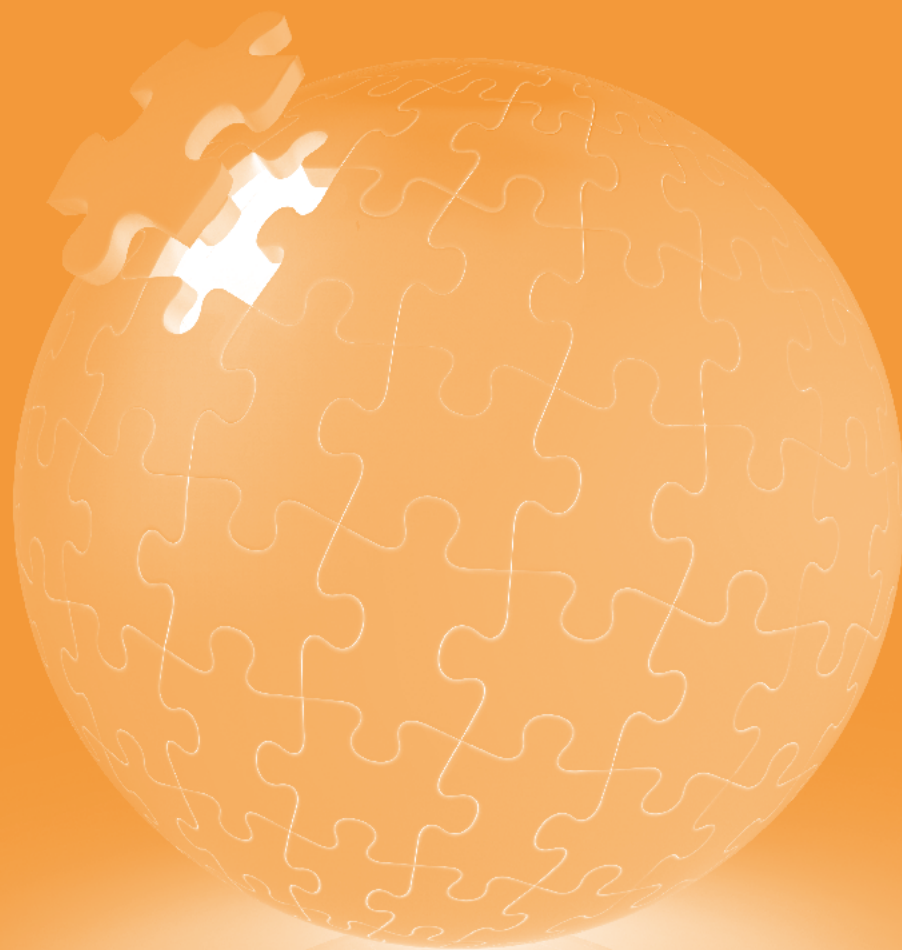


# 3. Financial Instruments

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# 1. Financial Instruments

## ■ Export Loans

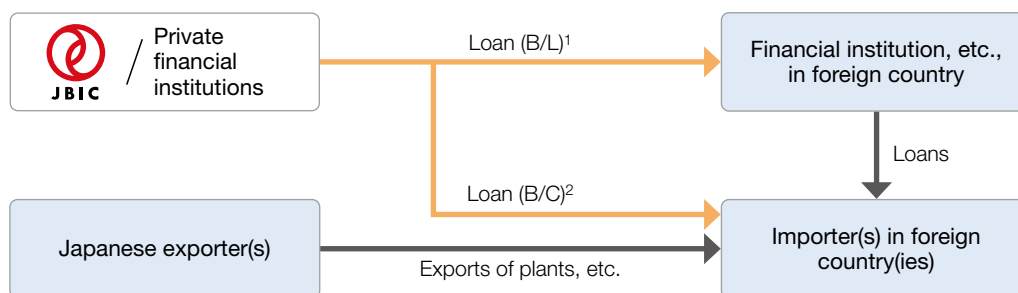
Export loans are provided to overseas importers and financial institutions to support finance exports of Japanese machinery, equipment, and technology mainly to developing countries. In particular, products such as marine vessels, power generation facilities, etc., incorporate a significant amount of advanced technology, and their export is instrumental in enhancing the technological base of Japanese industries. Furthermore, Japanese shipbuilding and plant facilities industries have a broad range of supporting industries, including mid-tier enterprises and SMEs producing parts and components, and thus the loans are expected to positively contribute to the business of these Japanese companies. Export loans in specific sectors are also available to developed countries<sup>1</sup>.

Terms and conditions of export loans are determined based on the Arrangement on Officially Supported Export Credits (OECD Arrangement). In principle, the loan amount should not exceed the value

of an export contract or technical service contract, and excludes the down payment. Local costs may be covered provided that the amount is within the scope prescribed by the OECD Arrangement.

### 1. Eligible Sectors for Export Loans in Developed Countries (as of August 31, 2023)

Ships, satellites, aircraft, medical equipment, equipments that contribute to reducing greenhouse gas (GHG) emissions, railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, fuel ammonia, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), highly efficient gas-fired power generation, smart grid, electricity storage, development of telecommunications network, biopharmaceuticals, manufacture of chemicals that use organic substances derived from animals and plants, electric vehicles, semiconductors, waste incineration and waste to energy, development of goods and technologies irreplaceable for a stable supply of raw materials of products, etc., business using new technology, business models, etc.



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

## Supporting Export of Japanese Company's Port Container Cranes to Türkiye



JBIC signed a buyer's credit (export loan) agreement with the Turkish financial leasing company Yapı Kredi Finansal Kiralama A.O. (YKL). The loan is intended to provide the necessary funds, through YKL, for Yılport Holding A.Ş., another Turkish company that operates ports in Türkiye, to purchase an additional four port container cranes from Mitsui E&S Machinery Co., Ltd. for the port of Gemlik, Türkiye.

Türkiye, which has long flourished as a center for trade with Asia and Europe, is moving ahead with the development of logistics infrastructure, including railways and ports, as its future growth strategy. The country is also attracting much attention from Japanese companies as a production base targeting the Turkish market as well as markets in the EU and neighboring countries. The loan, which will support the Japanese company's exports, is expected to serve to improve the Turkish port infrastructure and create business opportunities for Japanese companies in the Turkish port industry.

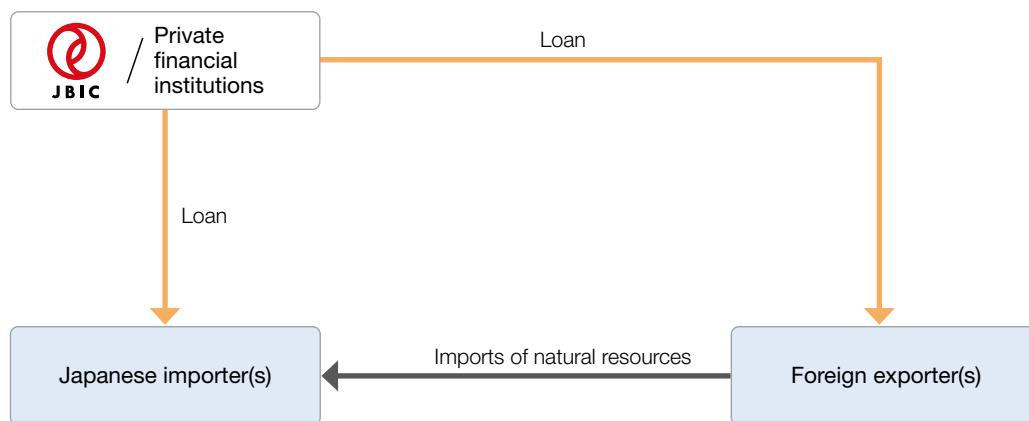
## ■ Import Loans

Import loans support imports of strategically important goods including natural resources by Japanese companies and cases where Japanese companies or Japanese affiliates receive natural resources in countries where they do business. These loans are extended to Japanese importers receiving natural resources, Japanese companies and Japanese affiliates receiving natural resources at their overseas business locations, or foreign exporters. Since Japan is poorly endowed with natural resources, stable imports of these over the long term are one of the key factors underpinning domestic economic activity. Import loans finance the development and import of energy resources, including oil and LNG, and mineral resources, including iron ore, copper, and other rare materials.

In addition to natural resources, JBIC provides a guarantee facility for goods and services essential to the sound development of the Japanese economy, such as import of aircraft. (See page 83 for the guarantee schemes for importing manufactured products.)

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

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



\* Including cases where Japanese companies or Japanese affiliates receive natural resources in countries where they do business

### Supporting Japanese Energy Company for Stable Procurement of LNG



JBIC concluded a loan agreement with JERA Co., Inc. (JERA) to finance JERA's importing of liquefied natural gas (LNG). The loan is co-financed with private financial institutions.

As resource prices continue to rise, stable procurement of LNG to be used as fuel for gas-fired power generation has become more important than ever in ensuring a stable supply of electricity, which is vital for the lives of the Japanese people and national economic activities.

Financing JERA with this loan is intended to contribute to a stable supply of electricity by securing a stable supply of energy to Japan.

## Overseas Investment Loans

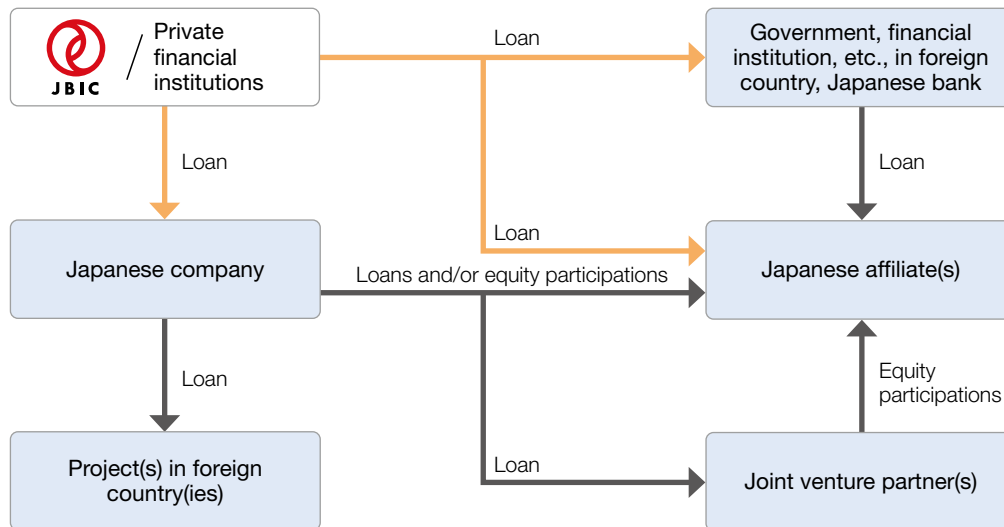
Overseas investment loans support Japanese foreign direct investments. The loans can be provided to Japanese companies (investors), overseas Japanese affiliates (including joint ventures), and foreign governments or financial institutions that have equity participations in or provide loans to such overseas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

Direct loans to Japanese companies are intended for mid-tier enterprises and SMEs, as well as for projects aimed at developing or securing interests in overseas resources that are strategically important to Japan. Other target projects are projects that support merger and acquisition (M&A) activities and projects to finance overseas businesses for increasing supply chain resilience (both including those of large companies). Moreover, JBIC provides two-step loans (TSL) to support the overseas business of Japanese companies, including mid-tier enterprises and SMEs, as well as TSL intended to support M&A activities by Japanese companies. JBIC is also able to provide

short-term loans for overseas business operations when bridge loans are required to fill the financing gaps before it offers long-term loans. Moreover, JBIC is empowered to provide investment loans for projects in developed countries for specific sectors<sup>1</sup>.

1. Eligible Sectors for Overseas Investment Loans in Developed Countries (as of August 31, 2023).

Railways (high-speed, inter-city projects and projects in major cities), road business, airports, ports, water business, biomass fuel production, renewable energy power generation, nuclear power generation, hydrogen, fuel ammonia, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, CCS, highly efficient gas-fired power generation, smart grid, electricity storage, development of telecommunications network, shipbuilding and marine transportation, satellite launching and operation, aircraft maintenance and sales, medical business, biopharmaceuticals, manufacture of chemicals that use organic substances derived from animals and plants, electric vehicles, semiconductors, waste incineration and waste to energy, development of goods and technologies irreplaceable for a stable supply of raw materials of products, etc., businesses using new technology, business models, etc., businesses that contribute to reducing GHG emissions, M&A activities, etc.



### Supporting Overseas Business Expansion of Japanese Railway Industry



JBIC concluded a loan agreement in project financing with the Connect 6ix consortium (Connect 6ix). Connect 6ix is invested in by, among others, Hitachi Rail, which is wholly owned by Hitachi, Ltd. Under JBIC's GREEN operations, the loan will provide the funds necessary for Connect 6ix to supply, operate, and maintain subway trains and railway systems in Ontario.

The populations of both the city of Toronto and its neighboring communities have consistently grown year over year, making it an urgent task to expand the transit system to address the rise in transportation demand. As planned, the project will construct components of the 15.6-km subway line in Toronto, Canada, and operate and maintain the system for 30 years. Once completed the project is expected to reduce traffic by 28,000 vehicles per day and lower fuel consumption by 7.2 million liters per year.

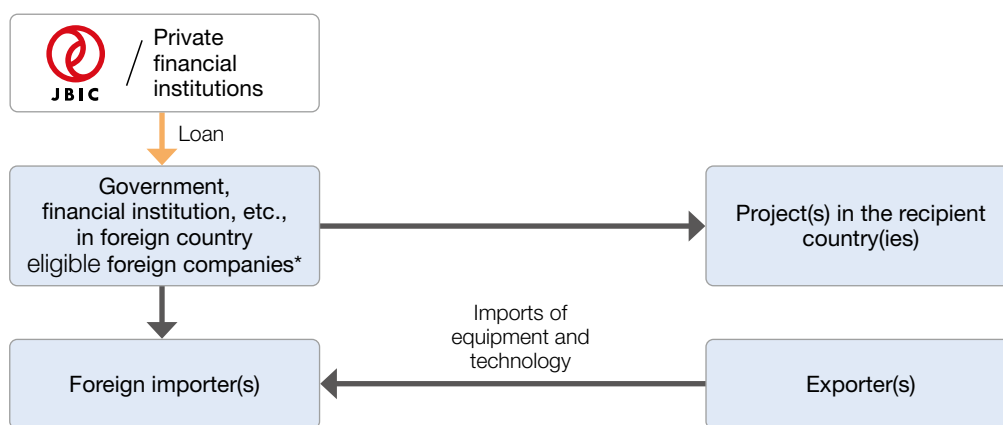
Supporting the efforts of Hitachi Rail through Connect 6ix is in line with measures being implemented under the Infrastructure System Overseas Promotion Strategy 2025 promoted by the Japanese government.

## Untied Loans

Untied loans are intended to finance projects and the import of goods by foreign countries, or for such countries to achieve equilibrium in their international balance of payments, or to stabilize their currencies. They are also intended to finance overseas businesses of foreign companies (“eligible foreign companies”) that have become part of supply chains or industrial platforms of strategically important goods or technologies essential for Japan’s economic activities and the lives of the people of Japan. Loans are

not conditional on investments or procurement of equipment and materials from Japan.

Capital procured from untied loans is used to: maintain and expand trade with and direct investment from Japan; secure stable supplies of energy and mineral resources for Japan; promote business activities of Japanese companies; finance projects having significant effects on global environmental preservation; and finance projects maintaining order in international financing.



\* Refer to foreign companies that have become part of supply chains or industrial platforms of strategically important goods or technologies essential for Japan’s economic activities and the lives of the people of Japan. The fields of applicable goods, technologies, and industrial platforms are specified in the ordinance of Japan’s Ministry of Finance (See page 13).

In providing a loan, etc. to an eligible foreign company, JBIC conducts screening for the applicant, from the viewpoint of contributing toward maintaining and strengthening the international competitiveness of Japanese industry, including economic security.

As with conventional loan projects, JBIC performs a separate check on environmental and social considerations based on the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations.

### Supporting Enhancement of Supply Chain Resilience of Japanese Construction Equipment Manufacturers in India



JBIC signed a loan agreement with IndusInd Bank Limited (IndusInd) of India. The loan is intended to finance through IndusInd the funds necessary for the manufacturing and sales businesses of the local suppliers and dealers of Japanese construction equipment manufacturers and others. The loan is co-financed with private financial institutions, and JBIC will also provide a guarantee for the co-financed portion.

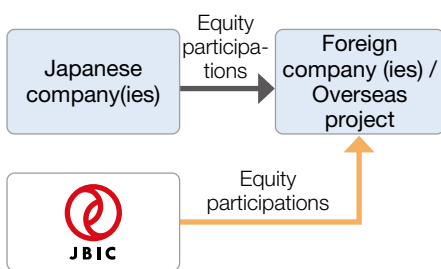
India is the world’s third largest construction equipment market by units sold, and Japanese construction equipment manufacturers have an approximately 60% share in the Indian excavator market. The Government of India is promoting the Make in India campaign to strengthen Indian manufacturing and make India a global investment destination by encouraging foreign investment from all around the world. The loan will promote the supply of construction equipment that is necessary for expanding the development of India’s infrastructure by enhancing the supply chain resilience of Japanese construction equipment manufacturers in India and is in line with the Government of India’s policy.

## Equity Participations

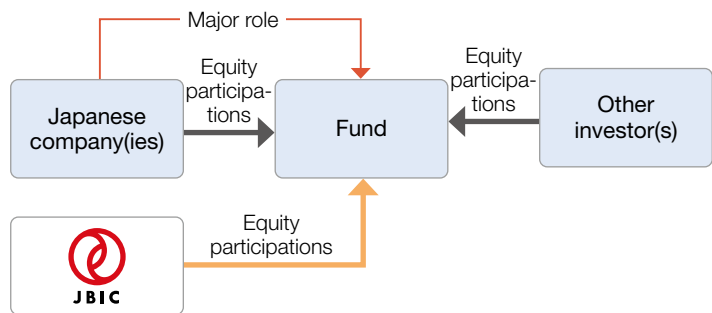
Equity participations are capital contributions to companies where Japanese companies have equity stakes to undertake overseas projects and Japanese start-ups newly launching business overseas, as

well as funds where Japanese companies perform significant roles. In principle, equity participations take the following forms.

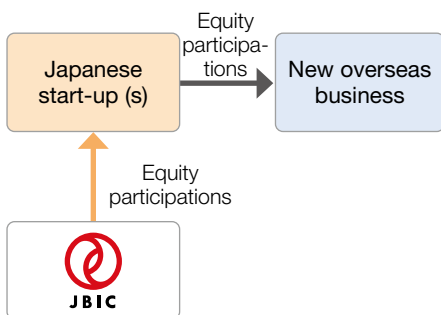
### Japanese companies make equity participations in a foreign company or an overseas project



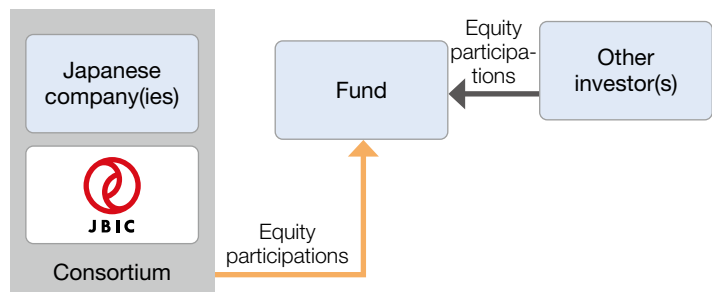
### Japanese companies participate in a fund (and perform such a major roles as that of a general partner in their management and investment decisions)



### Japanese start-ups acquire equity interests in a new overseas



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



## Equity Participation in Fund Investing in Startups in Central and Eastern Europe (CEE)



Jointly with five Japanese companies, JBIC committed to investing in ff Red & White (the Fund) of Luxembourg. The Fund is a venture capital fund to invest in startups that will contribute toward technologies for automation, remote operation, and labor-saving, etc., in CEE and is jointly established and managed by JBIC IG Partners and ff Venture Capital, which has a proven track record in the U.S. and Poland.

CEE has many highly skilled software engineers who graduated from universities or academic institutions with expertise in mathematics and computer science. In addition, Germany, one of the world's leading manufacturing nations located within CEE, has developed technologies related to factory automation. Therefore, startups that contribute to digital transformation, such as automation, remote operation, and labor-saving in industry and business activities, are beginning to emerge in the region. The Fund will strategically support Japanese companies in achieving digital transformation by promoting business and capital alliance between these startups in CEE and Japanese strategic investors.

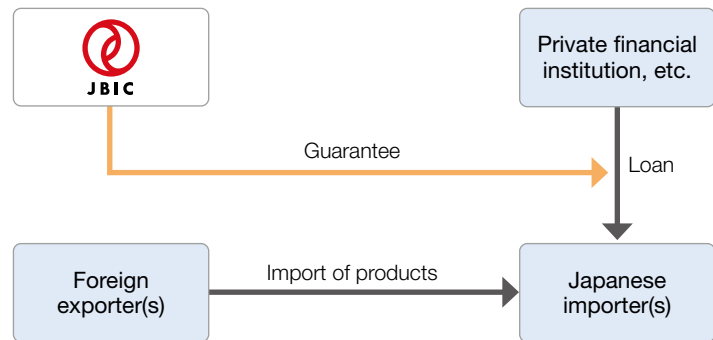
## Guarantees

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

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

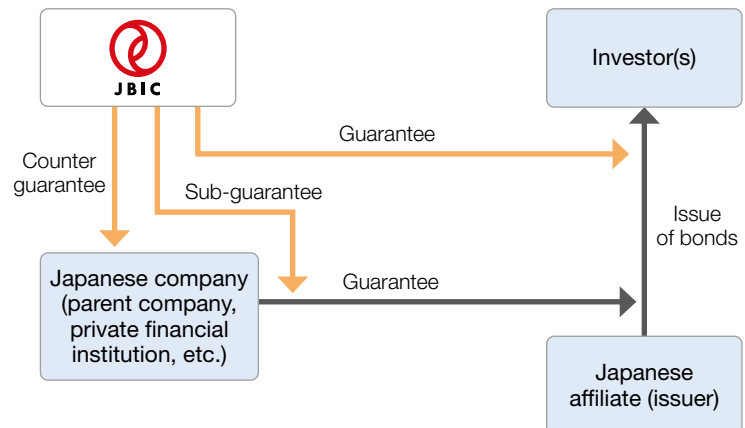
### Guarantees for Imports of Manufactured Products

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



### Guarantees for Corporate Bonds Issued by Japanese Affiliates

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



## Contributing toward Stable Import of Aircraft and Decarbonization



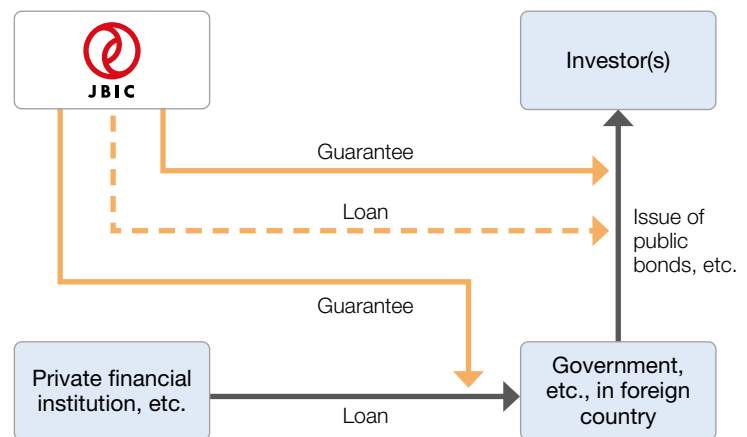
JBIC concluded a guarantee agreement with private financial institutions for the principal and interest of their transition-linked loans to Japan Airlines Co., Ltd. (JAL). This guarantee is intended to support JAL in obtaining financing from private financial institutions to import two aircraft from Airbus S.A.S. in France.

With decarbonization becoming a social issue globally, reducing CO<sub>2</sub> emissions from aircraft is one of the most important issues. Accordingly, JAL is proactive in replacing its aircraft with fuel-efficient ones. In addition, transition-linked loans apply variable conditions, such as interest rate, depending on the borrower's level of achievement toward a goal of CO<sub>2</sub> emissions reduction. Utilizing such loans from private financial institutions is expected to promote JAL's efforts to achieve its goal of CO<sub>2</sub> emissions reduction.

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

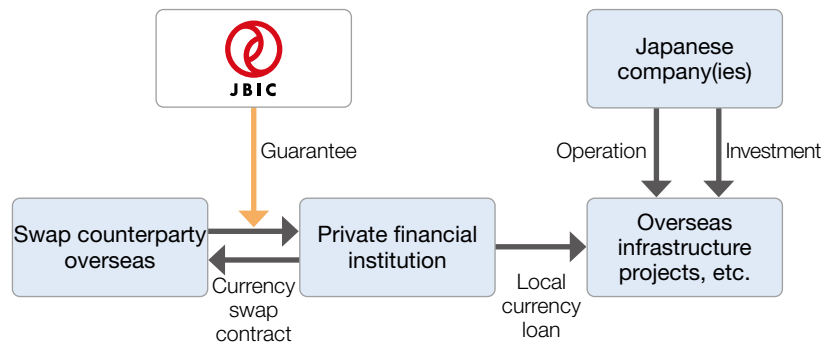
### ■ Guarantees for Cofinancing, Overseas Syndicated Loans, and Public Sector Bonds

Loans to developing countries involve, among others, currency conversion and transfer risks, as well as country risks. Guarantees that JBIC issues to cover such risks enable Japanese private financial institutions to provide medium- and long-term financing for developing countries, and contribute to developing countries to bringing in private capital and facilitating private companies to expand international business activities.



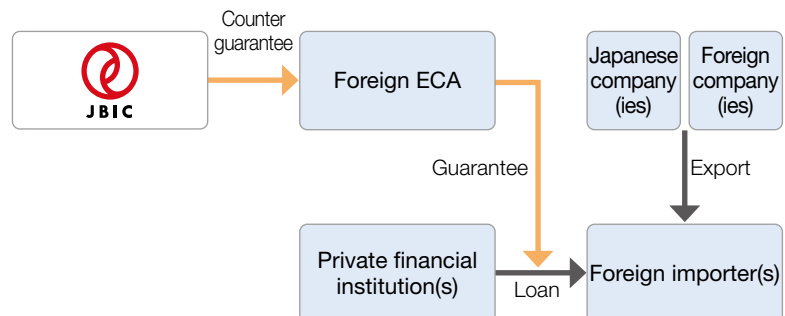
### ■ Guarantees for Currency Swaps

JBIC provides guarantees for swap transactions to support the local currency financing of overseas infrastructure projects and other projects undertaken by Japanese companies.



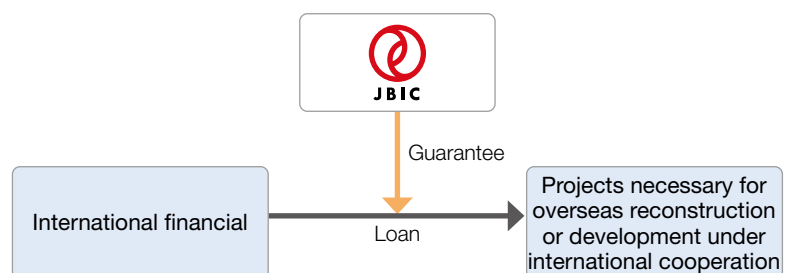
### ■ Counter Guarantees for Export Credits

In cases where Japanese companies export machinery and equipment jointly with companies of another country, JBIC provides a counter guarantee for the guarantee provided by that country's export credit agency (ECA). This function enables JBIC to flexibly support export projects by Japanese companies collaborating with foreign companies through multilateral mutual guarantee schemes.



### ■ International organization loan guarantee

When international financial organizations provide financing for projects necessary for overseas reconstruction or development under international cooperation, JBIC guarantees these liabilities. Through such schemes, JBIC contributes to maintaining the international financial order.



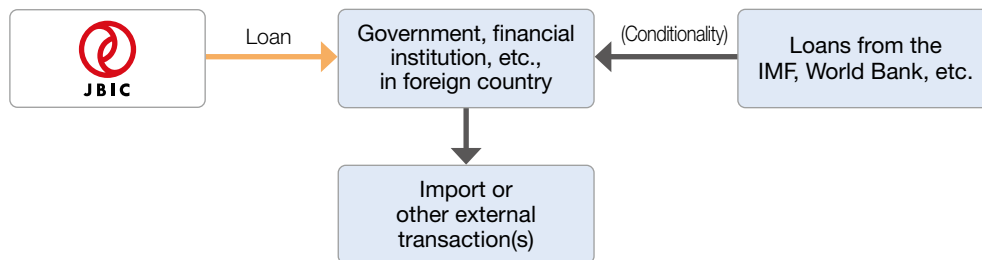


## Bridge Loans

JBIC provides short-term financing for governments of developing countries to meet their foreign currency needs for external transactions when they face balance-of-payment difficulties.

JBIC provided bridge loans (short-term bridging

loans) for Myanmar in January 2013 to support the clearance of arrears of past loans from the Asian Development Bank (ADB) and the International Development Association (IDA), a member of the World Bank Group.



## Acquisition of Loan Assets and Public and Corporate Bonds

When JBIC provides export loans, import loans, overseas investment loans, and untied loans, JBIC can also provide credits, in addition to providing loans and guarantees, by purchasing loan assets and acquiring public and corporate bonds<sup>1</sup> issued by borrowers for funding. The objective of such operations is to promote

private financial institutions' loans in international finance and Japanese companies' funding in international capital markets.

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

## Research and Studies

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

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

Research and studies are conducted in the following sequence.

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

## Securitization and Other Financial Instruments

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

### Securitization (Guarantees)

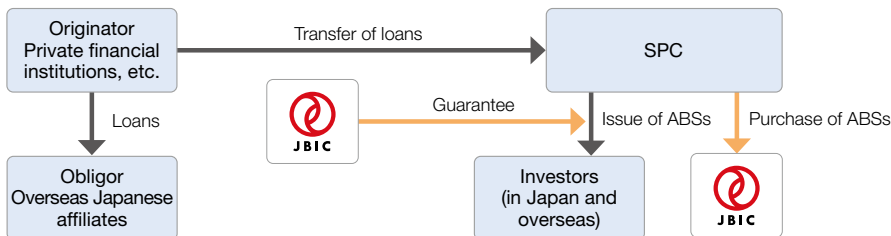
In cases where special purpose companies (SPC) or trust companies issue asset-backed securities (ABS) or other financial products with loans or other assets as collateral, JBIC guarantees the payment of such ABSs to reduce country and structure risks, thereby supporting the issuance of bonds in the emerging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

### Securitization (Acquisition of Securities)

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

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

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

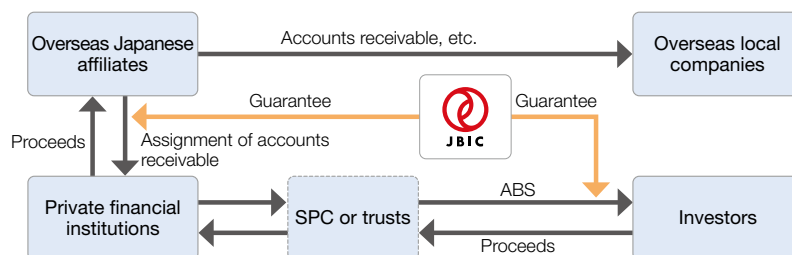


\* The above diagram depicts a scheme where SPCs are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

### Securitization and Liquidation of Receivables

JBIC provides guarantees for the receivables and other monetary claims held by overseas subsidiaries of Japanese companies in order to facilitate the purchase of such receivables by banks (an increase in their

liquidity). JBIC is also able to provide guarantees for securities issued by SPC or trust companies in cases where these securities have monetary claims acquired from overseas Japanese subsidiaries on collateral.



## 2. Prominent Initiatives in Recent Years

### ■ Multilateral Collaboration

JBIC promotes multilateral cooperation and collaboration with international financial institutions, as stated in the Fourth Medium-term Business Plan. In conjunction with the Government of Japan's infrastructure overseas development strategy, JBIC plays a central role in multilateral collaboration, formulating and supporting projects in politically important areas, through initiatives to meet global infrastructure needs by cooperating and collaborating with diverse funding sources.

For instance, JBIC provided a loan for a healthcare project in India to address the COVID-19 pandemic based on an agreement reached by the leaders of Japan, Australia, India, and the U.S. (Quad Partners). JBIC also provided guaranteed financing for the acquisition of a telecommunications operator of an island country in the South Pacific under the partnership among Japan, the U.S. and Australia.

Regarding Ukraine-related initiatives, JBIC signed a memorandum of understanding (MOU) with a policy-based financial institution of Poland for the enhancement of energy security in Poland and countries neighboring Ukraine.

In addition, JBIC Governor HAYASHI Nobumitsu participated in the Ukraine Recovery Conference co-hosted by the governments of the U.K. and Ukraine in London in June 2023. The conference was held to discuss the international community's support and initiatives, looking ahead to Ukraine's recovery from the Russian invasion. At the conference, JBIC signed an MOU and joined multiple sessions, including a panel discussion that introduced the audience to JBIC's initiatives and affirmed its determination to support Ukraine's recovery in collaboration with other countries and international institutions.



Panel discussion participated in by JBIC Governor HAYASHI

### ■ Supporting Innovation of Japanese Companies, Including Startups

JBIC signed in November 2022 an agreement on the "Platform for unified support for startups (Plus)", under which government institutions are to cooperate in supporting startups. The Plus was originally signed in July 2020, by nine national development and research agencies and incorporated administrative agencies<sup>1</sup> for the purpose of contributing toward building a Japanese startup ecosystem and resolving economic and social issues arising in Japan and overseas. The parties to the original Plus have undertaken numerous activities, including holding joint events to foster the cooperation for supporting startups and to disseminate information in an effective manner, establishing a point of contact to offer one-stop services to startups, disseminating the information the agencies were offering to startups, and introducing startups to the right agencies according to their inquiries. With the addition of seven institutions<sup>2</sup>, including government financial institutions such as JBIC, to this agreement, the Plus is equipped with a wider range of capacities for supporting startups.

In its Fourth Medium-term Business Plan, JBIC aims to support M&A and technology acquisition by Japanese companies toward digital transformation and to provide support to strengthen the international competitiveness of Japanese companies during the period of digital transformation by financing efforts for the acquisition of advanced technologies and knowhow from overseas, including digital technology.

In FY2022, JBIC and MITSUI & CO., Ltd. made equity participation in a startup company in Singapore that undertakes sales and marketing of pharmaceuticals and medical devices mainly in Asia (See page 74 for details).

In April 2023, the Act for Partial Amendment of the Japan Bank for International Cooperation Act was enacted, making it possible to provide equity investments in and acquire corporate bonds of domestic startup companies and mid-tier and medium- and small-sized enterprises that undertake overseas business. In addition, commercialization of new technology and business models, and equity investments or acquisition of corporate bonds in startups are newly included in the Special Operations. JBIC will continue to encourage the innovation of Japanese companies, including startups.

1. The New Energy and Industrial Technology Development Organization, the Japan Agency for Medical Research and Development, the Japan International Cooperation Agency, the Japan Science and Technology Agency, the National Agriculture and Food Research Organization, the Japan External Trade Organization, the Information-technology Promotion Agency, Japan, the National Institute of Advanced Industrial Science and Technology, and the Organization for Small & Medium Enterprises and Regional Innovation, Japan
2. JBIC, the National Center for Industrial Property Information and Training, Nippon Export and Investment Insurance, Japan Finance Corporation, the Development Bank of Japan Inc., the Regional Economy Vitalization Corporation of Japan, and the Japan Investment Corporation

## Supporting Energy Transformation Business

In July 2022, JBIC established the Energy Transformation Strategy Office to promote hydrogen, ammonia, and other energy transformation businesses, thereby forming an organizational structure to further strengthen its efforts to realize a decarbonized society. With the creation of the office, JBIC aims to centrally address matters concerning transformative energy such as hydrogen and ammonia, which are important

for the realization of a decarbonized society and the green transformation process.

In FY2022, JBIC signed MOUs with Colombia's state-owned oil company, Singapore's utility company, Norway's fertilizer company, and the State of Western Australia, etc., to strengthen cooperative relationships in the fields including hydrogen and ammonia.

### Strengthening Cooperation in Sector of Hydrogen and Ammonia as Fuel Source – Promoting Collaboration with Japanese Companies for Realizing Decarbonized Society

#### MOU on Strategic Cooperation with Sembcorp Industries Ltd. of Singapore

JBIC concluded a Memorandum of Understanding (MOU) on strategic cooperation with Sembcorp Industries Ltd. (Sembcorp), a Singaporean company. The objectives of the MOU include promoting cooperation in sectors that use hydrogen and ammonia as a fuel source.

Sembcorp, which is an international player in the energy sector operating in several Asian countries, seeks to deepen collaboration with Japanese companies regarding hydrogen supply chain projects, in order to achieve the goal of realizing a decarbonized society. With this MOU on strategic cooperation between JBIC and Sembcorp, under which the framework for collaboration between the two organizations is to be developed, JBIC aims to accelerate the structuring of projects for developing the supply chain of hydrogen and ammonia as a fuel source.



#### Strengthening Cooperation for Promoting Japanese Investments in Western Australia

JBIC concluded an MOU with the State of Western Australia to build a comprehensive strategic partnership.

Western Australia is endowed with a wealth of minerals and energy resources such as iron ore and natural gas, and it also has great potential in the fields of renewable energy power generation, critical minerals, hydrogen, ammonia, and CCUS<sup>1</sup>. Given the geographical proximity to Japan, Australia is an important partner for supply chain resilience. The MOU aims to strengthen the cooperation

between JBIC and the State of Western Australia for further promoting Japanese companies' investments in Western Australia.

Both Japan and Australia announced their goals of achieving carbon neutrality by 2050. Also, at the Japan-Australia leaders' meeting in October 2022, the Japanese and Australian Prime Ministers concurred to work more closely by further strengthening the two countries' security and defense cooperation and resources and energy security cooperation for the realization of a "Free and Open Indo-Pacific." Under these circumstances, JBIC's strengthening of cooperation with the State of Western Australia in the fields of hydrogen, ammonia, CCUS, and critical minerals under this MOU as well as in the infrastructure, energy, and resources sectors where the two organizations have already been cooperating, will contribute toward creating business opportunities and promoting business in Western Australia for Japanese companies. It is also expected to further strengthen the "Special Strategic Partnership" between Japan and Australia that the Government of Japan is promoting.

1. Carbon dioxide Capture, Usage and Storage (CCUS) is a technology that separates and captures carbon dioxide that would otherwise become a greenhouse gas and utilizes and stores it.

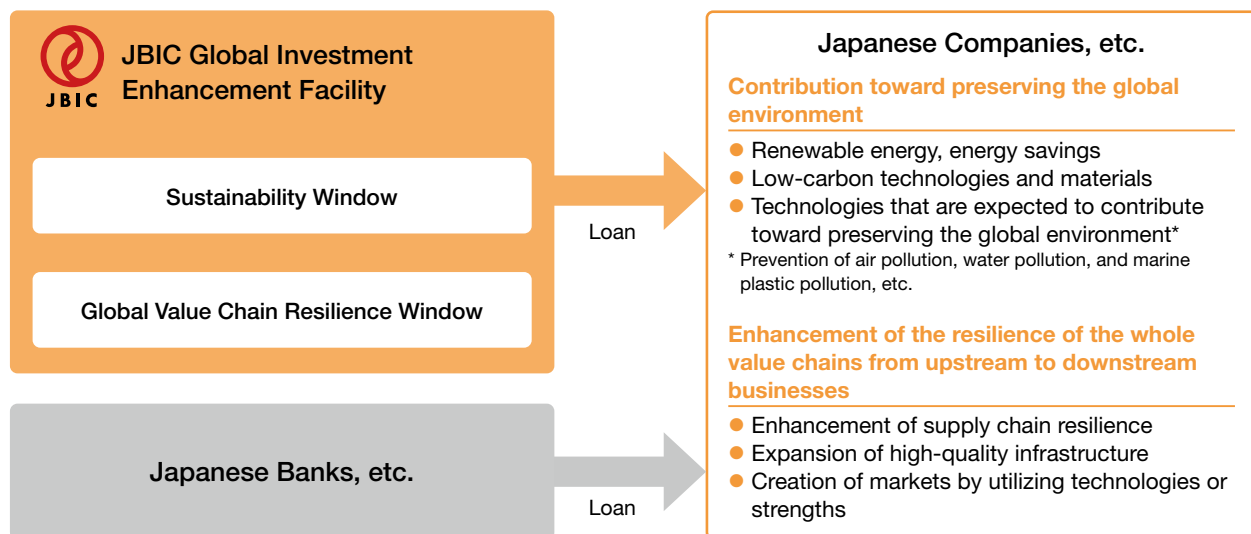
## Global Investment Enhancement Facility

In July 2022, JBIC established the Global Investment Enhancement Facility in order to support and accelerate overseas expansion of Japanese companies with their cutting-edge technologies for the environment or digitalization or with their unique competitiveness.

The Global Investment Enhancement Facility consists of the Sustainability Window and the Global Value Chain Resilience Window and is intended to support Japanese companies in: (1) the contribution toward preserving the global environment, including

decarbonization and (2) the enhancement of supply chain resilience, the expansion of high-quality infrastructure, and the creation of new overseas markets.

In principle, JBIC procures the foreign currency required under the Global Investment Enhancement Facility. However, it can borrow a certain amount from the Foreign Exchange Fund Special Account, if the need arises for smooth securing of foreign currency.



## Amount of Loan/Equity Participation under Global Investment Enhancement Facility

	(Unit: billions of yen)
	FY 2022 Results
Amount of Loan/ Equity Participation under Global Investment Enhancement Facility	2,138.4

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

As economies in emerging market countries, especially in Asia, continue to develop, an increasing number of mid-tier enterprises and SMEs seek to adapt to diversifying supply chains and expand their business in emerging markets in addition to responding to the overseas advancement of their business partners. In line with these varying purposes of expanding business overseas, their funding needs have grown more diverse.

To respond to such diverse funding needs of mid-tier enterprises and SMEs for their overseas expansion, JBIC has further strengthened cooperation with Japanese private financial institutions and expanded its

support measures from individual loan schemes based on co-financing with private financial institutions to two-step loan schemes through private financial institutions, local currency-denominated loans, and two-step loans to support finance leases.

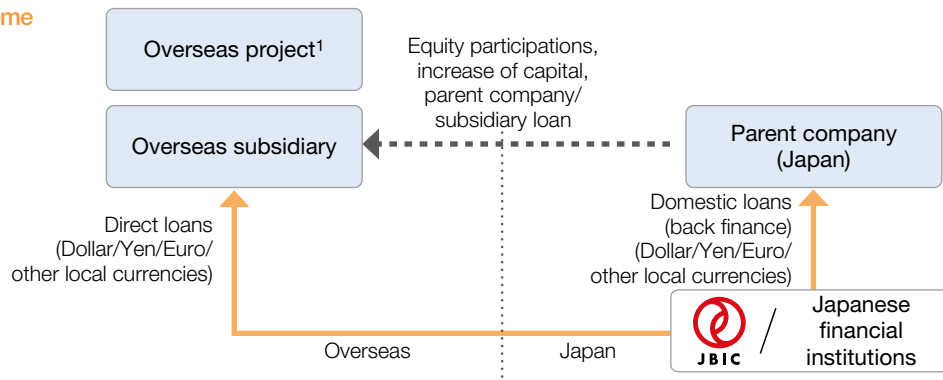
Additionally, JBIC has been further enhancing cooperation not just with major financial institutions but also with private financial institutions, including regional banks and Shinkin (credit) banks, and local financial institutions in countries where mid-tier enterprises and SMEs are expanding their business.

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

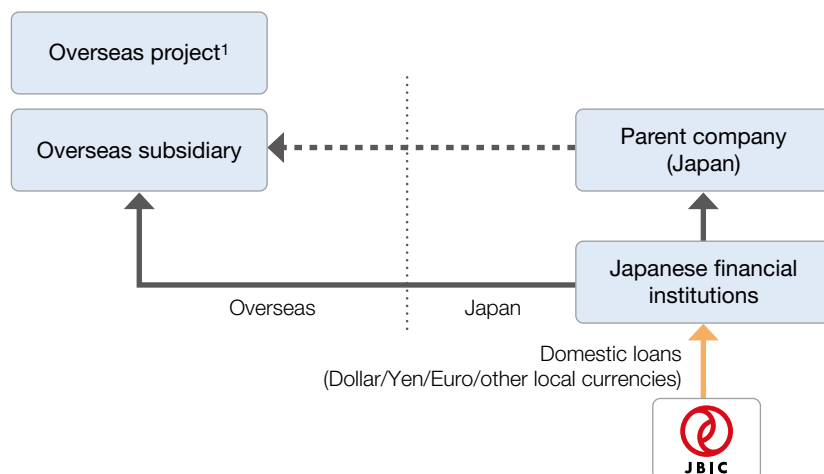
- (1) Prompt and flexible support to respond to funding needs of mid-tier enterprises and SMEs (including loans of a relatively small amount)
- (2) Reducing currency exchange risk through local currency-denominated loans in addition to loans in Japanese Yen, U.S. dollars, and Euro
- (3) Responding to diverse funding needs by utilizing variety of financing tools, including loans for M&As, export loans, and equity participations
- (4) Collaborating with private financial institutions (mega banks, regional banks, Shinkin banks, and local financial institutions) to respond to and support overseas business of mid-tier enterprises and SMEs in Japan
- (5) Utilizing networks of JBIC overseas offices in 18 cities to provide information services on overseas investment environment and assist solving issues with foreign governments

## Example of Mid-tier Enterprises and SMEs Support Schemes

### 1) Individual loan scheme



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



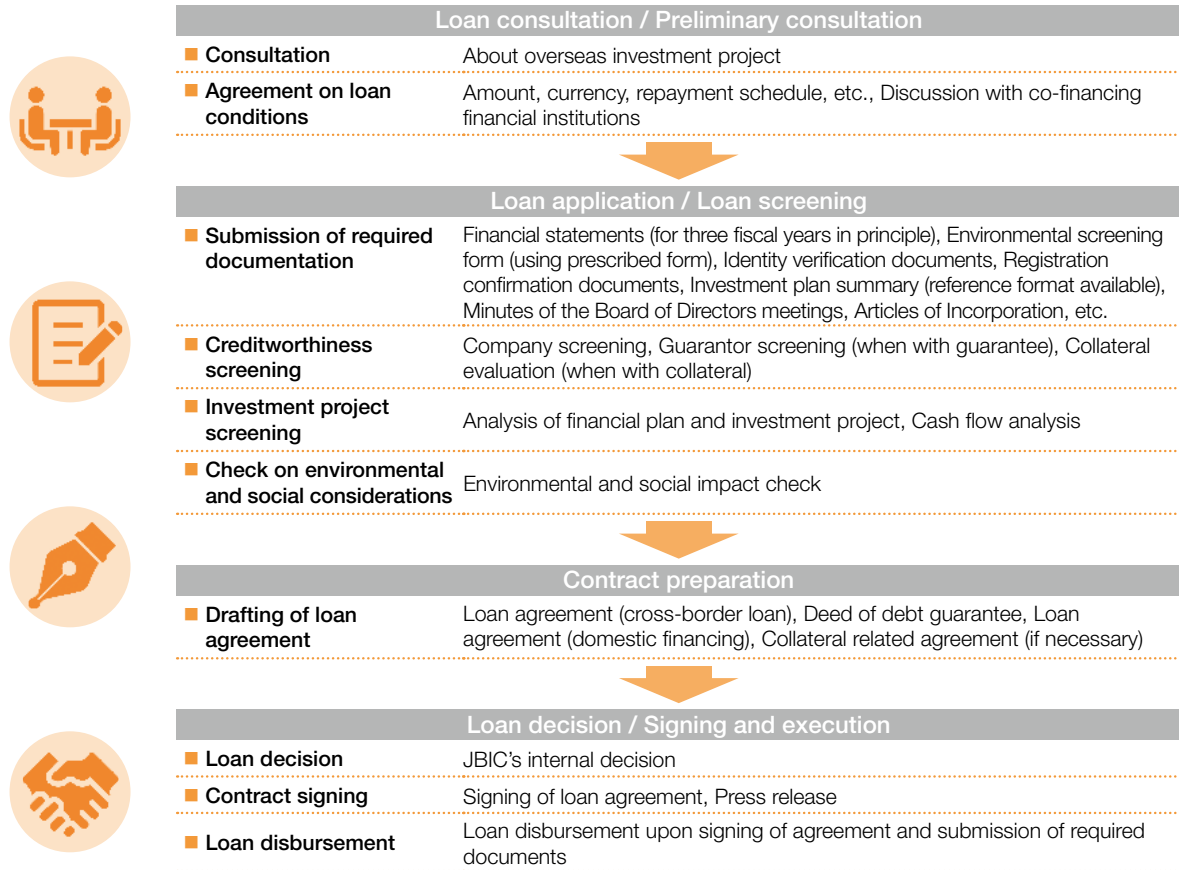
1. In principle, intended to developing countries

\* Definition of mid-tier enterprises and SMEs: Companies capitalized at less than ¥1 billion or with not more than 300 employees. Consolidated subsidiaries of large companies are excluded.

### Loan disbursement flow

First, JBIC interviews the borrower to gain an overall picture of its business and overseas project and to understand its preferred loan conditions. JBIC then consults with the private-sector financial institutions with which JBIC will conduct co-financing (generally the financial institutions with which the borrower company regularly does business).

The process leading to disbursement of the loan is as follows:



### Cooperation with Japanese Private Financial Institutions

Private financial institutions with mid-tier enterprises and SMEs as their client base, play an important role when they seek to develop their business expand overseas. Among private financial institutions, regional banks and Shinkin (credit) banks have especially close ties to mid-tier enterprises and SMEs. In cooperation with such private financial institutions, JBIC broadly supports the overseas expansion of local Japanese companies by not just providing financial services but also co-hosting seminars focused on overseas business development etc.

In addition, JBIC has general agreements with a number of private financial institutions to establish credit lines as a means to promptly finance the funds necessary for the overseas business development by mid-tier enterprises and SMEs in emerging market countries.

### Cooperation with Local Financial Institutions in Emerging Countries

It is essential for mid-tier enterprises and SMEs to obtain support from local financial institutions in countries where they are expanding their business, which are well acquainted with the local area.

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

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

## Business Support Leveraging JBIC's Position as a Policy-based Financial Institution

### 1 Advice on overseas financing (external borrowing regulations, borrowing procedures, etc.) based on JBIC's experience and expertise

With regard to loans to Japanese affiliates overseas, JBIC can provide advice if they need to register external borrowings (with the foreign exchange control agency, central bank, etc.) in the country they operate. The procedures must be taken by borrowers, but JBIC can also provide indirect support.

### 2 Withholding tax on interest exempted under bilateral tax treaties

A tax treaty is a treaty concluded for the purpose of avoiding dual taxation and preventing tax evasion. JBIC is exempt from withholding tax on interest payments under the bilateral tax treaties it has concluded with multiple countries.

Examples of countries in which withholding tax is exempted on interest for JBIC's loans  
(As of December 2022)

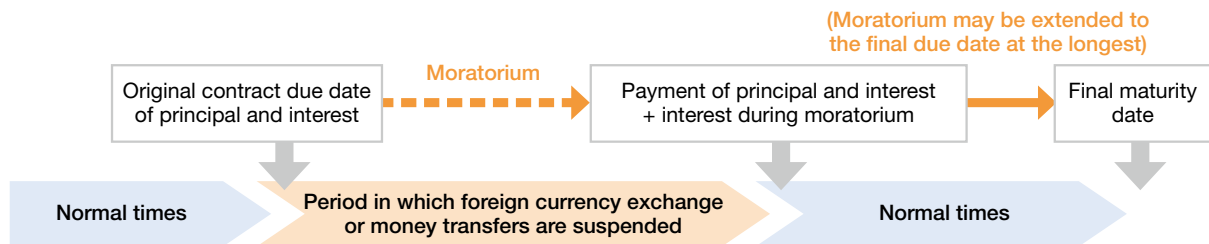


Notes:

- Tax exemption application must be filed by borrowers in the country they operate.
- Chinese value added tax on interest is not exempted and must be incurred by borrowers.

### 3 Complementing political risks, including restrictions on foreign currency exchange and money transfers

If a non-payment of the principal or interest occurs as a direct result of the local government's restrictions on foreign currency exchange or money transfers, JBIC will not request acceleration of payment until such restrictions are lifted, and will also consider a scheme to give a moratorium to guarantors to perform their obligations. This scheme will mainly apply to loans in yen, U.S. dollars, and euro (basically excluding local currency-denominated loans) and may not be available in certain countries. Please contact us for specific conditions for each case.



### Providing Local Currency-Denominated Loans

JBIC provides loans in various local currencies, including the Thai baht, Indonesian rupiah, and Chinese yuan. Especially for mid-tier enterprises and SMEs running domestic demand-based businesses in respective countries, stable financing of local currency funds is an important issue in their business strategy from the viewpoint of avoiding currency exchange risk. JBIC prepares long-term fixed-rate local currency loans alongside with finance from private financial institutions to their Japanese clients' affiliates overseas.

In China, there exists a continued need for long-term Chinese yuan-denominated loans from Japanese mid-tier enterprises and SMEs operating in the country to increase production capacities or for other purposes. The country, however, restricts funds raised from outside China. In order to ensure prompt and flexible response to clients' financial needs under these restrictions, JBIC has signed a general agreement with Japanese regional banks having a branch in China to establish credit lines for yuan-denominated two-step loans.



### Information Services and Seminars

In addition to individual consulting services for mid-tier enterprises and SMEs' overseas expansion of their business, JBIC provides advisory services to business partners and cooperating regional financial institutions through experts concerning the legal, accounting, and currency regulations related to tax affairs, employment and labor issues, contracts, company establishment, and other issues for China, India, ASEAN, North America, Latin America, Europe, and the Middle East.

JBIC also organizes seminars and consultations on overseas business deployment in cooperation with organizations such as private financial institutions, prefectural and municipal governments, and local chambers of commerce and industry. In addition, it

conducts field studies to assess investment climates in countries where Japanese companies are actively expanding their business. The findings of these studies are compiled into guidebooks, which are available in book form and on JBIC's website.

In FY2022, JBIC is holding a number of overseas investment and other seminars, including those held online, for mid-tier enterprises and SMEs.

Additionally, JBIC has set up a loan consulting desk in Sendai, Ota, Tokyo, and Nagoya in collaboration with local governments, chambers of commerce, and other organizations supporting overseas business expansion of local companies and has been providing consultation services on such topics as overseas investment climates and various forms of financing.

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

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

#### Cambodia

#### Morofuji Co., Ltd. (Fukuoka Prefecture)

#### Manufacture and Sale of Plastic and Paper Products

Morofuji engages in the manufacture and sale of packaging materials. In 2011, Morofuji established MOROFUJI (CAMBODIA) CO., LTD. (MCCL) in Cambodia as a new overseas production base and is promoting, through MCCL, the manufacture and sale of packaging materials for Japanese companies. JBIC provided a loan to MCCL for its business of manufacturing and selling packaging materials in Cambodia. The loan is co-financed with The Bank of Fukuoka, Ltd.



#### Malaysia

#### Anaori Carbon Co., Ltd. (Osaka Prefecture)

#### Manufacture and Sale of Carbon Products

Anaori Carbon engages in the manufacture and sale of carbon products. In 2012, Anaori established ANAORI CARBON (M) SDN. BHD. (ACMS) in Malaysia, which is a growth market, to manufacture and sell carbon products for local Japanese and foreign companies and is seeking to expand its business in the ASEAN region. JBIC provided a loan to ACMS mainly for its business of manufacturing and selling carbon products. The loan is co-financed with Kansai Mirai Bank, Limited.



### Indonesia

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

##### Manufacture and Sale of Automotive Parts

SHINKO KOGYO engages in the manufacture and sale of cutting and processing parts for automobiles, such as brake parts and wheel hubs. In 2014, SHINKO KOGYO established PT. Shinko Kogyo Indonesia (PT. SKI) to expand its business in Indonesia and is seeking to increase market share by building an additional manufacturing facility. JBIC provided an Indonesian rupiah-denominated loan to PT. SKI for its business of manufacturing and selling automotive parts in Karawang Regency, Indonesia. The loan is co-financed with TOMATO BANK, LTD.



### Philippines

#### GOTO Inc. (Aichi Prefecture)

##### Manufacture and Sale of Industrial Machinery for Automotive Parts Manufacturers

GOTO engages in the manufacture, sale, and maintenance of powder compacting press machines and industrial machinery for automotive parts manufacturers. In 2013, GOTO established JGM PHILIPPINES, INC. (JGMP) in the Philippines to manufacture and sell industrial machinery and robotic automation systems, etc., for local Japanese companies. JBIC provided a loan to JGMP for its business of manufacturing and selling industrial machinery in the Philippines. The loan is co-financed with The Aichi Bank, Ltd.



### Thailand

#### Doshisha Co., Ltd. (Saitama Prefecture)

##### Manufacture and Sale of Picture Frames

Doshisha mainly engages in the manufacture and sale of picture frames. Through Lanna Frame Co., Ltd. (LNF), its only overseas manufacturing base established in Thailand in 1990, Doshisha is promoting an expansion of sales channels to the U.S., Australia, and other overseas markets. JBIC provided a Thai baht-denominated loan to LNF for its business of manufacturing and selling picture frames and other products in Thailand. The loan is co-financed with Saitama Resona Bank, Limited.



**Thailand****Tsujiko Co., Ltd. (Shiga Prefecture)****Manufacture and Sale of Food Coloring**

Tsujiko engages in the manufacture and sale of electric machinery and appliances. Recently, Tsujiko is also focusing on agribusiness, including manufacture of food materials, and in 2022 established Anchan Natural Blue Co., Ltd. (ANB), in Thailand. The aim is to manufacture natural blue food coloring using butterfly pea<sup>1</sup>. and sell it in global markets. JBIC provided a loan to ANB for its business of manufacturing and selling food coloring in Thailand. The loan is co-financed with THE SHIGA BANK, LTD.



1. Butterfly pea is a legume that blooms blue flowers. Blue powder made from its dried, sterilized flowers is used to color food, such as chocolate and ice cream.

**Vietnam****KOBAORI Co., Ltd. (Kyoto Prefecture)****Manufacture and Sale of Biomass Plastics**

KOBAORI engages in the manufacture and sale of accessory materials for apparel brands. HUARI (VIETNAM) PRINTING AND PACKAGING CO., LTD. (HUARI (VIETNAM)), a joint venture established by KOBAORI in 2016, is now manufacturing RiceResin<sup>1</sup> and promoting its sales as an effort for business diversification. JBIC provided a loan to HUARI (VIETNAM) for its business of manufacturing and selling RiceResin and other biomass plastics. The loan is co-financed with Resona Bank, Limited.



1. RiceResin is a biomass plastic developed in Japan, which uses wasted rice.

**France****DRC CO., LTD. (Osaka Prefecture)****Consignment Testing and Evaluation of Cosmetics**

DRC engages in consignment testing and evaluation of the safety and efficacy of cosmetics and other products. In 2020, DRC established SOLA, a laboratory specialized in ex vivo testing, in France to provide tests using skin cells for cosmetics and pharmaceutical manufacturers in Japan. These tests are not available in Japan, and constant demand is anticipated in the future as well. JBIC provided a loan to SOLA for its cosmetics and other consignment testing and evaluation business. The loan is co-financed with Resona Bank, Limited.

## U.S.

### KOSHII & CO., LTD. (Osaka Prefecture)

#### Manufacture and Sale of Interior Panels of Subway Cars

KOSHII engages in the manufacture of wooden groundsills and pillars for housing, to which its original preservative and termite control technologies are applied. In 1996, KOSHII established KOSHII MAXELUM AMERICA, INC. (KMA) in the U.S. and is working to expand business utilizing its technological capabilities related to wood materials. JBIC provided a loan to KMA for its business of mainly manufacturing and selling interior panels of subway cars in the U.S. The loan is co-financed with Kansai Mirai Bank, Limited.



## Mexico

### TRIX Co., Ltd. (Mie Prefecture)

#### Manufacture and Sale of Automotive Parts

TRIX, engaging in the manufacture and sale of automotive parts, has been expanding overseas in response to overseas business development of Japanese automakers. In 2013, TRIX established TRIX INDUSTRIAL DE MÉXICO, S.A. DE C.V. (TIM) in Mexico and is working to expand business in the country. JBIC provided a loan to TIM for its business of manufacturing and selling automotive parts. The loan is co-financed with Mizuho Bank, Ltd.

