| Fair value of plan assets | (4,382) | (4,830) | (44) |
| | 1,657 | 1,348 | 12 |
| Unfunded projected benefit obligation | 5,057 | 4,989 | 45 |
| Net amount of assets and liabilities in the consolidated balance sheets | ¥ 6,715 | ¥ 6,338 | \$ 57 |
| Defined benefit liability | 6,715 | 6,338 | 57 |
| Defined benefit asset | — | — | — |
| Net amount of assets and liabilities in the consolidated balance sheets | ¥ 6,715 | ¥ 6,338 | \$ 57 |

(iv) Components of retirement benefit expense

| Category | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|--------------------------------|--|--|---|
| Service cost | ¥ 472 | ¥ 460 | \$ 4 |
| Interest cost | 11 | 27 | 1 |
| Expected return on plan assets | (112) | (109) | (1) |
| Realized actuarial loss | 284 | (73) | (1) |
| Prior service costs | (197) | — | — |
| Retirement benefit expense | ¥ 458 | ¥ 305 | \$ 3 |

(v) Plan assets

① Major components of plan assets

Percentages of components to the total are as follows:

| Category | As of March 31, 2020 | As of March 31, 2021 |
|--|----------------------|----------------------|
| Debt securities | 64% | 65% |
| Stocks | 22% | 23% |
| General accounts of life insurance companies | 13% | 11% |
| Cash and due from banks | 0% | 0% |
| Other | 1% | 1% |
| Total | 100% | 100% |

② Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and projected pension asset allocations as well as on the current and future rates of return expected from various assets that are components of plan assets.

(vi) Principal assumptions used

Principal assumptions used in actuarial calculations

| Category | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
|--|-----------------------------------|-----------------------------------|
| Discount rate | 0.25% | 0.28% |
| Expected rate of return on plan assets | 2.50% | 2.50% |
| Expected rate of salary increase | 4.33% | 4.31% |

(c) Defined contribution plan

Fiscal year ended March 31, 2020

The amount of contribution required to be made to the defined contribution plan was ¥27 million.

Fiscal year ended March 31, 2021

The amount of contribution required to be made to the defined contribution plan was ¥27 million (\$0 million).

21. Deferred tax accounting

(a) Breakdown of deferred tax assets and deferred tax liabilities

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|---|--|--|---|
| Deferred tax assets | | | |
| Leasehold deposits (Asset retirement obligations) | ¥ 1 | ¥ 2 | \$ 0 |
| Other | 7 | 2 | 0 |
| Sub total | 8 | 4 | 0 |
| Valuation allowance | (1) | (2) | (0) |
| Total deferred tax assets | ¥ 7 | ¥ 2 | \$ 0 |

Deferred tax assets are included in, and presented as, Other assets in the consolidated balance sheets. Income taxes—deferred is included in, and presented as “Income taxes—current” in the consolidated statements of operations.

(i) Change in presentation

Leasehold deposits (Asset retirement obligations) included in “Other” of deferred tax assets in the previous fiscal year are separately presented from the current fiscal year as the materiality of the amount has increased relative to the total amount of deferred tax assets. To reflect this change in presentation, the amounts reported in the note for the previous fiscal year were reclassified.

As a result, of ¥8 million (\$0 million) of “Other” presented under “Deferred tax assets” in the previous fiscal year, ¥1 million (\$0 million) was reclassified to “Leasehold deposits (Asset retirement obligations)” and ¥7 million (\$0 million) in “Other.”

(b) Breakdown of major items resulting in a significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting

This information is not presented since JBIC is a nontaxable entity defined in the Article 2, Item 5 of the Corporation Tax Act (Act No. 34 of 1965) and therefore there is no significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting.

22. Segment information

(a) Segment summary

The JBIC Group's operating segments are those for which discrete financial information is available, and whose operating results are regularly reviewed by JBIC's management.

The JBIC Group is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society, while supplementing the financial transactions implemented by private-sector financial institutions by performing financial operations from four viewpoints: i.e., "promotion of the overseas development and securement of resources which are important for Japan"; "maintenance and improvement of the international competitiveness of Japanese industries"; "promotion of the overseas business having the purpose of preserving the global environment, such as preventing global warming"; and "prevention of disruptions to international financial order or implementation of appropriate measures with respect to damages caused by such disruption." To achieve these purposes, for business operations defined under the Act on Japan Bank for International Cooperation and other acts, JBIC has two reporting segments: "Ordinary Operations" account and "Special Operations" account. Accounting operations are separately carried out for respective accounts.

The "Ordinary Operations" account covers the businesses which are not included in the "Special Operations" account of the JBIC Group. The Ordinary Operations account also includes the investment business of the consolidated subsidiaries.

The "Special Operations" account includes the businesses that offer financing services such as lending to overseas infrastructure business projects that has risks but generate a sufficient level of expected return.

(b) Method of calculating ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Accounting treatments applied to business segments reported are the same as those disclosed in "Notes to Consolidated Financial Statements." The amount of profit (or loss) of reportable segments is based on Net income attributable to owner of parent.

(c) Information about the amount of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2020

(In millions of yen)

| | Ordinary Operations | Special Operations | Sub-total for reportable segments | Adjustments | Amount reported in the consolidated financial statements |
|---|---------------------|--------------------|-----------------------------------|-------------|--|
| Ordinary income | | | | | |
| (1) Ordinary income from customers | ¥ 485,529 | ¥ 579 | ¥ 486,109 | ¥ (252) | ¥ 485,856 |
| (2) Intersegment ordinary income | 37 | — | 37 | (37) | — |
| Total | ¥ 485,566 | ¥ 579 | ¥ 486,146 | ¥ (289) | ¥ 485,856 |
| Segment profit (loss) | 116,885 | (145) | 116,740 | — | 116,740 |
| Segment assets | 17,044,626 | 292,904 | 17,337,531 | (21) | 17,337,510 |
| Segment liabilities | 14,221,792 | 1,686 | 14,223,479 | (21) | 14,223,458 |
| Other items | | | | | |
| Depreciation and amortization | 2,740 | — | 2,740 | — | 2,740 |
| Interest income | 417,255 | 577 | 417,832 | — | 417,832 |
| Interest expense | 329,654 | 145 | 329,800 | — | 329,800 |
| Losses of equity method investments | 2,828 | — | 2,828 | — | 2,828 |
| Losses on written-off of loans | 2,897 | — | 2,897 | — | 2,897 |
| Extraordinary income | 16 | — | 16 | — | 16 |
| Gain on disposal of noncurrent assets | 16 | — | 16 | — | 16 |
| Extraordinary loss | 0 | — | 0 | — | 0 |
| Loss on disposal of noncurrent assets | 0 | — | 0 | — | 0 |
| Income tax expenses | 25 | — | 25 | — | 25 |
| Equity method investments | 70,494 | — | 70,494 | — | 70,494 |
| Increase in Property, plant and equipment and Intangible assets | 1,428 | — | 1,428 | — | 1,428 |
| Reversal of allowance for loan losses | 7,467 | — | 7,467 | (252) | 7,215 |
| Provision of allowance for loan losses | — | 252 | 252 | (252) | — |

Notes 1. Ordinary income is disclosed in place of sales for non-financial companies. Adjustments for the difference represent adjustments related to the difference between ordinary income and Ordinary income disclosed in the consolidated statements of operations.

2. Adjustments above are as described below.

(1) Adjustments to ordinary income from customers, reversal of allowance for loan losses and provision of allowance for loan losses, which are ¥252 million respectively, represent reclassification of accounts.

(2) Other adjustments represent elimination of intersegment transactions.

Fiscal year ended March 31, 2021

(In millions of yen)

| | Ordinary Operations | Special Operations | Sub-total for reportable segments | Adjustments | Amount reported in the consolidated financial statements |
|---|---------------------|--------------------|-----------------------------------|-------------|--|
| Ordinary income | | | | | |
| (1) Ordinary income from customers | ¥ 283,801 | ¥ 1,373 | ¥ 285,174 | ¥ (431) | ¥ 284,742 |
| (2) Intersegment ordinary income | 30 | — | 30 | (30) | — |
| Total | ¥ 283,831 | ¥ 1,373 | ¥ 285,204 | ¥ (462) | ¥ 284,742 |
| Segment profit | 43,802 | 487 | 44,290 | — | 44,290 |
| Segment assets | 16,564,590 | 308,754 | 16,873,345 | (21) | 16,873,323 |
| Segment liabilities | 13,825,797 | 6,650 | 13,832,448 | (21) | 13,832,426 |
| Other items | | | | | |
| Depreciation and amortization | 2,107 | — | 2,107 | — | 2,107 |
| Interest income | 233,145 | 1,360 | 234,505 | (431) | 234,073 |
| Interest expense | 150,276 | 432 | 150,708 | (431) | 150,276 |
| Profits of equity method investments | 375 | — | 375 | — | 375 |
| Losses on devaluation of equity and other securities | 6,945 | — | 6,945 | — | 6,945 |
| Extraordinary income | 10 | — | 10 | — | 10 |
| Gain on disposal of noncurrent assets | 10 | — | 10 | — | 10 |
| Income tax expenses | 45 | — | 45 | — | 45 |
| Equity method investments | 39,847 | — | 39,847 | — | 39,847 |
| Increase in Property, plant and equipment and Intangible assets | 2,059 | — | 2,059 | — | 2,059 |
| Provision of allowance for loan losses | 53,900 | 86 | 53,986 | — | 53,986 |

Fiscal year ended March 31, 2021

(In millions of U.S. dollars)

| | Ordinary Operations | Special Operations | Sub-total for reportable segments | Adjustments | Amount reported in the consolidated financial statements |
|---|---------------------|--------------------|-----------------------------------|-------------|--|
| Ordinary income | | | | | |
| (1) Ordinary income from customers | \$ 2,564 | \$ 12 | \$ 2,576 | \$ (4) | \$ 2,572 |
| (2) Intersegment ordinary income | 0 | — | 0 | (0) | — |
| Total | \$ 2,564 | \$ 12 | \$ 2,576 | \$ (4) | \$ 2,572 |
| Segment profit | 396 | 4 | 400 | — | 400 |
| Segment assets | 149,621 | 2,789 | 152,410 | (0) | 152,410 |
| Segment liabilities | 124,883 | 60 | 124,943 | (0) | 124,943 |
| Other items | | | | | |
| Depreciation and amortization | 19 | — | 19 | — | 19 |
| Interest income | 2,106 | 12 | 2,118 | (4) | 2,114 |
| Interest expense | 1,357 | 4 | 1,361 | (4) | 1,357 |
| Profits of equity method investments | 3 | — | 3 | — | 3 |
| Losses on devaluation of equity and other securities | 62 | — | 62 | — | 62 |
| Extraordinary income | 0 | — | 0 | — | 0 |
| Gain on disposal of noncurrent assets | 0 | — | 0 | — | 0 |
| Income tax expenses | 0 | — | 0 | — | 0 |
| Equity method investments | 360 | — | 360 | — | 360 |
| Increase in Property, plant and equipment and Intangible assets | 19 | — | 19 | — | 19 |
| Provision of allowance for loan losses | 487 | 1 | 488 | — | 488 |

Notes 1. Ordinary income is disclosed in place of sales for non-financial companies. Adjustments for the difference represent adjustments related to the difference between ordinary income and Ordinary income disclosed in the consolidated statements of operations.

2. Adjustments above are as described below.

(1) Adjustments to ordinary income from customers, interest income and interest expense, which are ¥431 million (\$4 million) respectively, represent reclassification of accounts.

(2) Other adjustments represent elimination of intersegment transactions.

(d) Related information

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(i) Information about services

The information about services is not presented since ordinary income from outside customers in relation to the loan, guarantee and equity participation operations is more than 90% of Ordinary income on the consolidated statements of operations.

(ii) Information about geographical areas

① Ordinary income:

(In millions of yen)

| Japan | Asia/Oceania | Europe/Middle East /Africa | North America/ Latin America | Total |
|-----------|--------------|----------------------------|------------------------------|-----------|
| ¥ 140,990 | ¥ 131,559 | ¥ 126,361 | ¥ 86,945 | ¥ 485,856 |

Notes 1. Ordinary income is disclosed in place of sales for non-financial companies.

2. Ordinary income is disclosed based on the location of the customers and is classified by country or region.

② Property, plant and equipment

The information about property, plant and equipment is not presented since more than 90% of Property, plant equipment on the consolidated balance sheets is located in Japan.

(iii) Information about major customers

The information about major customers is not presented since there are no transactions with a certain customer which result in more than 10% of Ordinary income on the consolidated statements of operations.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(i) Information about services

The information about services is not presented since ordinary income from outside customers in relation to the loan, guarantee and equity participation operations is more than 90% of Ordinary income on the consolidated statements of operations.

(ii) Information about geographical areas

① Ordinary income:

(In millions of yen)

| Japan | Asia/Oceania | Europe/Middle East /Africa | North America/ Latin America | Total |
|----------|--------------|----------------------------|------------------------------|-----------|
| ¥ 51,157 | ¥ 97,875 | ¥ 91,173 | ¥ 44,535 | ¥ 284,742 |

(In millions of U.S. dollars)

| Japan | Asia/Oceania | Europe/Middle East /Africa | North America/ Latin America | Total |
|--------|--------------|----------------------------|------------------------------|----------|
| \$ 462 | \$ 884 | \$ 824 | \$ 402 | \$ 2,572 |

Notes 1. Ordinary income is disclosed in place of sales for non-financial companies.

2. Ordinary income is disclosed based on the location of the customers and is classified by country or region.

② Property, plant and equipment

The information about property, plant and equipment is not presented since more than 90% of Property, plant equipment on the consolidated balance sheets is located in Japan.

(iii) Information about major customers

The information about major customers is not presented since there are no transactions with a certain customer which result in more than 10% of Ordinary income on the consolidated statements of operations.

(e) Information about impairment losses of property, plant and equipment in reportable segments

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

(f) Information about the amortization and balance of goodwill in reportable segments

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

(g) Information about gains from the recognition of negative goodwill in reportable segments

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

23. Related-party information

1. Related party transactions

(1) Related party transactions with JBIC

(a) Transactions with major shareholder

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(In millions of yen)

| | Related party name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions (Note 4) | Items | Balance as of March 31, 2020 (Note 4) |
|-----------------------|---|-------------------|---------|---|----------------------------------|-----------------------------------|--|----------------------------------|-----------------|---------------------------------------|
| Principal shareholder | Ministry of Finance (Minister of Finance) | Chiyoda-ku, Tokyo | — | Administration for policy based financing | 100 (Direct) | Receipt of funds | Capital subscription (Note 1) | ¥ 98,500 | — | ¥ — |
| | | | | | | | Receipt of funds (Note 2) | 466,673 | Borrowed money | 6,786,499 |
| | | | | | | | Repayment of borrowed money | 1,147,530 | | |
| | | | | | | | Payment of interest on borrowed money | 126,812 | Accrued expense | 21,013 |
| | | | | | | | Guarantee for corporate bonds (Note 3) | 4,786,648 | — | — |

Notes 1. Ministry of Finance subscribed new shares issued by JBIC through an allotment to the shareholder for ¥1 per share.

2. Receipt of funds represents borrowings from the FILP special account and Foreign Exchange Funds Special Account ("FEFSA"). FILP interest rates are applied in accordance with the FILP agreement, while the interest rates under the respective agreements related to the FEFSA are applied to borrowings from foreign exchange funds.

3. No guarantee fee has been paid for the guarantee of bonds.

4. Figures in the table above do not include consumption taxes.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(In millions of yen)

| | Related party name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions (Note 4) | Items | Balance as of March 31, 2021 (Note 4) |
|-----------------------|---|-------------------|---------|---|----------------------------------|-----------------------------------|--|----------------------------------|-----------------|---------------------------------------|
| Principal shareholder | Ministry of Finance (Minister of Finance) | Chiyoda-ku, Tokyo | — | Administration for policy based financing | 100 (Direct) | Receipt of funds | Capital subscription (Note 1) | ¥ 80,000 | — | ¥ — |
| | | | | | | | Receipt of funds (Note 2) | 2,066,019 | Borrowed money | 6,651,321 |
| | | | | | | | Repayment of borrowed money | 2,272,052 | | |
| | | | | | | | Payment of interest on borrowed money | 41,163 | Accrued expense | 6,112 |
| | | | | | | | Guarantee for corporate bonds (Note 3) | 4,904,965 | — | — |

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(In millions of U.S. dollars)

| | Related party name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions (Note 4) | Items | Balance as of March 31, 2021 (Note 4) |
|-----------------------|---|-------------------|---------|---|----------------------------------|-----------------------------------|--|----------------------------------|------------------|---------------------------------------|
| Principal shareholder | Ministry of Finance (Minister of Finance) | Chiyoda-ku, Tokyo | — | Administration for policy based financing | 100 (Direct) | Receipt of funds | Capital subscription (Note 1) | \$ 723 | — | \$ — |
| | | | | | | | Receipt of funds (Note 2) | 18,662 | Borrowed money | 60,079 |
| | | | | | | | Repayment of borrowed money | 20,523 | | |
| | | | | | | | Payment of interest on borrowed money | 372 | Accrued expenses | 55 |
| | | | | | | | Guarantee for corporate bonds (Note 3) | 44,305 | — | — |

Notes 1. Ministry of Finance subscribed new shares issued by JBIC through an allotment to the shareholder for ¥1 (\$0.009) per share.

2. Receipt of funds represents borrowings from the FILP special account and FEFSAs. FILP interest rates are applied in accordance with the FILP agreement, while the interest rates under the respective agreements related to the FEFSAs are applied to borrowings from foreign exchange funds.

3. No guarantee fee has been paid for the guarantee of bonds.

4. Figures in the table above do not include consumption taxes.

(b) Transactions with fellow subsidiaries and subsidiaries of any other associated companies

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(In millions of yen)

| | Corporate name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions | Items | Balance as of March 31, 2020 |
|---|--|-------------------|------------|---------------------------------|----------------------------------|-----------------------------------|-------------------|-------------------------|-------|------------------------------|
| Entities that had the majority of their voting rights held by principal shareholder | Japan International Cooperation Agency | Chiyoda-ku, Tokyo | ¥8,213,180 | Official development assistance | None | Joint obligor | Joint obligations | ¥ 40,000 (Notes 1, 3) | — | ¥ — |
| | Japan Finance Corporation | Chiyoda-ku, Tokyo | 4,324,220 | Finance | None | Joint obligor | Joint obligations | 90,000 (Notes 2, 3) | — | — |

Notes 1. JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and the Japan International Cooperation Agency ("JICA") is jointly responsible for the obligations of these bonds in accordance with the provision of Article 4 (1) of Supplementary Provisions of the Japan International Cooperation Agency Act (Act No. 136 of 2002). Pursuant to Article 4 (2) hereof, all of JICA's assets are pledged as general collateral for these joint obligations.

2. JBIC is jointly responsible for the obligations of JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are all pledged as general collateral for these joint obligations.

3. In relation to these joint obligations, no transactions are recognized in the consolidated statements of operations.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(In millions of yen)

| | Corporate name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions | Items | Balance as of March 31, 2021 |
|---|--|-------------------|------------|---------------------------------|----------------------------------|-----------------------------------|-------------------|-------------------------|-------|------------------------------|
| Entities that had the majority of their voting rights held by principal shareholder | Japan International Cooperation Agency | Chiyoda-ku, Tokyo | ¥8,264,620 | Official development assistance | None | Joint obligor | Joint obligations | ¥ 20,000 (Notes 1, 3) | — | ¥ — |
| | Japan Finance Corporation | Chiyoda-ku, Tokyo | 6,990,201 | Finance | None | Joint obligor | Joint obligations | 70,000 (Notes 2, 3) | — | — |

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(In millions of U.S. dollars)

| | Corporate name | Location | Capital | Business | Ratio to total voting rights (%) | Relationship with related parties | Transactions | Amounts of transactions | Items | Balance as of March 31, 2021 |
|---|--|-------------------|-----------|---------------------------------|----------------------------------|-----------------------------------|-------------------|-------------------------|-------|------------------------------|
| Entities that had the majority of their voting rights held by principal shareholder | Japan International Cooperation Agency | Chiyoda-ku, Tokyo | \$ 74,651 | Official development assistance | None | Joint obligor | Joint obligations | \$ 181 (Notes 1, 3) | — | \$ — |
| | Japan Finance Corporation | Chiyoda-ku, Tokyo | 63,140 | Finance | None | Joint obligor | Joint obligations | 632 (Notes 2, 3) | — | — |

Notes 1. JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and the Japan International Cooperation Agency ("JICA") is jointly responsible for the obligations of these bonds in accordance with the provision of Article 4 (1) of Supplementary Provisions of the Japan International Cooperation Agency Act (Act No. 136 of 2002). Pursuant to Article 4 (2) hereof, all of JICA's assets are pledged as general collateral for these joint obligations.

2. JBIC is jointly responsible for the obligations of JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are all pledged as general collateral for these joint obligations.

3. In relation to these joint obligations, no transactions are recognized in the consolidated statements of operations.

(2) Transactions between consolidated subsidiaries and related parties

Not applicable.

2. Notes to the parent company or significant affiliates

(1) Parent company information

Not applicable.

(2) Condensed financial information of significant affiliates

Significant affiliates of JBIC are IFC Capitalization (Subordinated Debt) Fund, L.P. and IFC Capitalization (Equity) Fund, L.P. in the current fiscal year. Their condensed financial information is as shown below:

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---------------------------------------|--|--|---|
| Total assets | ¥ 105,849 | ¥ 62,137 | \$ 561 |
| Total liabilities | 6,592 | 431 | 4 |
| Total net assets | 99,256 | 61,705 | 557 |
| Gain on investment | 9,287 | 4,107 | 37 |
| Net income (loss) before income taxes | (1,417) | 3,102 | 28 |
| Net income (loss) | (1,417) | 3,102 | 28 |

24. Amounts per share

Amounts per share as of and for the fiscal years ended March 31, 2020 and 2021 are calculated as follows:

| | For the year ended March 31, 2020 (In yen) | For the year ended March 31, 2021 (In yen) | For the year ended March 31, 2021 (In U.S. dollars) |
|--------------------------------------|--|--|---|
| Net assets per share of common stock | ¥ 1.79 | ¥ 1.67 | \$ 0.02 |
| Net income per share of common stock | 0.07 | 0.02 | 0.00 |

Note 1. Net income per share of common stock is based on the following information.

Diluted net income per share of common stock is not presented since there are no dilutive shares.

| | For the year ended March 31, 2020 (In millions of yen) | For the year ended March 31, 2021 (In millions of yen) | For the year ended March 31, 2021 (In millions of U.S. dollars) |
|---|--|--|---|
| Net income attributable to owner of parent | ¥ 116,740 | ¥ 44,290 | \$ 400 |
| Amount not attributable to common stock | — | — | — |
| Net income attributable to owner of parent related to common stock | 116,740 | 44,290 | 400 |
| Average number of outstanding shares of common stock (during the fiscal year) | 1,638,798,633 thousand shares | 1,735,772,602 thousand shares | |

Note 2. Net assets per share of common stock is based on the following information.

| | As of March 31, 2020 (In millions of yen) | As of March 31, 2021 (In millions of yen) | As of March 31, 2021 (In millions of U.S. dollars) |
|--|---|---|--|
| Net assets | ¥ 3,114,051 | ¥ 3,040,896 | \$ 27,467 |
| Deductions from net assets | 271 | 318 | 3 |
| (Non-controlling interests) | 271 | 318 | 3 |
| Net assets related to common stock | 3,113,780 | 3,040,578 | 27,464 |
| Year-end number of outstanding shares of common stock based on which net assets per share was calculated | 1,733,800,000 thousand shares | 1,813,800,000 thousand shares | |

25. Bonds payable

Bonds payable as of March 31, 2021 are as follows:

(In millions of yen)

| Name of company | Description of bonds payable | Date of issuance | Balance at the beginning of the current fiscal year | Balance at the end of the current fiscal year | Interest rate (%) | Collateral | Maturity date | Remarks |
|-----------------|---|----------------------------------|--|--|-------------------|--------------------|------------------------------------|---------|
| JBIC | Government guaranteed JBIC foreign bonds 4 th , 7 th , 9 th - 19 th , 22 nd - 47 th | July 31, 2013 - February 9, 2021 | 4,786,648 (USD 43,462,337,000) (GBP 424,859,000) | 4,904,965 [498,142] (USD 43,961,079,000) [USD 4,499,527,000] (GBP 249,851,000) | 0.375~ 3.500 | General collateral | May 28, 2020 - January 21, 2031 | |
| | JBIC bonds 22 nd and 23 rd | March 14, 2006 | 39,998 | 20,000 | 1.890~ 2.090 | General collateral | March 22, 2021 - December 19, 2025 | *1 |
| | Non-guaranteed JBIC domestic bonds 2 nd - 3 rd | August 10, 2017 | 60,000 | 40,000 | 0.001~ 0.030 | General collateral | June 19, 2020 - June 20, 2022 | |
| | Total | — | ¥ 4,886,646 | ¥ 4,964,965 | — | — | — | — |

(In millions of U.S. dollars)

| Name of company | Description of bonds payable | Date of issuance | Balance at the beginning of the current fiscal year | Balance at the end of the current fiscal year | Interest rate (%) | Collateral | Maturity date | Remarks |
|-----------------|---|----------------------------------|---|---|-------------------|--------------------|------------------------------------|---------|
| JBIC | Government guaranteed JBIC foreign bonds 4 th , 7 th , 9 th - 19 th , 22 nd - 47 th | July 31, 2013 - February 9, 2021 | 43,236 (USD 43,462,337,000) (GBP 424,859,000) | 44,305 [4,500] (USD 43,961,079,000) [USD 4,499,527,000] (GBP 249,851,000) | 0.375~ 3.500 | General collateral | May 28, 2020 - January 21, 2031 | |
| | JBIC bonds 22 nd and 23 rd | March 14, 2006 | 361 | 181 | 1.890~ 2.090 | General collateral | March 22, 2021 - December 19, 2025 | *1 |
| | Non-guaranteed JBIC domestic bonds 2 nd - 3 rd | August 10, 2017 | 542 | 361 | 0.001~ 0.030 | General collateral | June 19, 2020 - June 20, 2022 | |
| | Total | — | \$ 44,139 | \$ 44,847 | — | — | — | — |

Notes 1. The amounts of foreign currency-denominated bonds are shown with original currencies in parentheses ().

2. Figures indicated in brackets [] represent the amounts to be redeemed within one year.

3. (*1) JBIC assumed the obligations in respect of the JBIC bonds which had been issued by JBIC before JFC was established, and JBIC and JICA are jointly responsible for these obligations in accordance with the JBIC Act.

4. The redemption schedule of bonds payable for each of the next five years as of March 31, 2021 is as follows:

(In millions of yen)

| | Within 1 year | After 1 year but within 2 years | After 2 years but within 3 years | After 3 years but within 4 years | After 4 years but within 5 years |
|---------------|---------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Bonds payable | ¥ 498,195 | ¥ 870,325 | ¥ 885,680 | ¥ 608,905 | ¥ 573,550 |

(In millions of U.S. dollars)

| | Within 1 year | After 1 year but within 2 years | After 2 years but within 3 years | After 3 years but within 4 years | After 4 years but within 5 years |
|---------------|---------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Bonds payable | \$ 4,500 | \$ 7,861 | \$ 8,000 | \$ 5,500 | \$ 5,181 |

26. Borrowings

Borrowings as of March 31, 2021 are as follows:

| | Balance at the beginning of the current fiscal year (In millions of yen) | Balance at the beginning of the current fiscal year (In millions of U.S. dollars) | Balance at the end of the current fiscal year (In millions of yen) | Balance at the end of the current fiscal year (In millions of U.S. dollars) | Average interest rate (%) | Due date of payment |
|--|---|--|---|--|---------------------------|---------------------------|
| Borrowed money | ¥ 6,786,499 | \$ 61,300 | ¥ 6,651,321 | \$ 60,079 | 0.31 | — |
| Borrowings | 6,786,499 | 61,300 | 6,651,321 | 60,079 | 0.31 | July 2021 – November 2037 |
| Other interest-bearing liabilities | 268,460 | 2,425 | 127,610 | 1,152 | (0.04) | — |
| Cash collateral received for financial instruments | 268,460 | 2,425 | 127,610 | 1,152 | (0.04) | — |

Notes 1. "Average interest rate" represents the weighted-average interest rates of debts calculated from "Interest rates" and "Balance at the end of the current fiscal year."

2. There is no fixed maturity date for the repayment of Cash collateral received for financial instruments.

3. Maturities of borrowings for the next five years as of March 31, 2021 are as follows:

(In millions of yen)

| | Within 1 year | After 1 year but within 2 years | After 2 years but within 3 years | After 3 years but within 4 years | After 4 years but within 5 years |
|------------|---------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Borrowings | ¥ 191,800 | ¥ 2,532,295 | ¥ 773,668 | ¥ 895,664 | ¥ 1,416,793 |

(In millions of U.S. dollars)

| | Within 1 year | After 1 year but within 2 years | After 2 years but within 3 years | After 3 years but within 4 years | After 4 years but within 5 years |
|------------|---------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Borrowings | \$ 1,732 | \$ 22,873 | \$ 6,988 | \$ 8,090 | \$ 12,797 |

27. Asset retirement obligations

This information is not presented because the amount of asset retirement obligations as of the beginning and end of the current fiscal year is equal to, or less than, one hundredth of the aggregated amount of Liabilities and Net assets as of the beginning and end of the current fiscal year.

28. Other

Not applicable.

(Supplementary Information) Financial Statements for Each Operation

JBIC is required to maintain separate accounts for the Ordinary Operations and the Special Operations in accordance with Article 26-2 of the Japan Bank for International Cooperation Act (JBIC Act). The separate financial statements for those operations that are prepared pursuant to Article 26-3 of the JBIC Act and Article 435-2 of the Companies Act of Japan have been subject to audit

by Ernst & Young ShinNihon LLC according to Article 26-3 of the JBIC Act and Article 436-2(i) of the Companies Act. Although the balance sheets and statement of operations for each operation, as provided below, have been prepared based on the above-mentioned audited financial statements, the statements of cash flows have not been audited.

■ Balance Sheets

[Ordinary Operations Account]

(In millions of yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|--|-------------------------|-------------------------|
| Assets: | | |
| Cash and due from banks | 1,272,476 | 961,369 |
| Cash | 0 | 0 |
| Due from banks | 1,272,475 | 961,369 |
| Securities | 352,750 | 273,153 |
| Equity Securities | 255 | 255 |
| Other securities | 352,495 | 272,898 |
| Loans and bills discounted | 13,114,594 | 13,525,185 |
| Loans on deeds | 13,114,594 | 13,525,185 |
| Other assets | 431,615 | 277,352 |
| Prepaid expenses | 602 | 658 |
| Accrued income | 81,435 | 48,506 |
| Derivatives other than for trading-assets | 293,535 | 106,893 |
| Cash collateral paid for financial instruments | 55,440 | 104,420 |
| Other | 601 | 16,873 |
| Property, plant and equipment | 28,115 | 29,084 |
| Buildings | 3,030 | 3,687 |
| Land | 24,311 | 24,311 |
| Construction in progress | 0 | 31 |
| Other | 772 | 1,054 |
| Intangible assets | 5,220 | 4,206 |
| Software | 5,220 | 4,206 |
| Customers' liabilities for acceptances and guarantees | 2,118,383 | 1,835,123 |
| Allowance for loan losses | (285,515) | (339,416) |
| Total assets | 17,037,639 | 16,566,058 |

(In millions of yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|--|-------------------------|-------------------------|
| Liabilities: | | |
| Borrowed money | 6,786,499 | 6,647,121 |
| Borrowings | 6,786,499 | 6,647,121 |
| Bonds payable | 4,886,646 | 4,964,965 |
| Other liabilities | 422,800 | 371,525 |
| Accrued expenses | 57,182 | 39,403 |
| Unearned revenue | 41,920 | 31,415 |
| Derivatives other than for trading-assets | 48,335 | 130,750 |
| Cash collateral received for financial instruments | 268,350 | 127,610 |
| Other | 7,010 | 42,346 |
| Provision for bonuses | 578 | 577 |
| Provision for directors' bonuses | 10 | 10 |
| Provision for retirement benefits | 6,695 | 6,312 |
| Provision for directors' retirement benefits | 44 | 46 |
| Acceptances and guarantees | 2,118,383 | 1,835,123 |
| Total liabilities | 14,221,657 | 13,825,682 |
| Net assets: | | |
| Capital stock | 1,590,500 | 1,660,500 |
| Retained earnings | 996,188 | 981,470 |
| Legal retained earnings | 879,277 | 937,732 |
| Other retained earnings | 116,911 | 43,737 |
| Retained earnings brought forward | 116,911 | 43,737 |
| Total shareholder's equity | 2,586,688 | 2,641,970 |
| Valuation difference on available-for-sale securities | (3,486) | 2,020 |
| Deferred gains or losses on hedges | 232,780 | 96,385 |
| Total valuation and translation adjustments | 229,293 | 98,406 |
| Total net assets | 2,815,981 | 2,740,376 |
| Total liabilities and net assets | 17,037,639 | 16,566,058 |

[Special Operations Account]

(In millions of yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|--|-------------------------|-------------------------|
| Assets: | | |
| Cash and due from banks | 271,847 | 271,851 |
| Due from banks | 271,847 | 271,851 |
| Securities | — | 2,664 |
| Other securities | — | 2,664 |
| Loans and bills discounted | 19,385 | 31,629 |
| Loans on deeds | 19,385 | 31,629 |
| Other assets | 2,010 | 3,034 |
| Prepaid expenses | 7 | 8 |
| Accrued income | 381 | 789 |
| Derivatives other than for trading-assets | 104 | — |
| Cash collateral paid for financial instruments | 1,510 | 2,230 |
| Other | 6 | 6 |
| Allowance for loan losses | (339) | (425) |
| Total assets | 292,904 | 308,754 |

| | As of March 31, 2020 | As of March 31, 2021 |
|--|-------------------------|-------------------------|
| Liabilities: | | |
| Borrowed money | — | 4,200 |
| Borrowings | — | 4,200 |
| Other liabilities | 1,658 | 2,415 |
| Accrued expenses | 4 | 5 |
| Derivatives other than for trading-assets | 1,528 | 2,394 |
| Cash collateral received for financial instruments | 110 | — |
| Other | 14 | 15 |
| Provision for bonuses | 7 | 8 |
| Provision for directors' bonuses | 0 | 0 |
| Provision for retirement benefits | 20 | 25 |
| Provision for directors' retirement benefits | 0 | 0 |
| Total liabilities | 1,686 | 6,650 |
| Net assets: | | |
| Capital stock | 293,300 | 303,300 |
| Retained earnings | (604) | (116) |
| Other retained earnings | (604) | (116) |
| Retained earnings brought forward | (604) | (116) |
| Total shareholder's equity | 292,695 | 303,183 |
| Valuation difference on available-for-sale securities | — | 67 |
| Deferred gains or losses on hedges | (1,476) | (1,146) |
| Total valuation and translation adjustments | (1,476) | (1,078) |
| Total net assets | 291,218 | 302,104 |
| Total liabilities and net assets | 292,904 | 308,754 |

■ Statements of Operations

[Ordinary Operations Account]

(In millions of yen)

| | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| Ordinary income: | 481,706 | 282,755 |
| Interest income | 416,721 | 232,622 |
| Interest on loans and discounts | 398,798 | 212,113 |
| Interest and dividends on securities | 1,003 | 1,648 |
| Interest on deposits with banks | 16,858 | 2,256 |
| Interest on interest swaps | — | 16,518 |
| Other interest income | 60 | 84 |
| Fees and commissions | 25,269 | 26,391 |
| Other fees and commissions | 25,269 | 26,391 |
| Other ordinary income | — | 8,657 |
| Gain on foreign exchange transactions | — | 8,657 |
| Other income | 39,716 | 15,083 |
| Reversal of allowance for loan losses | 7,467 | — |
| Recoveries of written-off claims | 29,308 | 2 |
| Gain on sales of equity and other securities | — | 4,176 |
| Gain on investments in partnerships | 2,741 | 10,708 |
| Other | 198 | 195 |
| Ordinary expenses: | 364,812 | 239,027 |
| Interest expense | 329,654 | 150,276 |
| Interest on borrowed money and rediscounts | 126,812 | 41,163 |
| Interest on bonds | 118,280 | 108,967 |
| Interest on interest swaps | 84,541 | — |
| Other interest expense | 19 | 144 |
| Fees and commissions payments | 2,567 | 2,308 |
| Other fees and commissions | 2,567 | 2,308 |
| Other ordinary expenses | 8,899 | 5,991 |
| Loss on foreign exchange transactions | 6,464 | — |
| Amortization of bond issuance cost | 1,117 | 1,112 |
| Expenses on derivatives other than for trading or hedging | 814 | 4,104 |
| Other | 503 | 774 |
| General and administrative expenses | 20,791 | 19,605 |
| Other expenses | 2,899 | 60,846 |
| Provision of allowance for loan losses | — | 53,900 |
| Loss on sales of equity and other securities | — | 0 |
| Loss on devaluation of equity and other securities | — | 6,945 |
| Loss on written-off of loans | 2,897 | — |
| Other | 2 | 0 |
| Ordinary profit | 116,894 | 43,727 |
| Extraordinary income | 16 | 10 |
| Gain on disposal of noncurrent assets | 16 | 10 |
| Extraordinary loss | 0 | — |
| Loss on disposal of noncurrent assets | 0 | — |
| Net income | 116,911 | 43,737 |

[Special Operations Account]

(In millions of yen)

| | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Ordinary income: | 579 | 1,373 |
| Interest income | 577 | 1,360 |
| Interest on loans and discounts | 576 | 1,360 |
| Interest on deposits with banks | 0 | 0 |
| Other interest income | 0 | 0 |
| Other ordinary income | 0 | 10 |
| Gain on foreign exchange transactions | 0 | 10 |
| Other income | 2 | 2 |
| Other | 2 | 2 |
| Ordinary expenses: | 725 | 885 |
| Interest expense | 145 | 432 |
| Interest on borrowed money and rediscounts | — | 0 |
| Interest on interest swaps | 145 | 431 |
| Other interest expense | 0 | 0 |
| Fees and commissions payments | 38 | 72 |
| Other fees and commissions | 38 | 72 |
| General and administrative expenses | 289 | 293 |
| Other expenses | 252 | 86 |
| Provision of allowance for loan losses | 252 | 86 |
| Other | 0 | 0 |
| Ordinary profit | 145 | 487 |
| Net income | 145 | 487 |

■ Statements of Cash Flows

[Ordinary Operations Account]

(In millions of yen)

| | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Net income | 116,911 | 43,737 |
| Depreciation and amortization | 2,728 | 2,098 |
| Increase (decrease) in allowance for loan losses | (7,523) | 53,900 |
| Increase (decrease) in provision for bonuses | 18 | (1) |
| Increase (decrease) in provision for directors' bonuses | 0 | (0) |
| Increase (decrease) in provision for retirement benefits | (279) | (382) |
| Increase (decrease) in provision for directors' retirement benefits | 13 | 2 |
| Interest income | (416,721) | (232,622) |
| Interest expense | 329,654 | 150,276 |
| Loss (gain) related to securities | (2,741) | (7,940) |
| Foreign exchange losses (gains) | (1,533) | (1,944) |
| Loss (gain) on disposal of noncurrent assets | (16) | (10) |
| Net decrease (increase) in loans and bills discounted | 456,621 | (410,590) |
| Net increase (decrease) in borrowed money | (788,214) | (139,377) |
| Net decrease (increase) in deposits (excluding deposits paid to Bank of Japan) | (47,989) | 52,793 |
| Increase (decrease) in straight bonds-issuance and redemption | 300,887 | 75,992 |
| Interest received | 448,210 | 266,576 |
| Interest paid | (338,319) | (165,792) |
| Other | 186,809 | (33,237) |
| Subtotal | 238,516 | (346,522) |
| Net cash provided by (used in) operating activities | 238,516 | (346,522) |
| Cash flow from investing activities | | |
| Purchase of securities | (30,201) | (10,094) |
| Proceeds from sales of securities | 18,272 | 58,803 |
| Proceeds from redemption of securities | 23,500 | 30,000 |
| Purchase of property, plant and equipment | (773) | (1,583) |
| Proceeds from sales of property, plant and equipment | 22 | 15 |
| Purchase of intangible assets | (653) | (477) |
| Net cash provided by (used in) investing activities | 10,165 | 76,664 |
| Cash flow from financing activities | | |
| Proceeds from issuance of new shares | 56,200 | 70,000 |
| Payment to national treasury | (26,525) | (58,455) |
| Net cash provided by (used in) financing activities | 29,674 | 11,544 |
| Effect of exchange rate change on cash and cash equivalents | — | — |
| Net increase (decrease) in cash and cash equivalents | 278,356 | (258,313) |
| Cash and cash equivalents at beginning of period | 489,391 | 767,748 |
| Cash and cash equivalents at end of period | 767,748 | 509,435 |

[Special Operations Account]

(In millions of yen)

| | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Net income | (145) | 487 |
| Increase (decrease) in allowance for loan losses | 252 | 86 |
| Increase (decrease) in provision for bonuses | 1 | 0 |
| Increase (decrease) in provision for directors' bonuses | 0 | 0 |
| Increase (decrease) in provision for retirement benefits | 6 | 5 |
| Increase (decrease) in provision for directors' retirement benefits | 0 | 0 |
| Interest income | (577) | (1,360) |
| Interest expense | 145 | 432 |
| Net decrease (increase) in loans and bills discounted | (14,040) | (12,244) |
| Net increase (decrease) in borrowed money | — | 4,200 |
| Net decrease (increase) in deposits (excluding deposits paid to Bank of Japan) | (0) | 0 |
| Interest received | 304 | 959 |
| Interest paid | (145) | (432) |
| Other | (1,165) | 465 |
| Subtotal | (15,362) | (7,399) |
| Net cash provided by (used in) operating activities | (15,362) | (7,399) |
| Cash flow from investing activities | | |
| Purchase of securities | — | (2,596) |
| Net cash provided by (used in) investing activities | — | (2,596) |
| Cash flow from financing activities | | |
| Proceeds from issuance of new shares | — | 10,000 |
| Net cash provided by (used in) financing activities | 42,300 | 10,000 |
| Effect of exchange rate change on cash and cash equivalents | — | — |
| Net increase (decrease) in cash and cash equivalents | 26,937 | 4 |
| Cash and cash equivalents at beginning of period | 244,900 | 271,838 |
| Cash and cash equivalents at end of period | 271,838 | 271,842 |

2. Composition of Liabilities and Net Assets

[The Bank]

(Unit: millions of yen, %)

| | March 31, 2020 | | March 31, 2021 | |
|---|-------------------|------------|-------------------|------------|
| | Amount | % (Note) | Amount | % (Note) |
| Liabilities | 14,223,323 | 82.1 | 13,832,310 | 82.0 |
| Borrowed Money | 6,786,499 | 39.2 | 6,651,321 | 39.4 |
| Bonds Payable | 4,886,646 | 28.2 | 4,964,965 | 29.4 |
| Acceptances and Guarantees | 2,118,383 | 12.2 | 1,835,123 | 10.9 |
| Other | 431,793 | 2.5 | 380,900 | 2.3 |
| Net Assets | 3,107,200 | 17.9 | 3,042,480 | 18.0 |
| Capital Stock | 1,883,800 | 10.9 | 1,963,800 | 11.6 |
| Retained Earnings | 995,583 | 5.7 | 981,353 | 5.8 |
| Valuation Difference on Available-for-sale Securities | (3,486) | (0.0) | 2,088 | 0.0 |
| Deferred Gains or Losses on Hedges | 231,303 | 1.3 | 95,238 | 0.6 |
| Total Liabilities and Net Assets | 17,330,523 | 100 | 16,874,791 | 100 |

(Note) Ratio to Liabilities and Net Assets added.

(Information on the Capital Adequacy Ratios)

Although JBIC is not subject to Article 14-2 of the Banking Act of Japan, capital adequacy ratios have been calculated in accordance with "Standards for Determining Capital Adequacy of a Financial Institution in Light of Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (2006, Financial Services Agency Notification No. 19). JBIC applies uniform international standards and calculate credit risk-weighted assets using the standardized approach.

(Unit: %, billions of yen)

| | |
|---|----------|
| Total risk-weighted capital ratio | 20.78 |
| Tier 1 risk-weighted capital ratio | 19.95 |
| Common Equity Tier 1 risk-weighted capital ratio | 19.95 |
| Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital) | 3,042.6 |
| Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital) | 2,921.1 |
| Common Equity Tier 1 capital | 2,921.1 |
| Risk-weighted assets | 14,641.5 |
| The amount of minimum capital requirements | 1,171.3 |

[Ordinary Operations Account]

(Unit: millions of yen, %)

| | March 31, 2020 | | March 31, 2021 | |
|---|-------------------|------------|-------------------|------------|
| | Amount | % (Note) | Amount | % (Note) |
| Liabilities | 14,221,657 | 83.5 | 13,825,682 | 83.5 |
| Borrowed Money | 6,786,499 | 39.8 | 6,647,121 | 40.1 |
| Bonds Payable | 4,886,646 | 28.7 | 4,964,965 | 30.0 |
| Acceptances and Guarantees | 2,118,383 | 12.4 | 1,835,123 | 11.1 |
| Other | 430,128 | 2.5 | 378,471 | 2.3 |
| Net Assets | 2,815,981 | 16.5 | 2,740,376 | 16.5 |
| Capital Stock | 1,590,500 | 9.3 | 1,660,500 | 10.0 |
| Retained Earnings | 996,188 | 5.8 | 981,470 | 5.9 |
| Valuation Difference on Available-for-sale Securities | (3,486) | (0.0) | 2,020 | 0.0 |
| Deferred Gains or Losses on Hedges | 232,780 | 1.4 | 96,385 | 0.6 |
| Total Liabilities and Net Assets | 17,037,639 | 100 | 16,566,058 | 100 |

(Note) Ratio to Liabilities and Net Assets added.

[Special Operations Account]

(Unit: millions of yen, %)

| | March 31, 2020 | | March 31, 2021 | |
|---|----------------|------------|----------------|------------|
| | Amount | % (Note) | Amount | % (Note) |
| Liabilities | 1,686 | 0.6 | 6,650 | 2.2 |
| Borrowed Money | — | — | 4,200 | 1.4 |
| Bonds Payable | — | — | — | — |
| Acceptances and Guarantees | — | — | — | — |
| Other | 1,686 | 0.6 | 2,450 | 0.8 |
| Net Assets | 291,218 | 99.4 | 302,104 | 97.8 |
| Capital Stock | 293,300 | 100.1 | 303,300 | 98.2 |
| Retained Earnings | (604) | (0.2) | (116) | (0.0) |
| Valuation Difference on Available-for-sale Securities | — | — | 67 | 0.0 |
| Deferred Gains or Losses on Hedges | (1,476) | (0.5) | (1,146) | (0.4) |
| Total Liabilities and Net Assets | 292,904 | 100 | 308,754 | 100 |

(Note) Ratio to Liabilities and Net Assets added.

3. The Average Balance of Interest-earning Assets and Interest-bearing Liabilities, Interest and Earning Yields

[The Bank]

(Unit: millions of yen, %)

| | Fiscal Year Ended March 31, 2020 | | | Fiscal Year Ended March 31, 2021 | | |
|------------------------------|----------------------------------|----------|----------------|----------------------------------|----------|----------------|
| | Average Balance | Interest | Earning Yields | Average Balance | Interest | Earning Yields |
| Interest-earning Assets | 14,188,919 | 417,214 | 2.94 | 13,669,962 | 233,469 | 1.71 |
| Loans and Bills Discounted | 13,133,886 | 399,375 | 3.04 | 12,789,817 | 213,473 | 1.67 |
| Due from Banks | 831,908 | 16,858 | 2.03 | 696,745 | 2,256 | 0.32 |
| Interest-bearing Liabilities | 12,076,414 | 329,723 | 2.73 | 11,616,445 | 150,035 | 1.29 |
| Borrowed Money | 7,185,943 | 126,812 | 1.76 | 6,638,279 | 41,163 | 0.62 |
| Bonds Payable | 4,751,906 | 118,280 | 2.49 | 4,710,869 | 108,967 | 2.31 |

[Ordinary Operations Account]

(Unit: millions of yen, %)

| | Fiscal Year Ended March 31, 2020 | | | Fiscal Year Ended March 31, 2021 | | |
|------------------------------|----------------------------------|----------|----------------|----------------------------------|----------|----------------|
| | Average Balance | Interest | Earning Yields | Average Balance | Interest | Earning Yields |
| Interest-earning Assets | 14,176,523 | 416,638 | 2.94 | 13,640,139 | 232,541 | 1.70 |
| Loans and Bills Discounted | 13,122,418 | 398,798 | 3.04 | 12,764,092 | 212,113 | 1.66 |
| Due from Banks | 831,735 | 16,858 | 2.03 | 696,179 | 2,256 | 0.32 |
| Interest-bearing Liabilities | 12,076,386 | 329,577 | 2.73 | 11,615,376 | 150,035 | 1.29 |
| Borrowed Money | 7,185,943 | 126,812 | 1.76 | 6,637,462 | 41,163 | 0.62 |
| Bonds Payable | 4,751,906 | 118,280 | 2.49 | 4,710,869 | 108,967 | 2.31 |

[Special Operations Account]

(Unit: millions of yen, %)

| | Fiscal Year Ended March 31, 2020 | | | Fiscal Year Ended March 31, 2021 | | |
|------------------------------|----------------------------------|----------|----------------|----------------------------------|----------|----------------|
| | Average Balance | Interest | Earning Yields | Average Balance | Interest | Earning Yields |
| Interest-earning Assets | 12,396 | 576 | 4.65 | 29,822 | 1,359 | 4.56 |
| Loans and Bills Discounted | 11,467 | 576 | 5.03 | 25,724 | 1,360 | 5.29 |
| Due from Banks | 173 | 0 | 0.12 | 565 | 0 | 0.01 |
| Interest-bearing Liabilities | 28 | 145 | 509.57 | 1,069 | 431 | 40.38 |
| Borrowed Money | — | — | — | 816 | 0 | 0.00 |
| Bonds Payable | — | — | — | — | — | — |

4. Breakdown of Operating Expenses

[The Bank]

(Unit: millions of yen)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| Salaries and Other Compensations | 5,900 | 6,140 |
| Expenses for Retirement Benefits | 485 | 332 |
| Welfare Benefits | 919 | 942 |
| Depreciation of Property, Plant and Equipment | 2,728 | 2,098 |
| Leasing on Land, Buildings and Machinery | 248 | 468 |
| Building Maintenance | 160 | 355 |
| Supplies | 366 | 387 |
| Utilities | 77 | 74 |
| Traveling Expenses | 1,638 | 401 |
| Communications | 176 | 234 |
| Advertising Expenses | 3 | 2 |
| Fees, Donations and Social Expenses | 45 | 48 |
| Taxes | 522 | 489 |
| Other | 7,769 | 7,892 |
| Total | 21,043 | 19,868 |

[Ordinary Operations Account]

(Unit: millions of yen)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| Salaries and Other Compensations | 5,819 | 6,050 |
| Expenses for Retirement Benefits | 475 | 322 |
| Welfare Benefits | 906 | 928 |
| Depreciation of Property, Plant and Equipment | 2,728 | 2,098 |
| Leasing on Land, Buildings and Machinery | 245 | 461 |
| Building Maintenance | 158 | 350 |
| Supplies | 362 | 382 |
| Utilities | 75 | 73 |
| Traveling Expenses | 1,616 | 396 |
| Communications | 173 | 231 |
| Advertising Expenses | 3 | 2 |
| Fees, Donations and Social Expenses | 44 | 47 |
| Taxes | 515 | 481 |
| Other | 7,664 | 7,778 |
| Total | 20,791 | 19,605 |

[Special Operations Account]

(Unit: millions of yen)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|--|----------------------------------|----------------------------------|
| Salaries and Other Compensations | 80 | 89 |
| Expenses for Retirement Benefits | 10 | 10 |
| Welfare Benefits | 12 | 13 |
| Leasing on Land, Buildings and Machinery | 40 | 37 |
| Building Maintenance | 2 | 5 |
| Supplies | 4 | 5 |
| Utilities | 1 | 1 |
| Traveling Expenses | 22 | 5 |
| Communications | 2 | 3 |
| Advertising Expenses | 0 | 0 |
| Fees, Donations and Social Expenses | 0 | 0 |
| Taxes | 7 | 7 |
| Other | 105 | 114 |
| Total | 289 | 293 |

5. Balance of Due from Banks, Receivables under Resale Agreements and Securities—Application of Surplus Funds

[The Bank]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--------------------------------------|----------------|----------------|
| Due from Banks in Japanese Yen | 50,000 | — |
| Due from Banks in Foreign Currencies | 445,154 | 426,603 |
| Receivables under Resale Agreements | — | — |
| Securities | — | — |

[Ordinary Operations Account]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--------------------------------------|----------------|----------------|
| Due from Banks in Japanese Yen | 50,000 | — |
| Due from Banks in Foreign Currencies | 445,154 | 426,603 |
| Receivables under Resale Agreements | — | — |
| Securities | — | — |

[Special Operations Account]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--------------------------------------|----------------|----------------|
| Due from Banks in Japanese Yen | — | — |
| Due from Banks in Foreign Currencies | 0 | 0 |
| Receivables under Resale Agreements | — | — |
| Securities | — | — |

6. Information on 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.

(3) Risks Involved in Derivatives Transactions

Derivatives transactions involve the following risks.

Counterparty Credit Risk

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

Market Risk

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

(4) Measures to Address These Risks

Counterparty Credit Risk

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

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.

(As of March 31, 2021; 100 millions of yen)

| | Contract Amounts / Notional Amounts | Credit Risk Amounts | Market Value |
|--|--|---------------------|--------------|
| Interest Rate Swaps | 55,037 | 2,340 | 1,334 |
| Currency Swaps | 44,991 | 3,080 | (1,593) |
| Forward Exchange Contracts | 489 | 4 | (3) |
| Credit Risk Mitigation through Netting | | (2,907) | |
| Total | 100,518 | 2,519 | (262) |

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

7. Yield / Interest Rate

[The Bank]

(Unit: %)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| (A) - (B) | 0.02 | 0.42 |
| Yields on Interest-earning Assets (A) | 2.94 | 1.71 |
| Costs of Interest-bearing Liabilities (B) | 2.92 | 1.48 |

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit and others) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscunts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

[Ordinary Operations Account]

(Unit: %)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| (A) - (B) | 0.02 | 0.23 |
| Yields on Interest-earning Assets (A) | 2.94 | 1.70 |
| Costs of Interest-bearing Liabilities (B) | 2.91 | 1.48 |

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit and others) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscunts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

[Special Operations Account]

(Unit: %)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| (A) - (B) | (1,521.27) | (63.31) |
| Yields on Interest-earning Assets (A) | 4.65 | 4.56 |
| Costs of Interest-bearing Liabilities (B) | 1,525.93 | 67.87 |

(Note) Yields on Interest-earning Assets = Interest / Average Balance of Interest-earning Assets
 Costs of Interest-bearing Liabilities = (Interest Expenses + Bonds Payable + Expenses) / Average Balance of Interest-bearing Liabilities
 Cf. Interest = Interest on Loans and Discounts + Interest and Dividends on Securities + Interest on Receivables under Resale Agreements + Interest on Deposits with Banks + Interest on interest swaps + Other interest income
 Average Balance of Interest-earning Assets = Loans and Bills Discounted + Securities + Receivables under Resale Agreements + Cash Equivalents (excluding current account deposit) + Cash collateral paid for financial instruments
 Interest Expenses = Interest on Borrowings and Rediscunts + Interest on Bonds + Interest on interest swaps + Other interest expenses
 Average Balance of Interest-bearing Liabilities = Borrowed Money + Bonds Payable + Cash collateral received for financial instruments

8. Loans Outstanding per Employee

(Unit: millions of yen)

| March 31, 2020 | March 31, 2021 |
|----------------|----------------|
| 21,321 | 21,315 |

9. Loans Outstanding by Industry

(Unit: millions of yen)

| Industry | March 31, 2020 | | March 31, 2021 | |
|---|-----------------|-------------------|-----------------|-------------------|
| | Number of Loans | Balance | Number of Loans | Balance |
| Manufacturing | 114 | 910,551 | 114 | 1,168,579 |
| Mining and Quarrying of Stone and Gravel | 8 | 280,418 | 7 | 264,766 |
| Construction | 1 | 300 | 2 | 535 |
| Electricity, Gas, Heat Supply, and Water | 4 | 98,350 | 3 | 70,224 |
| Transport and Postal Services | 3 | 2,759 | 2 | 1,975 |
| Wholesale Trade | 18 | 576,881 | 14 | 556,612 |
| Retail Trade | 1 | 195 | 2 | 478 |
| Finance and Insurance | 24 | 2,527,327 | 25 | 2,443,382 |
| Real Estate | 1 | 606 | 1 | 548 |
| Goods Rental and Leasing | 3 | 149,788 | 4 | 167,696 |
| Scientific Research, Professional and Technical Service | 2 | 218 | 2 | 58 |
| Accommodations | 1 | 304 | 1 | 261 |
| Living-Related and Personal Services and Amusement Services | — | — | 1 | 4,000 |
| Overseas Yen Loan and Domestic Loans Transferred Overseas | 491 | 8,623,881 | 501 | 8,915,523 |
| Total, Including Others | 671 | 13,171,584 | 679 | 13,594,645 |
| Loans Outstanding to Small and Medium-sized Enterprises, and Mid-tier Enterprises | 515 | 147,411 | 553 | 171,664 |

10. Write-off of Loans

[Ordinary Operations Account]

(Unit: millions of yen)

| Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 2,897 | — |

[Special Operations Account]

(Unit: millions of yen)

| Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|----------------------------------|----------------------------------|
| — | — |

11. Assets in Foreign Currencies (Loans and Equity Participation)

[The Bank]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--|----------------|----------------|
| Investments in Foreign Currency (USD) | 176,089 | 148,205 |
| Investments in Foreign Currency (EUR) | 1,277 | 2,683 |
| Investments in Foreign Currency (RUB) | 17,011 | 18,370 |
| Equity Investments in Foreign Currency (USD) | 55,399 | 48,316 |
| Equity Investments in Foreign Currency (EUR) | 25,058 | 11,228 |
| Equity Investments in Foreign Currency (THB) | 19 | 19 |
| Equity Investments in Foreign Currency (CNY) | 2,204 | 2,204 |
| Equity Investments in Foreign Currency (INR) | 1,971 | 1,076 |
| Equity Investments in Foreign Currency (RUB) | 518 | 518 |
| Loans in Foreign Currency (USD) | 11,574,303 | 11,700,564 |
| Loans in Foreign Currency (GBP) | 208,660 | 390,197 |
| Loans in Foreign Currency (EUR) | 461,957 | 467,170 |
| Loans in Foreign Currency (ZAR) | — | 8,310 |
| Loans in Foreign Currency (AUD) | 81,770 | 85,965 |
| Loans in Foreign Currency (THB) | 19,990 | 67,261 |
| Loans in Foreign Currency (SDR) | 579 | — |
| Loans in Foreign Currency (CAD) | 49,790 | 55,283 |
| Loans in Foreign Currency (CNY) | 13,435 | 13,484 |
| Loans in Foreign Currency (INR) | 1,043 | 776 |
| Loans in Foreign Currency (MXN) | 2,511 | 2,314 |
| Loans in Foreign Currency (IDR) | 335 | 16,346 |
| Loans in Foreign Currency (RUB) | 4,932 | 3,898 |
| Loans in Foreign Currency (SEK) | 996 | 1,169 |

[Ordinary Operations Account]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--|----------------|----------------|
| Investments in Foreign Currency (USD) | 176,089 | 148,205 |
| Investments in Foreign Currency (EUR) | 1,277 | 2,683 |
| Investments in Foreign Currency (RUB) | 17,011 | 18,370 |
| Equity Investments in Foreign Currency (USD) | 55,399 | 45,769 |
| Equity Investments in Foreign Currency (EUR) | 25,058 | 11,110 |
| Equity Investments in Foreign Currency (THB) | 19 | 19 |
| Equity Investments in Foreign Currency (CNY) | 2,204 | 2,204 |
| Equity Investments in Foreign Currency (INR) | 1,971 | 1,076 |
| Equity Investments in Foreign Currency (RUB) | 518 | 518 |
| Loans in Foreign Currency (USD) | 11,564,518 | 11,681,391 |
| Loans in Foreign Currency (GBP) | 208,660 | 390,197 |
| Loans in Foreign Currency (EUR) | 461,957 | 467,170 |
| Loans in Foreign Currency (ZAR) | — | 8,310 |
| Loans in Foreign Currency (AUD) | 81,770 | 85,965 |
| Loans in Foreign Currency (THB) | 19,990 | 67,261 |
| Loans in Foreign Currency (SDR) | 579 | — |
| Loans in Foreign Currency (CAD) | 49,790 | 55,283 |
| Loans in Foreign Currency (CNY) | 13,435 | 13,484 |
| Loans in Foreign Currency (INR) | 1,043 | 776 |
| Loans in Foreign Currency (MXN) | 2,511 | 2,314 |
| Loans in Foreign Currency (IDR) | 335 | 16,346 |
| Loans in Foreign Currency (RUB) | 4,932 | 3,898 |
| Loans in Foreign Currency (SEK) | 996 | 1,169 |

[Special Operations Account]

(Unit: millions of yen)

| | March 31, 2020 | March 31, 2021 |
|--|----------------|----------------|
| Equity Investments in Foreign Currency (USD) | — | 2,546 |
| Equity Investments in Foreign Currency (EUR) | — | 117 |
| Loans in Foreign Currency (USD) | 9,785 | 19,172 |

12. Administrative Expense Ratio

[The Bank]

(Units: %)

| Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 0.13 | 0.13 |

(Note) Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)

[Ordinary Operations Account]

(Units: %)

| Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 0.13 | 0.13 |

(Note) Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)

[Special Operations Account]

(Units: %)

| Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 2.52 | 1.06 |

(Note) Administrative Expense Ratio = General and Administrative Expenses / (Average Balance of Loans and Bills Discounted + Average Balance of Securities + Average Balance of Customers' Liabilities for Acceptances and Guarantees)

13. Balance of Loans / Borrowings, Bonds and Notes by Maturity

Maturity Structure of Loans as of March 31, 2021

(Unit: 100 millions of yen)

| Maturity | Collection from Loans |
|----------------|-----------------------|
| 1 Year or Less | 13,101 |
| 1-2 Years | 14,957 |
| 2-3 Years | 13,825 |
| 3-4 Years | 13,633 |
| 4-5 Years | 20,268 |
| 5-6 Years | 11,384 |
| 6-7 Years | 10,355 |
| 7-8 Years | 7,596 |
| 8-9 Years | 8,218 |
| 9-10 Years | 5,868 |
| 11-15 Years | 9,357 |
| 16-20 Years | 3,660 |
| 21-25 Years | 1,176 |
| 26-30 Years | 11 |
| 31-35 Years | — |
| 36-40 Years | — |
| Over 40 Years | — |
| Total | 133,413 |

(Note) The figures exclude: ¥215.4 billion, the amount of loans and other credits to debtors who are legally or substantially bankrupt, as well as those who are likely to become bankrupt, since they have no prospect for redemption.

Maturity Structure of Borrowings from FILP Fiscal Loan and Foreign Exchange Fund Special Account in total as of March 31, 2021

(Unit: 100 millions of yen)

| Maturity | Repayment of Borrowings |
|----------------|-------------------------|
| 1 Year or Less | 1,918 |
| 1-2 Years | 25,322 |
| 2-3 Years | 7,736 |
| 3-4 Years | 8,956 |
| 4-5 Years | 14,167 |
| 5-6 Years | 3,871 |
| 6-7 Years | 1,210 |
| 7-8 Years | 1,096 |
| 8-9 Years | — |
| 9-10 Years | 107 |
| Over 10 Years | 2,127 |
| Total | 66,513 |

Maturity Structure of Bonds and Notes as of March 31, 2021

(Unit: 100 millions of yen)

| Maturity | Redemption of Bonds and Notes |
|----------------|-------------------------------|
| 1 Year or Less | 4,981 |
| 1-2 Years | 8,703 |
| 2-3 Years | 8,856 |
| 3-4 Years | 6,089 |
| 4-5 Years | 5,735 |
| 5-6 Years | 5,694 |
| 6-7 Years | 4,705 |
| 7-8 Years | 2,214 |
| 8-9 Years | 1,107 |
| 9-10 Years | 1,660 |
| Over 10 Years | — |
| Total | 49,748 |

14. Information on the Quality of Assets

Although the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions of 1998 (the “Financial Revitalization Act”) do not apply to JBIC, JBIC has made a self-assessment of the quality of its assets since the fiscal year ended March 31, 2001. This was aimed at increasing disclosure on its asset quality and improving the internal management of credit risks.

One characteristic of JBIC’s operations is that a considerable portion of its loans is official credit for the governments of developing countries. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes take place—based on an international agreement among the creditor countries in the Paris Club—in order to ensure sustainable debt service. A debtor country receiving such temporary support for overcoming the liquidity problem will implement economic restructuring programs agreed upon with the International Monetary Fund (IMF) to acquire sustainable debt service capacity.

The loans rescheduled under the agreement in the Paris Club have a high probability of repayment, because, unlike loans provided by private financial institutions, their nature as official credit provides an asset-securing mechanism under the above international framework. Nonetheless, to facilitate comparison with private financial institutions, JBIC, in principle, discloses the loans rescheduled in the Paris Club and whose debtor countries are categorized as “Needs Attention” in its self-assessment of asset quality, as loan assets required to be disclosed classifying them either as restructured loans (under the Banking Act) or substandard loans (under the Financial Revitalization Act).

ERNST & YOUNG SHINNIHON LLC audited JBIC’s self-assessment regarding the quality of its assets, including the following risk-monitored loans, loans to be disclosed under the Financial Revitalization Act and reserves for possible loan losses, in accordance with the *Practical Guidelines for Evaluation of Internal Control over Valuation of Assets and Audits for Write-Offs and Reserve for Possible Loan Losses of Banks and Similar Institutions* (Report No. 4 of the Ad Hoc Committee for Audits of Banks, the Japanese Institute of Certified Public Accountants (JICPA)).

1. Risk-Monitored Loans

The following table shows the classification of risk-monitored loans based on the self-assessment of asset quality in accordance with the disclosure standard of risk-monitored loans applied to commercial financial institutions (under the Banking Act).

Each category of risk-monitored loans is defined as follows:

i. Bankrupt Loans

Among loans that are placed in non-accrual status (except the portion deducted as allowance for loan losses), when collection of either principal or interest becomes doubtful for the reason that principal or interest is past due for a considerable period of time or for other reasons, those loans for which there is filing of reorganization procedures under the Corporate Reorganization Act rehabilitation procedures under the Civil Rehabilitation Act, bankruptcy procedures under the Bankruptcy Act, special liquidation procedures under the Companies Act or other relevant laws, or there is suspension of transactions in promissory notes issued by the debtors in the clearing house.

ii. Non-accrual Loans

Loans that are placed in non-accrual status except those classified as “Bankrupt Loans” or those whose interest payments are deferred in order to expedite the debtors’ business restructuring or support their business operations.

iii. Past Due Loans (3 months or more)

Loans whose principal or interest is past due 3 months or more from the date following the contractually scheduled payment date and not classified as “Bankrupt Loans” or “Non-accrual Loans”.

iv. Restructured Loans

Loans whose terms and conditions are modified in favor of the debtors in order to expedite the debtors’ business restructuring or support their business operations by, among others, reducing the stated interest rate, deferring interest payments or write-downs, and that are not classified as “Bankrupt Loans”, “Non-accrual Loans” and “Past Due Loans (3 months or more)”^(Note).

[Ordinary Operations Account]

(Unit: millions of yen)

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Bankrupt Loans | — | — |
| Non-accrual Loans | 185,309 | 215,417 |
| Past Due Loans (3 months or more) | 8,690 | 54,839 |
| Restructured Loans | 159,118 | 218,411 |
| Total (1) | 353,118 | 488,668 |
| Total Amounts of Loans (2) | 13,114,594 | 13,525,185 |
| (1) / (2) (%) | 2.69 | 3.61 |

[Special Operations Account]

Not applicable.

2. Loan Assets to Be Disclosed under the Financial Revitalization Act

The following table shows the classification of loans based on the self-assessment of asset quality in accordance with the disclosure standard of the Financial Revitalization Act.

i. Bankrupt and Quasi-bankrupt Assets

“Bankrupt and Quasi-bankrupt Assets” are loans and other credits to debtors who have begun proceedings under the Bankruptcy Act, the Corporate Reorganization Act, the Civil Rehabilitation Act and other similar laws of Japan and have financially failed. In the asset quality self-assessment, these loans are loans to debtors who are legally or substantially bankrupt.

ii. Doubtful Assets

“Doubtful Assets” are loans and other credits to debtors whose financial and operational conditions have deteriorated and who have a possibility that payment of principal and / or interest will not be made on a contractual basis. In the asset quality self-assessment, these loans are loans to the debtors who are likely to become bankrupt.

iii. Substandard Loans

“Substandard Loans” are loans to debtors who are categorized as “Needs Attention Debtor” in the asset quality self-assessment, and

- A. loans whose principal and / or interest is overdue 3 months or more from the date following the scheduled payment date but which are not categorized as “Bankrupt and Quasi-bankrupt Assets” and “Doubtful Assets” (“Past Due Loans (3 months or more)”).
- B. restructured loans on which the Bank granted concessions to debtors in financial difficulties through amending terms and conditions of the loans to assist them to recover and eventually be able to pay to creditors, but which are not categorized as “Bankrupt and Quasi-bankrupt Assets”, “Doubtful Assets” or “Overdue Loans (3 months or more)”.^(Note)

iv. Normal Assets

“Normal Assets” are loans to debtors with no particular problem in their financial conditions, categorized in the asset quality self-assessment either as “Loans to Normal Debtors” or “Loans to Needs Attention Debtors (excluding substandard loans)”, but which are not categorized as “Bankrupt and Quasi-bankrupt Assets”, “Doubtful Assets” and “Substandard Loans”.

[Ordinary Operations Account]

(Unit: millions of yen)

| | | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|-------|------------------------------------|-------------------------------------|-------------------------------------|
| Loans | Bankrupt and Quasi-bankrupt Assets | — | — |
| | Doubtful Assets | 185,309 | 215,417 |
| | Substandard Loans | 167,808 | 273,251 |
| | Subtotal (1) | 353,118 | 488,668 |
| | Normal Assets | 14,958,843 | 14,919,222 |
| | Total (2) | 15,311,962 | 15,407,891 |
| | (1) / (2) (%) | 2.31 | 3.17 |

[Special Operations Account]

Not applicable.

(Note) In the event that a debtor country encounters temporary repayment difficulties in respect of external public debt (debt whose creditors are public institutions such as the governments, trade insurance institutions, export credit agencies, etc.) due to the deteriorating balance of payments, meetings of creditor countries (the “Paris Club”) will be held to mutually agree on debt relief measures (rescheduling), and implementing of temporary support for overcoming the liquidity problem (balance of payment support under an international cooperative framework). With this temporary liquidity support, debtors carry out IMF-agreed economic restructuring programs and continue to make debt repayments. The principal amount of loans for which JBIC has agreed to provide debt relief pursuant to the Paris Club agreements is ¥139,933 million as of the end of the fiscal year ended March 31, 2021.

Loans to debtors classified under the self-assessment as “Needs Attention” (but not “Past Due Loans (3 months or more)”) that were rescheduled under the Paris Club as “Restructured loans”. The amount of such loans, included in “Restructured loans” in the above table is ¥104,676 million.

Consolidated Financial Statements in Accordance with International Financial Reporting Standards (IFRS) for Reference Only

1. Excerpt from the consolidated financial statements in accordance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) as of March 31, 2021. The consolidated financial statements are presented in yen. Unless otherwise stated, all amounts are rounded down and stated in millions of yen.

Ernst & Young ShinNihon LLC has audited the consolidated financial statements of JBIC and its subsidiaries (the “JBIC Group”), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the consolidated income statements, consolidated statements

of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Standards on Auditing.

This document is an excerpt of the JBIC Group’s consolidated financial statements prepared in accordance with IFRS as issued by the IASB that are included in JBIC’s annual report on Form 18-K filed with the U.S. Securities and Exchange Commission. This document does not contain all of the information in the Form 18-K that is important to you. You should read the Form 18-K carefully to obtain a comprehensive understanding of the JBIC Group’s consolidated financial statements under IFRS and related information.

Consolidated Statements of Financial Position

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2020 |
|---|----------------------|----------------------|
| Assets: | | |
| Cash and due from banks | 1,233,919 | 1,544,838 |
| Derivative financial instrument assets | 258,179 | 420,937 |
| Financial assets at fair value through profit or loss | 354,632 | 374,596 |
| Securities | 30,599 | 60,532 |
| Loans and other receivables | 13,133,838 | 12,759,508 |
| Equity method investments | 110,754 | 131,856 |
| Property and equipment | 29,110 | 28,146 |
| Other assets | 132,199 | 69,141 |
| Total assets | 15,283,235 | 15,389,558 |
| Liabilities: | | |
| Derivative financial instrument liabilities | 284,420 | 178,255 |
| Borrowings | 6,651,321 | 6,786,499 |
| Bonds payable | 5,030,000 | 4,999,024 |
| Financial guarantee contracts | 63,962 | 98,965 |
| Other liabilities | 233,935 | 359,643 |
| Total liabilities | 12,263,640 | 12,422,389 |
| Equity: | | |
| Capital stock | 1,963,800 | 1,883,800 |
| Retained earnings | 1,047,301 | 1,073,661 |
| Other reserves | 8,174 | 9,436 |
| Non-controlling interests | 318 | 271 |
| Total equity | 3,019,594 | 2,967,168 |
| Total liabilities and equity | 15,283,235 | 15,389,558 |

Consolidated Income Statements

(Millions of yen)

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Interest income | 225,860 | 422,286 |
| Interest expense | 151,904 | 246,447 |
| Net interest income | 73,956 | 175,838 |
| Fee and commission income | 18,462 | 16,898 |
| Fee and commission expense | 3,040 | 3,253 |
| Net income (expense) from derivative financial instruments | (76,871) | 63,870 |
| Net gain (loss) from financial assets at fair value through profit or loss | (4,121) | 16,934 |
| Other income | 9,301 | 279 |
| Net non-interest income (expense) | (56,268) | 94,728 |
| Total operating income*1 | 17,688 | 270,566 |
| Impairment losses (reversals) on financial assets | (32,652) | 92,372 |
| Net operating income*2 | 50,340 | 178,194 |
| Operating expenses | 20,285 | 21,284 |
| Other expenses | 774 | 2,833 |
| Total operating expenses | 21,060 | 24,117 |
| Profits (losses) of equity method investments | 2,653 | (1,736) |
| Profit before income tax | 31,933 | 152,340 |
| Income tax expense | 45 | 25 |
| Net profit | 31,888 | 152,314 |
| Attributable to: | | |
| Shareholder of JBIC | 31,841 | 152,278 |
| Non-controlling interests | 46 | 35 |

*1 Aggregate of "Net interest income" and "Net non-interest income (expense)"

*2 "Total operating income" less "Impairment losses on financial assets"

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Net profit | 31,888 | 152,314 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurement of defined benefit plans: | | |
| Remeasurement arising during the year | 254 | (70) |
| Total of items that will not be reclassified to profit or loss | 254 | (70) |
| Items that may be reclassified to profit or loss: | | |
| Deferred gains (losses) on hedges: | | |
| Reclassification adjustments | (1) | (72) |
| Exchange differences on translation of foreign operations: | | |
| Net gains (losses) arising during the year | 2,103 | (4,121) |
| Reclassification adjustments | (3,363) | (2,705) |
| Total of items that may be reclassified to profit or loss | (1,261) | (6,899) |
| Other comprehensive income (loss) | (1,006) | (6,970) |
| Total comprehensive income | 30,881 | 145,344 |
| Attributable to: | | |
| Shareholder of JBIC | 30,834 | 145,308 |
| Non-controlling interests | 46 | 35 |

Consolidated Statements of Changes in Equity

(Millions of yen)

| | Attributable to shareholder of JBIC | | | | | | Sub Total |
|-----------------------------------|-------------------------------------|-------------------|--|-----------------------------------|---|-----------------------|------------------|
| | Capital stock | Retained earnings | Other reserves | | | Other reserves, Total | |
| | | | Remeasurement of defined benefit plans | Deferred gains (losses) on hedges | Exchange differences on translation of foreign operations | | |
| April 1, 2019 | 1,785,300 | 947,978 | — | 73 | 16,261 | 16,335 | 2,749,614 |
| Net profit | — | 152,278 | — | — | — | — | 152,278 |
| Other comprehensive income (loss) | — | — | (70) | (72) | (6,827) | (6,970) | (6,970) |
| Total comprehensive income (loss) | — | 152,278 | (70) | (72) | (6,827) | (6,970) | 145,308 |
| Issuance of new shares | 98,500 | — | — | — | — | — | 98,500 |
| Payment to the National Treasury | — | (26,525) | — | — | — | — | (26,525) |
| Other | — | (70) | 70 | — | — | 70 | — |
| March 31, 2020 | 1,883,800 | 1,073,661 | — | 1 | 9,434 | 9,436 | 2,966,897 |
| Net profit | — | 31,841 | — | — | — | — | 31,841 |
| Other comprehensive income (loss) | — | — | 254 | (1) | (1,260) | (1,006) | (1,006) |
| Total comprehensive income (loss) | — | 31,841 | 254 | (1) | (1,260) | (1,006) | 30,834 |
| Issuance of new shares | 80,000 | — | — | — | — | — | 80,000 |
| Payment to the National Treasury | — | (58,455) | — | — | — | — | (58,455) |
| Other | — | 254 | (254) | — | — | (254) | — |
| March 31, 2021 | 1,963,800 | 1,047,301 | — | — | 8,174 | 8,174 | 3,019,276 |

(Millions of yen)

| | Non-controlling interests | Total equity |
|-----------------------------------|---------------------------|------------------|
| April 1, 2019 | 235 | 2,749,850 |
| Net profit | 35 | 152,314 |
| Other comprehensive income (loss) | — | (6,970) |
| Total comprehensive income (loss) | 35 | 145,344 |
| Issuance of new shares | — | 98,500 |
| Payment to the National Treasury | — | (26,525) |
| Other | — | — |
| March 31, 2020 | 271 | 2,967,168 |
| Net profit | 46 | 31,888 |
| Other comprehensive income (loss) | — | (1,006) |
| Total comprehensive income (loss) | 46 | 30,881 |
| Issuance of new shares | — | 80,000 |
| Payment to the National Treasury | — | (58,455) |
| Other | — | — |
| March 31, 2021 | 318 | 3,019,594 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Profit before income tax | 31,933 | 152,340 |
| Depreciation and amortization | 2,550 | 3,051 |
| Increase (decrease) in liability for retirement benefits | (441) | (344) |
| Net loss (gain) from financial assets at fair value through profit or loss | 4,121 | (16,934) |
| Losses (profits) from equity method investments | (2,653) | 1,736 |
| Net decrease (increase) in loans and other receivables | (374,330) | 538,638 |
| Net increase (decrease) in borrowings | (135,177) | (788,214) |
| Net decrease (increase) in deposits (excluding demand deposits) | — | 184,287 |
| Net change in derivative financial instrument assets and liabilities | 268,922 | (340,792) |
| Net increase (decrease) in financial guarantee contracts | (35,003) | 23,619 |
| Net increase (decrease) in bonds payable | 30,975 | 392,142 |
| Other | (207,958) | 313,764 |
| Net cash provided by (used in) operating activities | (417,062) | 463,294 |
| Cash flows from investing activities | | |
| Purchase of financial assets at fair value through profit or loss | (9,274) | (28,702) |
| Sale of financial assets at fair value through profit or loss | 30,535 | 4,840 |
| Proceeds from sales or redemptions of securities | 30,000 | 23,500 |
| Purchase of equity method investments | (2,842) | (3,607) |
| Proceeds from return of equity method investments | 28,073 | 13,009 |
| Other | (2,045) | (1,404) |
| Net cash provided by (used in) investing activities | 74,447 | 7,635 |
| Cash flows from financing activities | | |
| Proceeds from issuance of new shares | 80,000 | 98,500 |
| Payment to the National Treasury | (58,455) | (26,525) |
| Other | (435) | (197) |
| Net cash provided by (used in) financing activities | 21,108 | 71,777 |
| Exchange difference on cash and cash equivalents | 10,586 | (5,044) |
| Net increase (decrease) in cash and cash equivalents | (310,919) | 537,662 |
| Cash and cash equivalents at the beginning of the year | 1,544,838 | 1,007,176 |
| Cash and cash equivalents at the end of the year | 1,233,919 | 1,544,838 |
| Net cash provided by (used in) operating activities includes the following: | | |
| Interest received | 245,193 | 442,505 |
| Interest paid | (165,832) | (253,823) |

2. Reconciliation between Japanese GAAP and IFRS

Reconciliation of assets, liabilities, and equity of the JBIC Group as of March 31, 2021 and 2020, and reconciliation of net profit of the JBIC Group for the fiscal years ended March 31, 2021 and 2020, between accounting principles

generally accepted in Japan ("Japanese GAAP") and IFRS as issued by the IASB.*

* JBIC has adopted Japanese GAAP for reporting purposes. Audited consolidated financial statements of the JBIC Group for the fiscal years ended March 31, 2021 and 2020 prepared in accordance with IFRS are disclosed for reference purposes in order to improve comparability with international issuers.

Reconciliation of assets, liabilities, and equity as of March 31, 2021

(Millions of yen)

| Japanese GAAP | | Reclassifications | Adjustments | IFRS | | Notes |
|---|-------------------|-------------------|--------------------|-------------------|---|-------|
| Assets | | | | | Assets | |
| Cash and due from banks | 1,233,919 | — | — | 1,233,919 | Cash and due from banks | |
| | — | 258,194 | (15) | 258,179 | Derivative financial instrument assets | A |
| | — | 353,103 | 1,529 | 354,632 | Financial assets at fair value through profit or loss | B,C |
| Securities | 272,359 | (251,114) | 9,355 | 30,599 | Securities | B,C |
| Loans and bills discounted | 13,556,815 | (493,401) | 70,425 | 13,133,838 | Loans and other receivables | B,D |
| | — | 100,042 | 10,711 | 110,754 | Equity method investments | C,E |
| Property, plant and equipment | 29,110 | — | — | 29,110 | Property and equipment | |
| Intangible assets | 4,210 | (4,210) | — | — | | |
| Other assets | 281,625 | (151,153) | 1,727 | 132,199 | Other assets | A,D,F |
| Customers' liabilities for acceptances and guarantees | 1,835,123 | — | (1,835,123) | — | | H |
| Allowance for loan losses | (339,841) | 339,841 | — | — | | D |
| Total assets | 16,873,323 | 151,301 | (1,741,389) | 15,283,235 | Total assets | |
| Liabilities | | | | | Liabilities | |
| | — | 284,445 | (25) | 284,420 | Derivative financial instrument liabilities | A |
| Borrowed money | 6,651,321 | — | — | 6,651,321 | Borrowings | |
| Bonds payable | 4,964,965 | — | 65,034 | 5,030,000 | Bonds payable | G |
| | — | — | 63,962 | 63,962 | Financial guarantee contracts | H |
| Net defined benefit liability | 6,338 | (6,338) | — | — | | I |
| Provision for directors' retirement benefits | 47 | (47) | — | — | | |
| Other liabilities | 374,034 | (126,163) | (13,935) | 233,935 | Other liabilities | A,F,I |
| Provision for bonuses | 585 | (585) | — | — | | |
| Provision for directors' bonuses | 10 | (10) | — | — | | |
| Acceptances and guarantees | 1,835,123 | — | (1,835,123) | — | | H |
| Total liabilities | 13,832,426 | 151,301 | (1,720,087) | 12,263,640 | Total liabilities | |
| Net assets | | | | | Equity | |
| Capital stock | 1,963,800 | — | — | 1,963,800 | Capital stock | |
| Retained earnings | 981,523 | — | 65,778 | 1,047,301 | Retained earnings | |
| | — | 95,254 | (87,080) | 8,174 | Other reserves | E,I |
| Valuation difference on available-for-sale securities | 2,088 | (2,088) | — | — | | C |
| Deferred gains or losses on hedges | 95,238 | (95,238) | — | — | | A |
| Foreign currency translation adjustment | (2,072) | 2,072 | — | — | | E |
| Non-controlling interests | 318 | — | — | 318 | Non-controlling interests | |
| Total net assets | 3,040,896 | — | (21,301) | 3,019,594 | Total equity | |
| Total liabilities and net assets | 16,873,323 | 151,301 | (1,741,389) | 15,283,235 | Total liabilities and equity | |

Reconciliation of assets, liabilities, and equity as of March 31, 2020

(Millions of yen)

| Japanese GAAP | | Reclassifications | Adjustments | IFRS | | Notes |
|---|-------------------|-------------------|--------------------|-------------------|---|-------|
| Assets | | | | | Assets | |
| Cash and due from banks | 1,544,838 | — | — | 1,544,838 | Cash and due from banks | |
| | — | 422,027 | (1,090) | 420,937 | Derivative financial instrument assets | A |
| | — | 377,938 | (3,342) | 374,596 | Financial assets at fair value through profit or loss | B,C |
| Securities | 358,748 | (309,033) | 10,817 | 60,532 | Securities | B,C |
| Loans and bills discounted | 13,133,980 | (395,893) | 21,422 | 12,759,508 | Loans and other receivables | B,D |
| | — | 120,494 | 11,361 | 131,856 | Equity method investments | C,E |
| Property, plant and equipment | 28,146 | — | — | 28,146 | Property and equipment | |
| Intangible assets | 5,227 | (5,227) | — | — | | |
| Other assets | 434,040 | (367,775) | 2,875 | 69,141 | Other assets | A,D,F |
| Customers' liabilities for acceptances and guarantees | 2,118,383 | — | (2,118,383) | — | | H |
| Allowance for loan losses | (285,855) | 285,855 | — | — | | D |
| Total assets | 17,337,510 | 128,387 | (2,076,339) | 15,389,558 | Total assets | |
| Liabilities | | | | | Liabilities | |
| | — | 178,252 | 3 | 178,255 | Derivative financial instrument liabilities | A |
| Borrowed money | 6,786,499 | — | — | 6,786,499 | Borrowings | |
| Bonds payable | 4,886,646 | — | 112,377 | 4,999,024 | Bonds payable | G |
| | — | — | 98,965 | 98,965 | Financial guarantee contracts | H |
| Net defined benefit liability | 6,715 | (6,715) | — | — | | I |
| Provision for directors' retirement benefits | 44 | (44) | — | — | | |
| Other liabilities | 424,572 | (42,507) | (22,421) | 359,643 | Other liabilities | A,F,I |
| Provision for bonuses | 586 | (586) | — | — | | |
| Provision for directors' bonuses | 10 | (10) | — | — | | |
| Acceptances and guarantees | 2,118,383 | — | (2,118,383) | — | | H |
| Total liabilities | 14,223,458 | 128,387 | (1,929,456) | 12,422,389 | Total liabilities | |
| Net assets | | | | | Equity | |
| Capital stock | 1,883,800 | — | — | 1,883,800 | Capital stock | |
| Retained earnings | 995,688 | — | 77,972 | 1,073,661 | Retained earnings | |
| | — | 234,291 | (224,855) | 9,436 | Other reserves | E,I |
| Valuation difference on available-for-sale securities | (3,486) | 3,486 | — | — | | C |
| Deferred gains or losses on hedges | 231,303 | (231,303) | — | — | | A |
| Foreign currency translation adjustment | 6,475 | (6,475) | — | — | | E |
| Non-controlling interests | 271 | — | — | 271 | Non-controlling interests | |
| Total net assets | 3,114,051 | — | (146,882) | 2,967,168 | Total equity | |
| Total liabilities and net assets | 17,337,510 | 128,387 | (2,076,339) | 15,389,558 | Total liabilities and equity | |

Reconciliation of net profit for the year ended March 31, 2021

(Millions of yen)

| Japanese GAAP | | Reclassifications | Adjustments | IFRS | | Notes |
|--|---------------|-------------------|-----------------|---------------|---|-------|
| Interest income | 234,073 | (22,363) | 14,150 | 225,860 | Interest income | B,D |
| Interest expense | 150,276 | — | 1,627 | 151,904 | Interest expense | G |
| | | | | 73,956 | Net interest income | |
| Fees and commissions | 26,708 | (350) | (7,894) | 18,462 | Fee and commission income | B |
| Fees and commissions payments | 3,040 | — | — | 3,040 | Fee and commission expense | |
| | — | (11,982) | 88,853 | 76,871 | Net expense from derivative financial instruments | A |
| Gain on investments in partnerships*1 | 9,825 | (9,825) | — | — | | B |
| | — | (12,087) | 16,208 | 4,121 | Net loss from financial assets at fair value through profit or loss | B |
| Other ordinary income | 8,733 | (8,733) | — | — | | |
| Other income*1 | 5,024 | (5,024) | — | — | | B |
| Extraordinary income | 10 | (10) | — | — | | |
| | — | 8,910 | 390 | 9,301 | Other income | |
| | | | | 56,268 | Net non-interest expense | |
| | | | | 17,688 | Total operating income | |
| Recoveries of written-off claims*1 | 2 | (2) | — | — | | D |
| Provision of allowance for loan losses*2 | 53,986 | (53,986) | — | — | | |
| | — | (53,986) | 86,638 | 32,652 | Impairment reversals on financial assets | D |
| | | | | 50,340 | Net operating income | |
| Other ordinary expenses | 5,991 | (5,991) | — | — | | |
| General and administrative expenses | 20,129 | — | 156 | 20,285 | Operating expenses | I |
| Other expenses*2 | 6,946 | (6,946) | — | — | | B |
| | — | 1,887 | (1,112) | 774 | Other expenses | |
| | | | | 21,060 | Total operating expenses | |
| Profits of equity method investments*1 | 375 | 2,278 | — | 2,653 | Profits of equity method investments | E |
| | | | | 31,933 | Profit before income tax | |
| Income tax expense | 45 | — | — | 45 | Income tax expense | |
| Net income | 44,337 | — | (12,449) | 31,888 | Net profit | |

*1 These accounts are included in "Other income" under Japanese GAAP.

*2 These accounts are included in "Other expenses" under Japanese GAAP.

Reconciliation of net profit for the year ended March 31, 2020

(Millions of yen)

| Japanese GAAP | | Reclassifications | Adjustments | IFRS | | Notes |
|---|----------------|-------------------|---------------|----------------|---|-------|
| Interest income | 417,832 | (6,543) | 10,997 | 422,286 | Interest income | B,D |
| Interest expense | 329,800 | (84,686) | 1,334 | 246,447 | Interest expense | G |
| | | | | 175,838 | Net interest income | |
| Fees and commissions | 25,595 | (471) | (8,225) | 16,898 | Fee and commission income | B |
| Fees and commissions payments | 3,253 | — | — | 3,253 | Fee and commission expense | |
| | — | (85,500) | 149,370 | 63,870 | Net income from derivative financial instruments | A |
| Gain on investments in partnerships*1 | 4,411 | (4,411) | — | — | | B |
| | — | 8,243 | 8,690 | 16,934 | Net gain from financial assets at fair value through profit or loss | B |
| Other income*1 | 1,493 | (1,493) | — | — | | B |
| Extraordinary income | 16 | (16) | — | — | | |
| | — | 3,601 | (3,322) | 279 | Other income | |
| | | | | 94,728 | Net non-interest income | |
| | | | | 270,566 | Total operating income | |
| Reveasal of allowance for loan losses*1 | 7,215 | (7,215) | — | — | | D |
| Recoveries of written-off claims*1 | 29,308 | (29,308) | — | — | | |
| | — | (33,625) | 125,997 | 92,372 | Impairment losses on financial assets | D |
| | | | | 178,194 | Net operating income | |
| Other ordinary expenses | 8,924 | (8,924) | — | — | | |
| General and administrative expenses | 21,365 | — | (80) | 21,284 | Operating expenses | I |
| Other expenses*2 | 2,899 | (2,899) | — | — | | B |
| | — | 8,112 | (5,278) | 2,833 | Other expenses | |
| | | | | 24,117 | Total operating expenses | |
| Losses of equity method investments*2 | 2,828 | (1,091) | — | 1,736 | Losses of equity method investments | E |
| | | | | 152,340 | Profit before income tax | |
| Income tax expense | 25 | — | — | 25 | Income tax expense | |
| Net income | 116,775 | — | 35,538 | 152,314 | Net profit | |

*1 These accounts are included in "Other income" under Japanese GAAP.

*2 These accounts are included in "Other expenses" under Japanese GAAP.

Notes to the reconciliation of assets, liabilities, and equity as of March 31, 2021 and 2020, and the reconciliation of net profit for the fiscal years ended March 31, 2021 and 2020

A. Derivative financial instrument assets and liabilities

i. Hedge accounting

The JBIC Group uses derivative financial instruments in order to hedge interest rate risk and foreign exchange risk. The JBIC Group has been applying hedge accounting under Japanese GAAP, which mostly follows macro hedge accounting, for 99.9% or more of its derivative transactions on a fair value basis, in order to eliminate accounting mismatches in its consolidated financial statements.

From the adoption of IFRS in 2012 to March 31, 2018, the JBIC Group had not applied hedge accounting under IAS 39 and did not present the effect of its risk management activities involving derivative financial instruments in its consolidated financial statements. Since the adoption of IFRS 9, the JBIC Group has applied hedge accounting mainly to fair value hedges of interest rate risk for bonds payable issued on or after April 1, 2018.

Refer to Notes 3.G and 8 to the consolidated financial statements for details on hedge accounting under IFRS. In addition, refer to Note 26 to the consolidated financial statements for "Net gain (loss) on valuation of derivative financial instruments," which does not reflect profit or loss deferred by hedge accounting under Japanese GAAP, and adjustments to the carrying amounts of hedged items under fair value hedge accounting.

ii. Offsetting derivative financial instrument assets and liabilities

Derivative financial instrument assets and liabilities that meet the offset requirements under Japanese GAAP are presented on a net basis by counterparty and included in "Other assets" or "Other liabilities." Derivative financial instrument assets and liabilities that do not meet the offset requirements under IFRS are presented on a gross basis as "Derivative financial instrument assets" and "Derivative financial instrument liabilities."

iii. Credit risk adjustments

Under IFRS, the JBIC Group determines fair values of derivative financial instrument assets and liabilities in consideration of counterparties or its own credit risks calculated from observable market data.

B. Financial assets at fair value through profit or loss

Under IFRS, if contractual cash flows of financial assets are not solely payments of principal and interest, the JBIC Group measures such financial assets at fair value through profit or loss. If contractual cash flows of financial assets are solely payments of principal and interest, and financial assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows, financial assets are measured at amortized cost. Whereas, Japanese GAAP sets out the approach to measure financial assets according to their legal form and the entity's intention to hold the financial assets.

Stocks, investments in partnerships and certain loans excluding investments held by the JBIC Group and accounted for using the equity method are measured at fair value and presented as "Financial assets at fair value through profit or loss" under IFRS, whereas they are measured at either cost or fair value according to their legal form and holding intention and presented as "Securities" or "Loans and bills discounted" under Japanese GAAP. Under Japanese GAAP, if the net asset value of shares has declined significantly due to a deterioration in the financial position of an issuer, the carrying amount is written down and such valuation difference is recognized as impairment loss for the current period.

Under IFRS, the JBIC Group presents gains and losses arising from such assets as "Net gain (loss) from financial assets at fair value through profit or loss." Under Japanese GAAP, the JBIC Group presents interest income and dividend income as "Interest income," upfront and commitment fees as "Fee and commissions," and realized gains and losses arising from changes in fair value and sales of such assets as "Other income" (when it is a gain) or "Other expenses" (when it is a loss).

C. Securities

The JBIC Group presents investments in associates and joint ventures as "Securities" under Japanese GAAP and "Equity method investments" under IFRS. For the differences in the measurement method between the accounting standards, see "E. Equity method investments."

Stocks and investments in partnerships other than investments in associates and joint ventures are presented as "Securities" under Japanese GAAP and "Financial assets at fair value through profit or loss" under IFRS. For the differences in the measurement method between the accounting standards, see "B. Financial assets at fair value through profit or loss."

Debt securities included in "Securities" under Japanese GAAP are also presented as "Securities" under IFRS. For the measurement method, debt securities are measured at fair value and valuation gains and losses are recognized as "Valuation difference on available-for-sale securities" under Japanese GAAP, whereas these debt securities are measured at amortized cost under IFRS.

Under IFRS, impairment losses are recognized for securities measured at amortized cost under the expected credit loss model. Impairment losses are estimated at the amount of the expected credit losses expected to occur within the next 12-months from the reporting date or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition of the financial assets. Such impairment losses measured are deducted from securities using an allowance account.

D. Loans and other receivables

"Loans and other receivables" under IFRS include accrued interest income on loans in "Other assets" under Japanese GAAP, and also financial assets associated with financial guarantee contracts described in "H. Financial guarantee contracts," but do not include loans and other receivables measured at fair value through profit or loss.

Under IFRS, the JBIC Group measures loans and other receivables initially at fair value plus transaction costs directly attributable to loan origination, and subsequently at amortized cost using the effective interest method. The JBIC Group amortizes loan origination fees, which are considered integral to the origination using the effective interest method.

Under Japanese GAAP, the JBIC Group recognizes a general allowance as well as a specific allowance for loan losses.

In accordance with the expected credit loss model under IFRS, the JBIC Group recognizes impairment losses, and the carrying amount of loans and other receivables is reduced by the amount of impairment losses measured through the allowance for loan losses. See "C. Securities" for the method for recognizing expected credit losses.

E. Equity method investments

The JBIC Group's investments in associates and joint ventures are comprised mainly of investments in partnerships. Under Japanese GAAP, the JBIC Group applies the equity method to certain investments in partnerships. Under IFRS, the JBIC Group adopts the equity method for all of its investments in partnerships that are determined as investments in associates and joint ventures, except for investments held through a subsidiary of JBIC for which the exemption in IAS 28 to measure such entities at fair value is applied. Gains or losses on investments in partnerships to which the equity method is not applied under Japanese GAAP but applied under IFRS are recognized as "Profits (losses) of equity method investments" under IFRS.

The JBIC Group presents exchange differences on translation of foreign operations from applying the equity method as "Other reserves" under IFRS, whereas they are presented as "Foreign currency translation adjustment" under Japanese GAAP.

F. Leases

Lease transactions entered into by the JBIC Group as a lessee primarily consist of rental offices. Under Japanese GAAP, lease transactions are classified as either finance leases or operating leases based on the risk and economic value approach. The significant lease transactions entered into by the JBIC Group are classified as operating leases and are expensed when lease payments occur. Under IFRS, on the other hand, right-of-use assets and lease liabilities are recognized in "Other assets" and "Other liabilities," respectively, in the consolidated statement of financial position at the commencement date of the lease. Those assets and liabilities are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, and amortized cost using the effective interest method, respectively.

The JBIC Group does not enter into lease transactions as a lessor.

G. Bonds payable

Under Japanese GAAP, the JBIC Group expenses bond issuance costs as incurred.

Under IFRS, the JBIC Group measures bonds payable initially at fair value less transaction costs directly attributable to bond issuance, such as fees paid to underwriters and discounts at issuance, and subsequently at amortized cost using the effective interest method. For bonds payable to which hedge accounting is applied in accordance with IFRS 9, their carrying amount is adjusted to reflect changes in fair value arising from the underlying hedged risks.

H. Financial guarantee contracts

Under Japanese GAAP, the JBIC Group records the same contractual amounts of financial guarantee obligations in both "Customers' liabilities for acceptances and guarantees" as assets and in "Acceptances and guarantees" as liabilities.

Under IFRS, the JBIC Group initially measures financial liabilities associated with financial guarantee contracts at fair value as well as financial assets associated with financial guarantee contracts. They are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance with IFRS 9 and (b) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

I. Liability for retirement benefits

Under Japanese GAAP, the JBIC Group expenses actuarial gains or losses on defined benefit plans in profit or loss as incurred.

Under IFRS, the JBIC Group recognizes remeasurement of defined benefit plans directly in "Other reserves" as incurred and reclassifies immediately to retained earnings. The JBIC Group remeasures retirement benefit obligations based on IFRS, and charges for differences caused by the period allocation method of retirement benefit obligations, etc. as "Operating expenses." The JBIC Group includes a liability for retirement benefits in "Other liabilities."

J. Difference between the reporting date of consolidated financial statements and of subsidiaries

Under Japanese GAAP, if the difference between the reporting date of consolidated financial statements and of the subsidiary does not exceed three months, only material inter-company transactions made during that period need to be reflected in the financial statements of the subsidiary. Accordingly, the JBIC Group adjusts only material inter-company transactions in the consolidated financial statements under Japanese GAAP.

On the other hand, IFRS requires that financial statements of consolidated subsidiaries be prepared on the reporting date of the parent company, except when it is impracticable. For this reason, the JBIC Group prepares the financial statements of the subsidiaries whose reporting dates are different from JBIC to conform to the reporting date of JBIC.