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1. Energy and Natural Resources Finance Group

● Message from the Global Head of the Group



Since Japan's postwar reconstruction and high-growth periods, the Energy and Natural Resources Finance Group has been responsible for providing financing for promoting the overseas development and securement of resources which are important for Japan, including energy resources such as oil and natural gas, as well as mineral resources while maintaining and improving the international competitiveness of the steel, non-ferrous metals, and paper industries that turn these resources into materials. As movements for realizing a decarbonized society gain momentum, the Energy and Natural Resources Finance Group is anticipating the post-pandemic era, and together with existing measures for securing resources, is placing greater focus on supporting the identification and formation of projects in three fields based on the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 of the government of Japan and the Fourth Medium-term Business Plan (FY2021–FY2023) of JBIC. Specifically, these three fields are; (1) securing new energy sources such as hydrogen and fuel ammonia and building a supply chain for such resources, (2) supporting energy transitions in emerging countries, and (3) rebuilding the supply chain for critical minerals and enhancing its resilience. Through above measures, JBIC will contribute toward energy transitions and the realization of a decarbonized society by providing long-term funding supplementing private-sector funds and further enhancing risk taking.

INABA Yutaka

Managing Executive Officer
Global Head of Energy and Natural Resources Finance Group

Business Environment and Key Challenges

With the Paris Agreement requiring all participating countries to submit greenhouse gas reduction targets, in October 2020, the government of Japan announced its targets for attaining carbon neutrality in 2050 and in December 2020, it formulated its Green Growth Strategy Through Achieving Carbon Neutrality in 2050 (revised in June 2021). Within this strategy, hydrogen and fuel ammonia will be given particular attention among the 14 fields expected to grow toward the realization of carbon neutrality in 2050, the target set by Japan's Prime Minister (at that time) SUGA Yoshihide, and efforts to build an international supply chain encompassing cooperation with resource-rich countries will be strengthened. As governments in North America and Europe are giving support for building hydrogen supply chains, there is a rising need for actively supporting the international initiatives of Japanese companies in these fields.

On the other hand, in emerging markets such as in Asia, where energy demand is expected to grow, realistic energy transitions toward carbon neutrality are essential based on the particular circumstances of each country. In June 2021, the government of Japan proposed the Asia Energy Transition Initiative (AETI) as a comprehensive support initiative for energy transition in Asia. Japan will support each country in formulating a roadmap for carbon

neutrality with expectations that JBIC will provide financing support for realizing this goal.

Securing stable supplies of critical minerals, which are indispensable for realizing a decarbonized society and developing next-generation industries, is also gaining more importance. Along with iron, the foundation of all industries, copper used in electric vehicles (EVs) and next-generation power grids and base metals such as aluminum that contributes toward weight reductions and the thermal efficiency improvements in vehicle and machinery components, there is growing demand for rare metals such as lithium, cobalt, and nickel used in EV batteries. Consequently, there is also a rising need to rebuild the supply chain for these critical minerals. Under these circumstances, to secure stable resources, along with the acquisition of interests in and long-term offtake of resources by Japanese companies, it is also increasingly important to actively provide support encompassing the development of peripheral infrastructure and operational support while also supporting projects with lower greenhouse gas emissions.

JBIC's Activities



Mozambique LNG Project (photo provided by Mitsui & Co., Ltd.)

In FY2020, JBIC performed the following activities for addressing global reconstruction and climate change problems in anticipation of the post-pandemic era and for securing a stable supply of energy and mineral resources from overseas.

Oil and Natural Gas

As part of efforts to ensure stable supplies of LNG, an energy source with little environmental impact, JBIC has concluded a loan agreement for project finance for the Mozambique LNG project (Rovuma Offshore Area 1 Block) in which Mitsui & Co., Ltd. is participating. Japanese electric power and gas companies are expected to offtake approximately 30% of the LNG produced by this project. This will represent Japan's first imports of LNG produced in Mozambique and as such this project will contribute toward securing stable long-term supplies of LNG and to

diversifying LNG supply sources for Japan. Also, under the LNG sales and purchase agreements for this project, flexible destination clauses have been introduced and a joint procurement framework has been adopted between Japanese and foreign off-takers, contributing to the formation of a highly fluid LNG market.

Mineral Resources

In its Strategic Energy Plan, the government of Japan has set the goal of ensuring stable supplies even in times of sharp price rises and tight supply-demand for base metals such as iron and copper.

Under these circumstances, JBIC signed a loan agreement with Brazilian company Vale S.A. (VALE) to provide the funds required for Japanese companies to secure stable high-quality iron ore imports from VALE. In recent years, securing a stable and long-term supply of high-grade iron ore has become an important challenge and therefore, this loan will help ensure the stable supply of this vital mineral resource and contribute toward strengthening Japan's relationship with VALE, which is an important partner in terms of the country's natural resource strategy.

In addition, JBIC signed a loan agreement with AM/NS Calvert LLC (Calvert), a U.S.-based company in which NIPPON STEEL CORPORATION (NIPPON STEEL) has an investment, to provide the funds required by Calvert to build a new electric arc furnace in the U.S. state of Alabama for its steel sheet manufacturing and sales business. This loan will enable NIPPON STEEL to secure stable supplies of high-grade steel sheets for use in automobiles and infrastructure in the U.S., and to obtain alternative manufacturing processes for steel products, in addition to the blast furnace process for its future global business expansion.



Panoramic view of AM/NS Calvert

Activities in Countries and Regions that are Highly Important on the Policy Front

JBIC contributes toward the further strengthening and development of economic relations with related countries to resolve global issues as well as provide financial support for high-quality infrastructure investment based on the needs of the host country and for promoting overseas business development by Japanese companies.

Palau

JBIC signed a loan agreement with the Belau Submarine Cable Corporation (BSCC) to provide the funds necessary for BSCC to purchase submarine cable-related equipment from NEC Corporation. JBIC provided the loan through its Special Operations Account¹. This is the first project under the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, which aims for the cooperation of Japan, the U.S., and Australia for projects in third countries within the Indo-Pacific region. In addition, this project will reinforce the communications infrastructure of Palau, an island state in the Indo-Pacific region, thereby contributing toward raising the stability of its international communications. The investment environment of Palau and its economic development are also expected to improve.



Signing ceremony with the participation of the Japanese, U.S., and Australian governments, related organizations, and the government of Palau

African Countries

JBIC maintains its supports for Africa under the JBIC Facility for African Investment and Trade Enhancement 3 (FAITH 3) announced at the seventh Tokyo International Conference on African Development (TICAD 7) held in August 2019. In addition to the previously mentioned loan for the Mozambique LNG project, JBIC set up a credit line with the government of Benin for the funds necessary for implementing environmental preservation projects in Benin under Global action for Reconciling Economic growth and Environmental preservation (GREEN) operations (see page 60 for details).



Signing ceremony with the government of Benin

Future Business Strategy

The resource sector is at a major turning point as it faces challenges such as structural changes in industry and society in anticipation of the post-pandemic era, smooth energy transitions to address climate change issues, and global supply chain restructuring. Furthermore, there is a growing need to deal with uncertainties such as tightening supply and demand for resources over the medium to long term and increased geopolitical risk. Capitalizing on its status as Japan's policy-based financial institution, JBIC will contribute toward securing the stable supply of natural resources to Japan by proactively supporting Japanese companies that plan to acquire interests in and develop resources overseas and will promote efforts toward these global agendas.

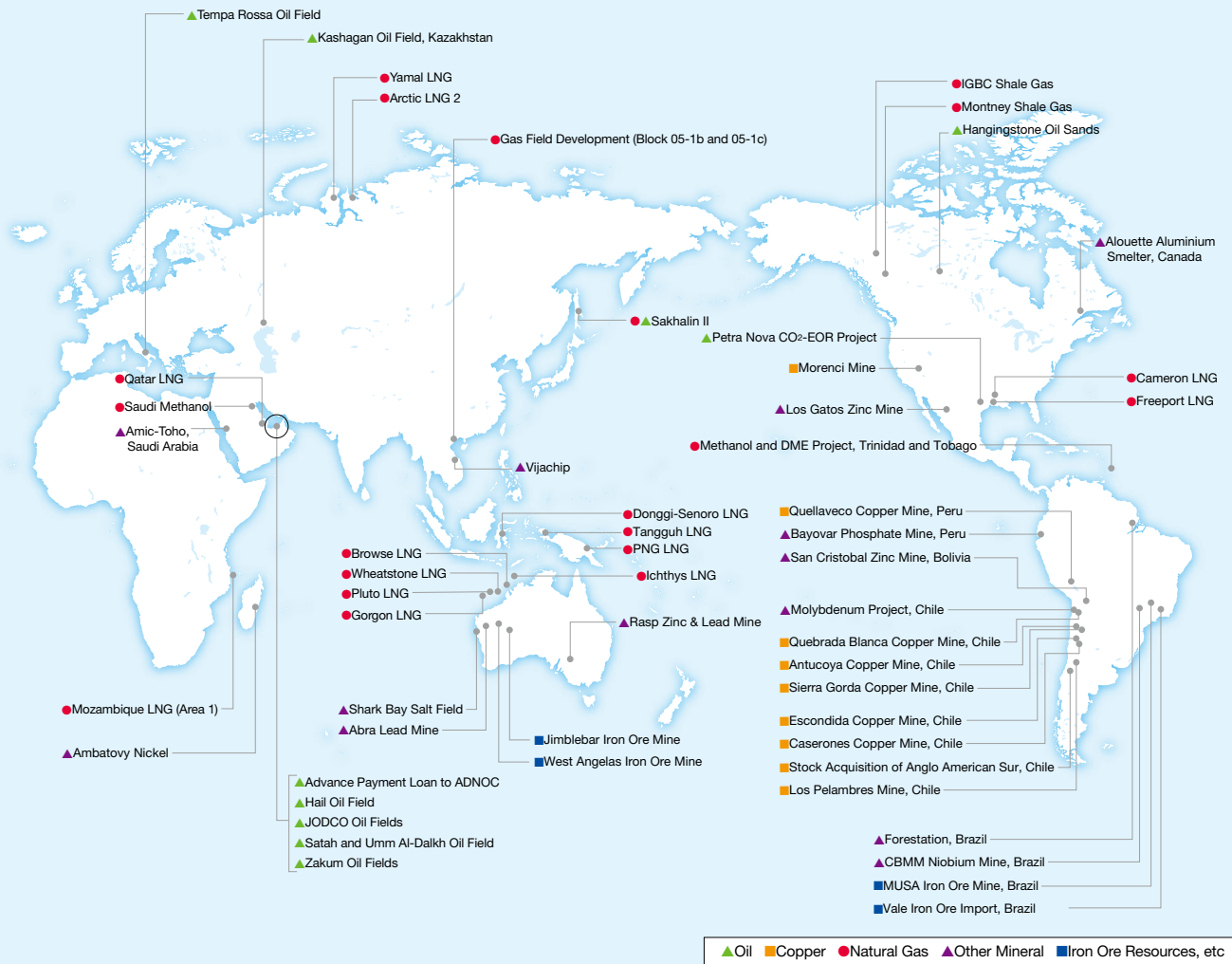
Addressing Global Issues

As a response to the energy transformation for the realization of a decarbonized society, JBIC will focus on green innovation initiatives, including fields such as fuel ammonia production and CCS/CCUS² to support the construction of a hydrogen value chain spanning manufacturing, transportation, and supply to utilization (green finance).

Moreover, to contribute toward the expansion of businesses that help reduce the environmental impact while actively participating in the sustainable energy transition by the host country, JBIC will support initiatives for the natural gas business (natural gas conversion, expansion of use, etc.) in emerging countries centered around Asia, and will also continuously support projects for reducing CO₂ emission in the steel and smelting industries (transition finance).

Also, based on initiatives under TICAD and achievements under FAITH 3, JBIC will actively support projects that contribute toward solving social issues for sustainable growth of host countries such as improving health and welfare, creating employment, and accessing basic infrastructure in emerging countries, including African nations (social impact finance).

**JBIC's Major Projects of Energy and Natural Resources
(Cumulative commitment amount for energy and natural resources projects over the last 10 years:
Approximately JPY 6.8 trillion)**



* Including projects that were approved for funding by JBIC more than 10 years ago.

As of March 31, 2021

Responses for Building an International Supply Chain for Critical Minerals

JBIC will strengthen its initiatives for promoting mineral resource projects such as for copper and nickel, which are essential for realizing a decarbonized society, as well as for supporting projects for strategic materials such as rare earths and rare metals that are indispensable for use in high-quality materials.

To realize carbon neutrality in 2050, highly innovative initiatives will be needed not only in the energy field, but also in industrial fields, especially in the materials industry. In its Green Growth Strategy, the government of Japan stated that it would muster all possible and necessary policies. From a medium to long-term perspective, JBIC will actively support efforts toward decarbonization in this field to play a part in these efforts.

1. This is JBIC's financing operations which reinforce its risk-taking mechanism in further supporting Japanese companies in participating in overseas infrastructure projects with higher-risk profiles.
2. CCS (Carbon dioxide Capture and Storage) is a technology for separating and recovering carbon dioxide, which is a greenhouse gas, and storing this deep in the ocean or in the ground. CCUS (Carbon dioxide Capture, Utilization and Storage) utilizes separated and stored carbon dioxide.

2. Infrastructure and Environment Finance Group

● Message from the Global Head of the Group



COVID-19 has not only affected people's everyday lives but has also spurred a dramatic transformation in the business environment. At the same time, amid efforts aimed at recovering from the pandemic, discussions on global decarbonization have advanced significantly, as typified by green recovery. As these major changes unfold, JBIC has also formulated a new Medium-term Business Plan and announced its management goals for the next three years. The Infrastructure and Environment Finance Group will focus especially on supporting projects that contribute toward solving global issues such as global decarbonization and enhancing the resilience of supply chains damaged by the spread of COVID-19. Regarding decarbonization, we believe an approach focused on engagement that encourages initiatives led by individual countries based on the circumstances of each country is crucial. JBIC will leverage the strong relationships and dialogue channels it has cultivated in each country to the present to support energy transitions and global decarbonization. Also, for infrastructure projects with high project costs and risks, JBIC will utilize its position as a policy-based financial institution to support the business of Japanese companies through multilateral collaboration and cooperation with international organizations.

UCHIDA Makoto

Managing Executive Officer
Global Head of Infrastructure and Environment Finance Group

Business Environment and Key Challenges

Based on the Fourth Medium-term Business Plan (FY2021–FY2023) formulated in June 2021, the Infrastructure and Environment Finance Group considers the following fields to be its key challenges. The Group will focus on projects that contribute toward addressing global issues such as realizing a decarbonized society and projects such as those for rebuilding and strengthening the resilience of supply chains that will support Japanese companies in the era of industrial and social transformation.

(1) Address global issues

Without even having to examine specific cases, the major trend toward decarbonization is advancing, as Japan's policy goal of attaining carbon neutrality was announced during a general policy speech in October 2020 by Prime Minister (at that time) SUGA Yoshihide. At the world level as well, there are ongoing noteworthy movements such as the commitment to achieve net zero by 2050 made by the G7 countries at the G7 Cornwall Summit in June 2021 in looking ahead to the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) and beyond.

There are a diverse assortment of measures and approaches for realizing this goal of decarbonization. The government of Japan has adopted a policy of deep engagement with the energy policies of developing countries, especially in Asia, to realize energy transitions

together with these nations. This is based on the belief that adopting realistic measures suited to actual environments and circumstances in each individual country is instead the best means of contributing toward realizing a decarbonized society. As Japan's policy-based financial institution, JBIC will utilize the strong relationships it has cultivated with countries worldwide and support the realization of projects that contribute toward solving social issues such as decarbonization and energy transitions through engagement promoted by the government of Japan as well as waste-to-energy projects and projects for distributed power supply.



Conceptual diagram of the Warsan waste-to-energy project in the Emirate of Dubai

(2) Support the strengthening of the international competitiveness of Japanese companies in the era of industrial and social transformation

Worldwide economic and mobility constraints caused by COVID-19 also exerted a tremendous impact on business, one of the most notable being disruptions to supply chains. As pointed out in the Infrastructure System Overseas Promotion Strategy 2025 (June 2021 Revised Edition), we believe that support for rebuilding and enhancing the resilience of supply chains of Japanese companies during the recovery phase of economic activities in the future will have important implications for the international competitiveness of Japanese companies in the new post-pandemic world.

Starting with a loan to support the enhancement of the resilience of supply chains of Japanese companies in India in FY2020 (a loan to the State Bank of India), JBIC moved to further support projects that contribute toward rebuilding and enhancing the resilience of supply chains of Japanese companies by establishing the Supply Chain Resilience Enhancement Window within the Post-COVID-19 Growth Facility commenced in January 2021. JBIC will utilize this window to actively support the strengthening of overseas supply chains of Japanese companies.



Signing ceremony of the first loan to the State Bank of India



Signing ceremony of the memorandum of understanding on cooperation with the U.S. International Development Finance Corporation

(3) Propel strategic initiatives to promote quality infrastructure projects overseas

The Free and Open Indo-Pacific (FOIP) advocated by the government of Japan in 2016 is rooted in the concept of ensuring peace and prosperity for the entire region, and by extension for the whole world, by realizing a free and open rules-based international order. For example, the development of “quality infrastructure” that can contribute toward improving connectivity among regions is also important from the perspective of FOIP.

These types of quality infrastructures inevitably involve a multitude of stakeholders and there is a tendency for both scale and risks to increase, which makes it difficult for Japan and JBIC to execute these projects alone.

Deeply aware of this problem, JBIC has traditionally emphasized collaboration with multilateral and international financial institutions. Specifically, JBIC has fortified collaboration with policy-based financial institutions in Japan, the U.S., and Australia and with public financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

While being mindful of the efforts of Japanese companies, JBIC will make proactive efforts leveraging its position as a policy-based financial institution to support the overseas expansion of quality infrastructure, including infrastructure in the health and medical fields, which were once again recognized as being crucial sectors during the COVID-19 pandemic.

JBIC's Activities

The main achievements of the Group in FY2020 are as follows.

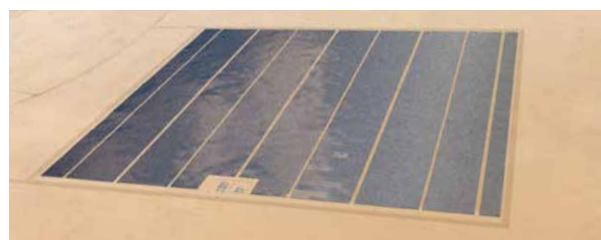
(1) Initiatives for low-carbonization and global environmental preservation

JBIC supported projects that contribute toward low carbonization and global environmental preservation in various countries worldwide. These included providing financing for Qatar's first large-scale solar PV project (Al Kharsaa Solar PV Plant project).

The government of Qatar is promoting the deployment of renewable energy as part of its National Vision 2030 and has set the goal of increasing the proportion of renewable energy in the country's total electricity generation to 20% by 2030. The Al Kharsaa Solar PV Plant project, where Marubeni Corporation, together with Qatar Petroleum,

Qatar Electricity & Water Company Q.P.S.C., and France-based TOTAL S.A., will build, own, and operate an 800MW solar PV plant, is aligned with the energy policy of the government of Qatar.

JBIC also set up credit lines for the Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de



A distant view of the Al Kharsaa Solar PV Plant project

Desarrollo and the Development and Investment Bank of Turkey, respectively, to support renewable energy projects, energy efficiency projects, and environment-related projects in Mexico and Turkey. As Japan's policy-based financial institution, JBIC is close to the energy and environmental policies of each country. Utilizing the financing tools of Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations, JBIC is financially contributing toward global environmental preservations.

(2) Initiatives for frontier markets

COVID-19 is having a worldwide impact, especially in the frontier markets of developing countries. Additionally, global-wide constraints on mobility and economic activities have also highlighted the need to rebuild and enhance the resilience of supply chains.

To address these issues, JBIC set up two credit lines for the State Bank of India in October 2020 and March 2021, respectively, to support businesses that contribute toward enhancing the resilience of supply chains of Japanese automobile manufacturers. India's automobile market is one of the world's largest, with Japanese automakers accounting for the majority share of the market, making this a key market for Japan. Through the financial support for the supply chain of Japanese automobile manufacturers affected by COVID-19, JBIC contributes toward maintaining and improving Japan's international competitiveness.



Signing ceremony of the second loan to the State Bank of India

Additionally, as an initiative for frontier markets, JBIC utilized its risk-assuming function as a policy-based financial institution, such as by providing financing for the Meghnaghat Natural Gas-fired Combined Cycle Power Plant project in Bangladesh, as it steadily provided financial support even during the COVID-19 pandemic.

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

In March 2021, JBIC provided project financing for the Warsan waste-to-energy project in the Emirate of Dubai, United Arab Emirates. For this project, ITOCHU Corporation, Hitachi Zosen Corporation, and other entities will build, own, and operate a plant (waste treatment capacity of 1.9 million tons/year; power output of 194MW) through a special purpose company. This project will enable

the processing of up to 45% of the Emirate of Dubai's present municipal waste generation. Currently, most of the Emirate of Dubai's waste is buried in landfills, and the plots for landfills are becoming scarce. The government of Dubai has set the goal of reducing the amount of waste being sent to landfills to zero by 2032 and is promoting an increase in clean energy, including waste-to-energy. The project is in line with the environment and energy policies of the government of Dubai.

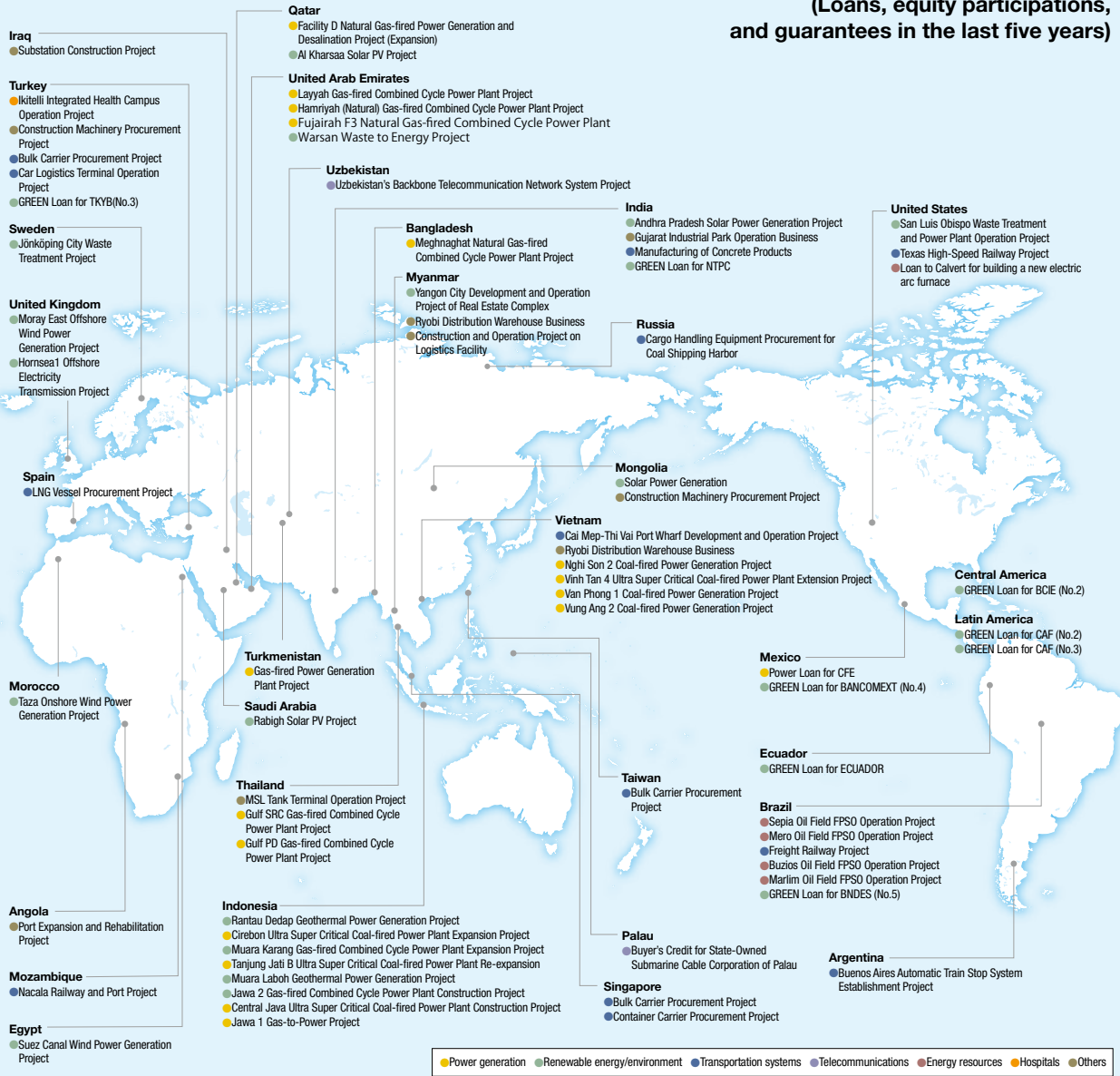
(4) Collaboration with other countries and institutions

JBIC is utilizing its strengths as a policy-based financial institution in working to reduce risks for seeking investments and realizing and accelerating infrastructure projects by building relationships with governments of other countries and collaborating with other institutions. In addition, with various discussions underway worldwide toward decarbonization and carbon neutrality, JBIC will utilize the relationships it has built to the present with each country and get close to the actual circumstances and policies of each country and value its efforts for engagement to pursue a correct path while engaging in dialogue.

Regarding cooperation with other countries, JBIC holds regular policy dialogues with Indonesia and other nations. For Vietnam, we cooperated with the Embassy of Japan in Vietnam, the local chamber of commerce, the U.S. International Development Finance Corporation (USDFC), and the Export Finance Australia to develop a Public Private Partnership (PPP) framework by adopting an approach emphasizing engagement in formulating the PPP bill being promoted by Vietnam. Also, for Bangladesh, where Japanese companies are actively considering setting up operations, JBIC signed a memorandum of understanding (MOU) with the Ministry of Power, Energy and Mineral Resources, with the aim of strengthening collaboration in the future. The MOU respects the idea of a "Free and Open Indo-Pacific" and is positioned as a shared understanding for promoting infrastructure development in line with the G20 Principles for Quality Infrastructure Investment. With regards to the U.S., where relationships are important not only with the federal government but also with the states, JBIC signed a MOU with the government of the State of California, which promotes active environmental policies. We have confirmed that we would further promote Japanese companies' businesses in California in a wide range of fields such as global environmental protection, clean mobility, and clean energy, including hydrogen, renewable energy, and electricity storage.

Regarding cooperation with other organizations, we are continuing to work on cooperation among the three countries of Japan, the U.S., and Australia, which are strengthening relations toward the realization of a "Free and Open Indo-Pacific" promoted by the government of Japan. In January 2021, a new MOU was signed with USDFC. In the MOU, in addition to the conventional sectors of cooperation, JBIC will also promote cooperation in projects in which Japanese and US companies participate together in sectors such as hydrogen, digital connectivity, information and communication technology, and supply chain resilience, which are positioned as strategically important fields by both the Japanese and

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



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

As of the end of March 2021

US governments. Also, on the occasion of the 5th Saudi-Japan Vision 2030 Ministerial Meeting, JBIC has signed an MOU on strategic partnership with Saudi Electricity Company, which holds an important position in the electric power sector of Saudi Arabia.



Signing ceremony of an MOU on strategic partnership with Saudi Electricity Company

3. Industry Finance Group

● Message from the Global Head of the Group



The Industry Finance Group is composed of four departments and branches, namely the Corporate Finance Department, Finance Office for SMEs, Marine and Aviation Finance Department, and Osaka Branch. The Industry Finance Group makes efforts to maintain and improve the international competitiveness of Japanese industry by capitalizing on its various financial instruments for responding to the strategies and needs of Japanese companies in expanding overseas.

The spread of COVID-19 and the accompanying constraints on mobility led to an unforeseen stagnation of the global economy and also significantly affected the international business of Japanese companies. In view of these circumstances, in FY2020 JBIC launched the Emergency Window for Overcoming the COVID-19 Crisis (COVID-19 Emergency Window) as it flexibly and agilely worked to support the overseas businesses of Japanese companies. In FY2021, JBIC will make all-out efforts to support Japanese companies affected by COVID-19. Additionally, in view of changes of the global environment and the needs of Japanese industry, the Industry Finance Group will support the strengthening of resilience and rebuilding of global supply chains of Japanese companies and overseas M&As of Japanese companies toward digital transformation, during the first fiscal year of the Fourth Medium-term Business Plan (FY2021–FY2023), while continuing to work to maintain and improve the international competitiveness of Japanese industry by multiple means including active risk taking.

ASO Kenichi
 Managing Executive Officer
 Global Head of Industry Finance Group

Business Environment and Key Challenges

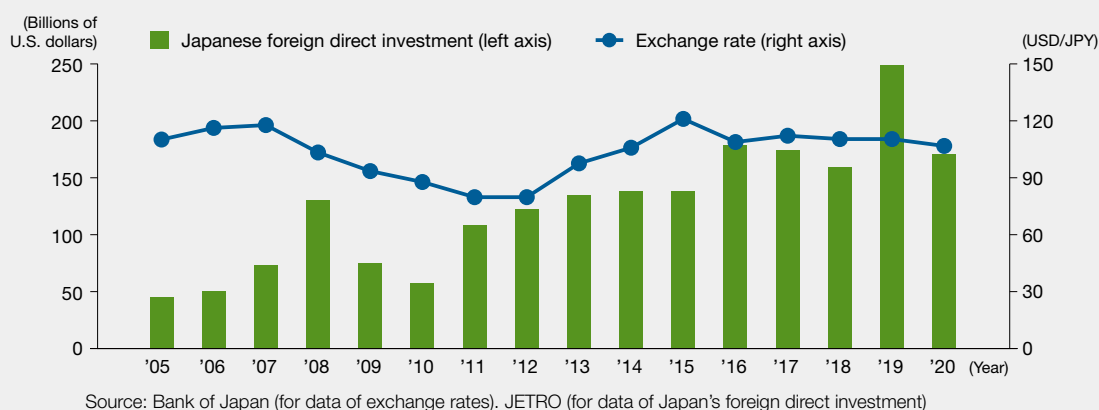
Impact of COVID-19 on Overseas Business Development

Since 2020, COVID-19 has continued to have a significant impact on economic activities in numerous countries and regions, including Japan.

According to the World Economic Outlook released

by the International Monetary Fund (IMF) in April 2021, real GDP growth for the global economy in 2020 contracted sharply, with 3.3% negative growth (4.8% negative growth for Japan). Meanwhile, the outlook for 2021 anticipates that growth will turn positive, with 6.0% real growth for the world economy (3.3% growth for Japan). Nonetheless,

Figure 1. Value of Japanese Foreign Direct Investment



this forecast is surrounded by a continuing high level of uncertainty that includes the future direction of COVID-19, the effectiveness of policy support toward normalizing economic activities along with increased vaccination rates, and trends in the financial environment.

Following a sharp slowdown sparked by the global financial crisis in 2008, foreign direct investment by Japanese companies returned to a level exceeding \$100 billion in 2011 and remained firm thereafter. In FY2019 foreign direct investment increased significantly to around \$250 billion due in part to large-scale M&As. In 2020, however, foreign direct investment failed to sustain the momentum seen in 2019 and was held to \$171.1 billion, as new capital investment was frozen or postponed due to the spread of COVID-19 (Figure 1). While uncertainties remain high as the impact of COVID-19 persists, attention will be focused on the extent to which foreign direct investment by Japanese companies recovers and expands in 2021.

Rebuilding and Enhancing the Resilience of Supply Chains and Creating New Business Opportunities Overseas

Alongside the spread of COVID-19, the chief factors significantly affecting the overseas business development of Japanese companies are rising geopolitical risks such as fraying US-China relations as well as rapid advances in digital transformation and open innovation that utilizes AI and IoT. In the automobile industry, large-scale changes in the industrial structure also encompassing fuels are accelerating. To adapt quickly to these trends, there are emerging moves such as rebuilding and enhancing the resilience of global supply chains and creating new business opportunities overseas.

As these developments unfold, Japanese companies are actively proceeding with capital investments overseas as they move toward consolidating and decentralizing manufacturing bases and readjusting production processes among manufacturing bases. At the same time, business development utilizing M&A is becoming increasingly active. In 2019, the number of overseas M&A deals by Japanese companies reached a record high 826 deals. In 2020, some M&A deals were postponed or frozen, and both the number and value of deals decreased

significantly from 2019 (Figure 2). In 2021, however, various movements can be seen and among these previously postponed or frozen M&A deals are starting to resume and deals are on a recovery track.

In order to put the Japanese economy back onto a growth trajectory amid structural issues such as a shrinking population and an aging society with a falling birthrate and to create a much more affluent society, it is indispensable to increase the productivity of the entire economy and strengthen earning power by making responses for rebuilding and enhancing the resilience of global supply chains and adapting to digital transformation, open innovation, and changes in the industrial structure.

Overseas Business Deployment of Mid-tier Enterprises and SMEs

Japanese mid-tier enterprises and SMEs are accelerating their move to seek business opportunities outside Japan by moving to directly cultivate demand in overseas markets and expand business opportunities in addition to responding to the needs of major Japanese manufacturers for local procurement of parts and equipment. As a result, diversification has been seen in the fields of business invested in by Japanese mid-tier enterprises and SMEs, their investment destinations, and funding needs.

JBIC annually surveys Japanese manufacturers regarding their medium-term prospects for overseas operations in its survey called “Survey Report on Overseas Business Operations by Japanese Manufacturing Companies.” In the FY2020 survey, 98.0% of mid-tier enterprises and SMEs which responded to the survey stated that they will “maintain present level” or “strengthen/expand” their overseas business operations. This suggests that their willingness to conduct overseas operations remains high (Figure 3).

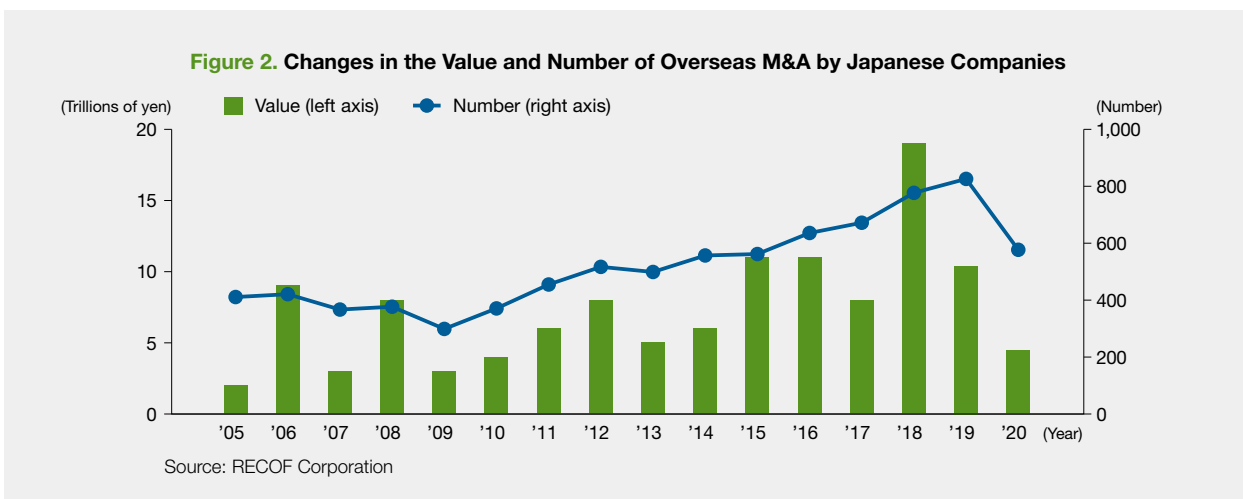
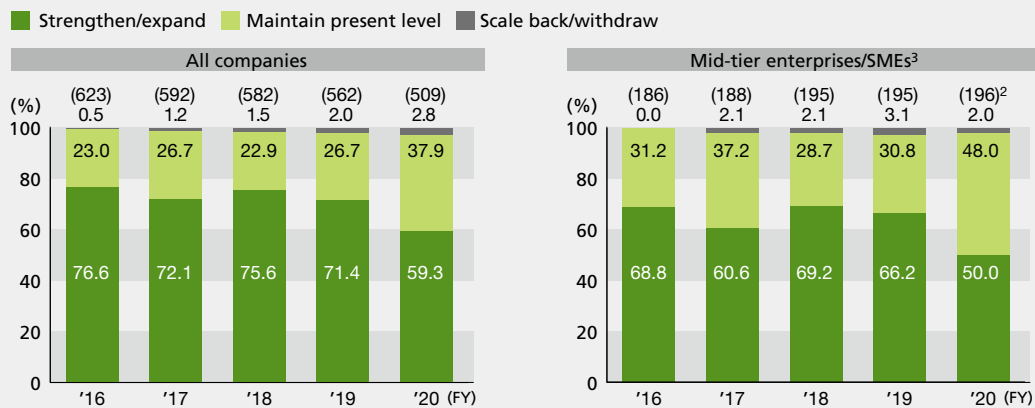


Figure 3. Medium-term Prospects (Next Three Years, or So) for Overseas Operations¹

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

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

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

Source: Results of the JBIC FY2020 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC's Activities

Support for Japanese Companies through the Emergency Window for Overcoming the COVID-19 Crisis (COVID-19 Emergency Window)

In response to the spread of COVID-19, in April 2020 JBIC established the Emergency Window for Overcoming the COVID-19 Crisis (COVID-19 Emergency Window) as an expansion of the Growth Investment Facility. This window supports the overseas business of Japanese companies affected by COVID-19. The Industry Finance Group supports companies that include large companies as well as mid-tier enterprises and SMEs and will continue this support in FY2021.

For support of mid-tier enterprises and SMEs in particular, JBIC widely informed regional financial institutions about this window and pursued highly detailed collaboration based on the needs of business partners of regional financial institutions. As a result, in FY2020 JBIC cooperated with the largest-ever number of regional financial institutions, such as by forming co-financing with 35 regional financial institutions, including five regional financial institutions involved in forming co-financing for the first time.

Supporting Overseas Business Expansion Using Various Financial Instruments

In the Third Medium-term Business Plan (FY2018–FY2020), JBIC designated support for the overseas M&As by Japanese companies as one of the priority areas to focus on. In FY2020, through direct financing and indirect financing (two-step loan) utilizing M&A credit lines (loan facilities) concluded with Japanese financial institutions, JBIC continued to flexibly provide long-term financing for Japanese companies to carry

out M&A activities in various fields, including in the pharmaceuticals, electricity, chemicals, entertainment, and manufacturing sectors. Among these, JBIC also supported projects for adapting to the advance of digital transformation and open innovation. These include projects for securing 5G-related technologies and projects for acquiring businesses aimed at integrating and utilizing digital infrastructure and IoT platforms.

Apart from support for M&A transactions, JBIC provided support for the automotive tire manufacturing and sales business of a Japanese company in South Africa, the biggest automobile market in Africa. JBIC also provided support for a business for the manufacture and development of evaluation systems for fuel cells and batteries for New Energy Vehicles (NEVs) undertaken by a Japanese company in Shanghai, where development bases for NEVs in China are concentrated. Also, JBIC supported the business of long-term chartering services of FPSOs (Floating Production, Storage and Offloading systems for oil and gas) that incorporate cutting-edge digital technologies.



Tire manufacturing and sales business in South Africa

Additionally, JBIC provided loans in various local currencies such as Thai baht, Chinese yuan, Indonesian rupiah, and South Africa rand in order to further encourage Japanese companies to expand abroad.

Supporting Overseas Business Deployment of Mid-tier Enterprises and SMEs

JBIC has enhanced its capability to assist Japanese mid-tier enterprises and SMEs in expanding abroad through its business units dedicated to this purpose at its Head Office and Osaka Branch. In FY2020, the number of loans, equity participations, and guarantees to mid-tier enterprises and SMEs totaled 114. JBIC has also expanded the recipients of this support to include a diversity of mid-tier enterprises and SMEs that cultivate local markets regardless of whether these are in traditional-type industries. JBIC supported the overseas business development of mid-tier enterprises and SMEs by providing mid-tier enterprises and SMEs with the opportunity to utilize the necessary local currency funds or by supporting the procurement of long-term local currency funds of the regional financial institutions themselves by setting credit lines (two-step loans) for regional financial institutions.

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

Meanwhile, compared with larger companies, mid-tier enterprises and SMEs might face greater constraints on various fronts, such as the collection of information about overseas investment. Due to this, JBIC provides further detailed support to mid-tier enterprises and SMEs, while strengthening partnerships with regional financial institutions which serve as a major financing source for those companies. JBIC provided various information such as on the overseas investment environment and held seminars utilizing its overseas representative offices and individual consultation meetings using Web conferencing systems.



Existing FPSO for Brazil similar to the one being financed (photo provided by MODEC, Inc.)

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

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

Taking the impact of COVID-19 on the Japanese economy and industry into consideration, the Industry Finance Group will continue providing support for the crises faced by numerous Japanese companies large and small, including mid-tier enterprises and SMEs. We will accurately grasp the post-pandemic issues and needs of Japanese companies, and will strive by multiple means including capitalizing on various financial instruments and enhancing our risk-taking capability to contribute toward exploring and creating new business opportunities for Japanese companies that can lead to Japan's sustainable growth. This includes addressing global issues and providing support for enhancing supply chain resilience and acquiring technology through M&A for the digital transformation of Japanese companies, as prescribed in the Fourth Medium-term Business Plan. By doing so, we will continue to play a role in connecting Japan to the world.



Business for manufacturing and developing evaluation systems for fuel cells and batteries for NEVs (photo provided by HORIBA, Ltd.)

4. Equity Finance Group

● Message from the Global Head of the Group



Since the establishment of the Equity Finance Group in October 2016, JBIC has been working to strengthen its equity financing operations. One of the growth strategies of the government of Japan aims to benefit from overseas growth markets. To achieve the government's growth strategy, it is becoming increasingly significant to supply funding through strengthening risk-taking capability. In light of this, JBIC has enhanced its capability in the area of equity financing, such as by establishing JBIC IG Partners (JBIC IG) to provide advisory services regarding overseas investment funds. JBIC has also financed overseas M&A transactions by Japanese companies in the form of equity participation.

Under its Fourth Medium-term Business Plan (FY2021–FY2023) announced in 2021, JBIC sets the goals of supporting innovation for realizing the SDGs and a decarbonized society, green finance with a view toward irreversible advancements in energy transformation and digital transformation, and M&A and the acquisition of technologies. In making these efforts, the supply of funding through our equity financing capacity will be essential.

Under our new medium-term business plan, we will continue to actively support the overseas expansion of Japanese companies through our equity financing capacity.

MORITA Kentaro

Managing Executive Officer
Global Head of Equity Finance Group

Business Environment and Key Challenges

Maintaining and Improving the International Competitiveness of Japanese Industry

The Action Plan of the Growth Strategy formulated by the government of Japan in June 2021 and the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 call for multiple actions including promoting ambitious growth strategies in fields with strong future growth potential such as digital and carbon neutrality-related sectors that are driving the economy even during the COVID-19 pandemic. The actions also include the government's support for efforts to spur innovation, incorporate technologies from overseas through direct investments and M&As, and promote individual projects, including those involving cooperation with the United States and Europe and those that support third countries.

M&A activities by Japanese companies aimed at acquiring overseas markets and meeting their demand become more important because of Japan's structural issues such as a decreasing birthrate and an aging population as well as a shrinking labor force. Amid intense competition for acquiring overseas markets, overseas M&A activity is one of the important strategies adopted by Japanese companies for accelerating growth. Under such conditions, overseas acquisitions by Japanese companies in 2020 decreased to 557 deals from 826 deals in 2019, due in part to the impact of COVID-19. Nonetheless, in 2021 such acquisitions are on a recovery track and it is important to continue to supply funds in response to the needs of Japanese companies for M&A.

JBIC will support Japanese companies in rebuilding supply chains due to the spread of COVID-19, in developing business for realizing a decarbonized society and in conducting M&A activities in the form of equity participation as well as fund investment through JBIC IG Partners.



Investing in hydrogen stations for Fuel Cell Vehicle (FCVs)

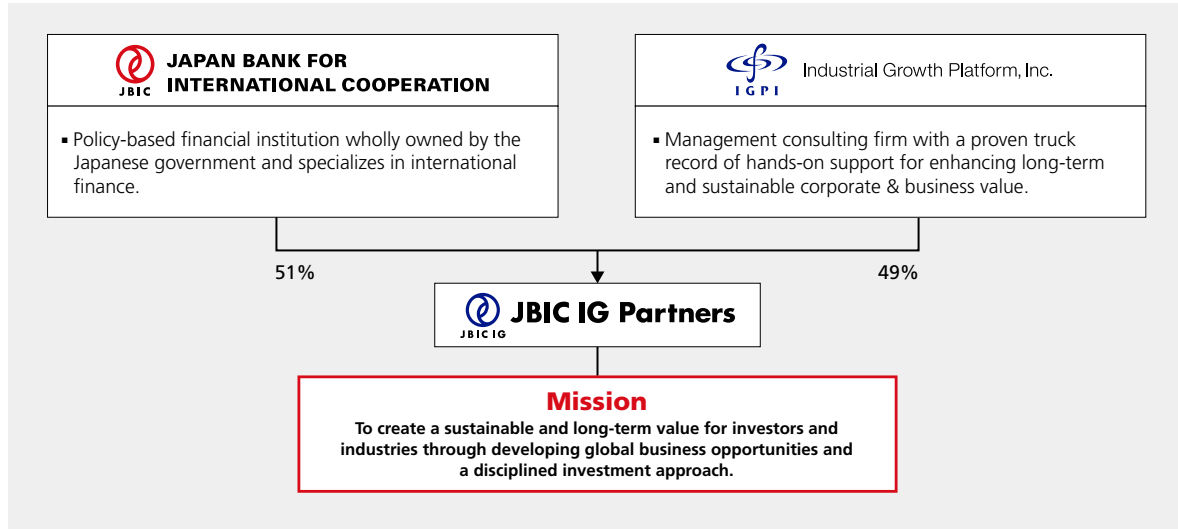
Overview of JBIC IG Partners (JBIC IG)

JBIC IG is an investment advisory firm established in June 2017, by JBIC and Industrial Growth Platform, Inc. (IGPI). JBIC IG applies the respective strengths of JBIC and IGPI as follows: JBIC has knowledge and experience of financing international projects as Japan’s policy-based financial institution; IGPI has the knowledge of

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

About JBIC IG Partners

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



Business Model of JBIC IG

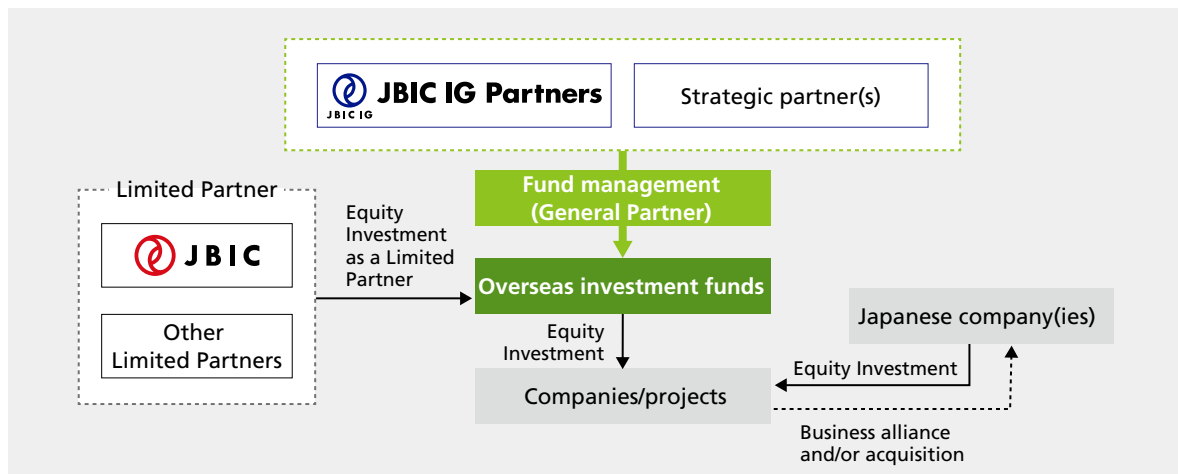
JBIC IG composes overseas funds by partnering with foreign sovereign wealth funds (SWF) and international investors, through investment advisory services to overseas funds.

As its first effort, in September 2017, JBIC IG entered into a co-investment framework agreement with the Russian Direct Investment Fund. In January 2019, JBIC IG established a venture capital fund with AS

BaltCap, the largest fund manager in the Baltic region. By the end of June 2021, JBIC IG executed a total of 22 investments in these two funds. Additionally, JBIC IG is undertaking activities to bring together and promote business collaboration between investee companies in these funds and Japanese companies. JBIC IG will continue to provide added value to Japanese industry through the creation of new investment funds.

Overview of JBIC IG Partners’ Investment Structure

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



JBIC's Activities

Strengthening JBIC's Capability of Equity Financing

Support for the Realization of a Hydrogen-based Society through Equity Financing

JBIC and Mitsui & Co., Ltd. (Mitsui) made a joint investment in FirstElement Fuel Inc. (FEF) in the U.S. FEF was established in 2013 and to the present has received support from companies such as Toyota Motor Corporation and Honda Motor Co., Ltd. FEF is currently operating hydrogen stations across the State of California, which is one of the largest markets for hydrogen fuel cell electric vehicles globally.

Through its investment in FEF, Mitsui aims to gain a stronger foothold in the global hydrogen business by acquiring insight into hydrogen demand creation and the downstream hydrogen business, as well as creating synergies between a Norwegian manufacturer of lightweight high-pressure hydrogen tanks in which Mitsui invested in 2016.

Promoting Renewable Energy through Equity Financing

JBIC invested in Exergy Power Systems Europe Limited, a subsidiary of Exergy Power Systems, Inc., (Exergy), in Ireland. The investment is aimed at supporting strategic initiatives for promoting innovation by Japanese companies.

Exergy is a startup established at the University of Tokyo Hongo Campus in 2011 to develop, produce, sell, and operate next-generation power battery systems. Exergy aims to enter the market for ancillary services to adjust electric power supply in Ireland, where the adaption of renewable energy is advancing, capitalizing on the fast response capability, high discharge capacity, and excellent durability of their proprietary next-generation batteries.

Also, JBIC and the Chugoku Electric Power Co., Inc. (Chugoku) made a joint investment in Energy Fiji Limited (EFL), in Fiji.

EFL is a vertically integrated electric utility that generates, transmits, and distributes electricity as the only power company in Fiji, a country located in the middle of the South Pacific. The Fijian government has a majority shareholding in EFL, and EFL aims to promote renewable energy projects such as hydropower and solar power projects to achieve the targets and objectives set under the National Development Plan. Chugoku aims to pursue investment opportunities for overseas renewable energy projects and participate in power transmission and distribution, retail, and new power-related business. Chugoku, through its investment in EFL, expects to enhance its know-how and technology cultivated through its domestic and overseas electricity business, and plans to use such know-how and technology to further expand its business overseas.