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1. Sustainability-related Policy

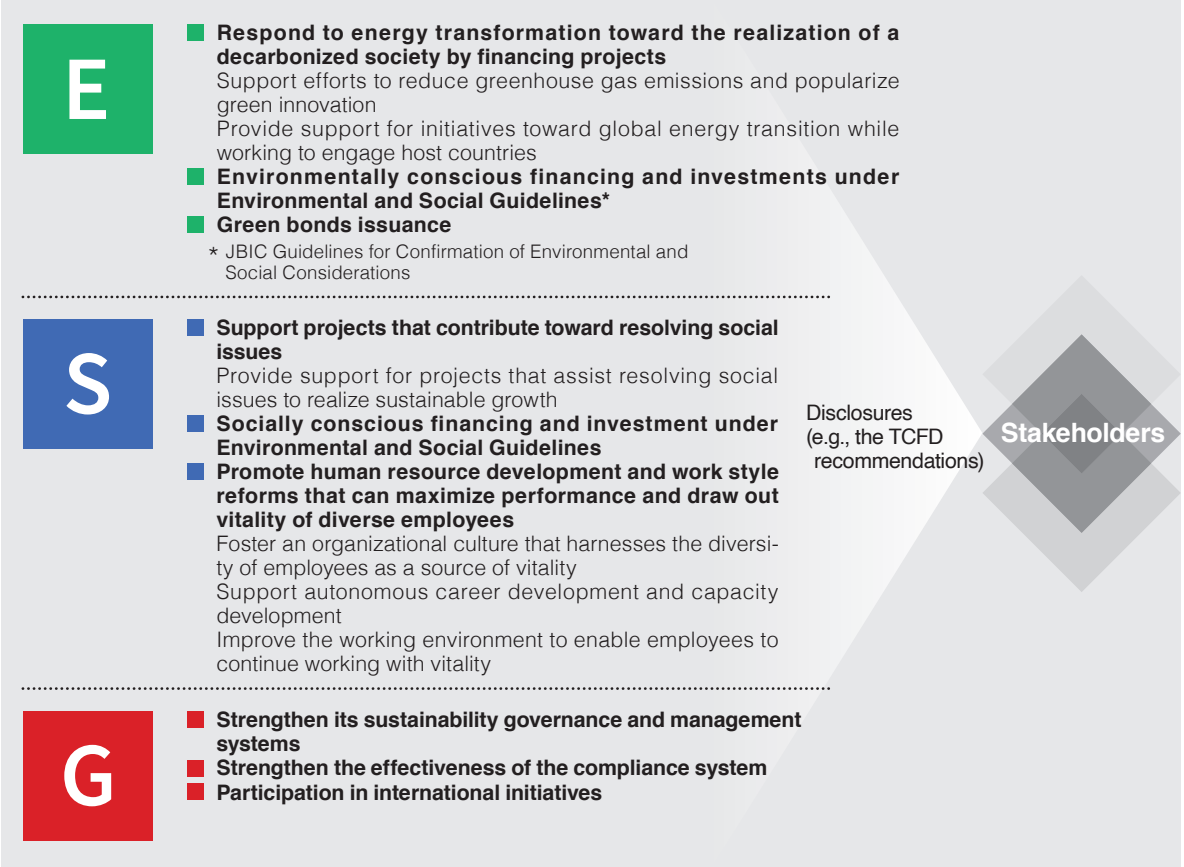
JBIC ESG Policy

Policies toward the realization of sustainability

The world's economies are facing the shared challenges of dealing with climate change and pursuing sustainable growth and development, while seeking to achieve a balance between the economy, society, and the environment.

In response to these challenges, based on the "Policy towards the realization of sustainability" set out in JBIC ESG Policy released in October 2021, JBIC is working with stakeholders to foster global sustainable development and resolve global challenges, as well as realize a world that embraces diversity among countries and people.

As Japan's policy-based financial institution, JBIC promotes the realization of sustainability through efforts to resolve global challenges, including responses to climate change issues and respect for human rights.



Climate change policy

In October 2021, JBIC released its ESG policy, which sets out its Climate Change Policy. As a Japan's policy-based financial institution that contributes to the sound development of the Japanese and international economic community, under this policy we proactively provide financial support through climate change-related finance and other measures in accordance with the policies of the Japanese government.

In addition, as a contribution to the international implementation of the Paris Agreement, JBIC is committed to pursuing ambitious and accelerated efforts to reduce its operational emissions to net zero by 2030, and to achieve net zero emissions in its finance portfolio by 2050.

The full text of our ESG policy is available here:
https://www.jbic.go.jp/en/information/press/press-2021/image/1028-015365_2.pdf

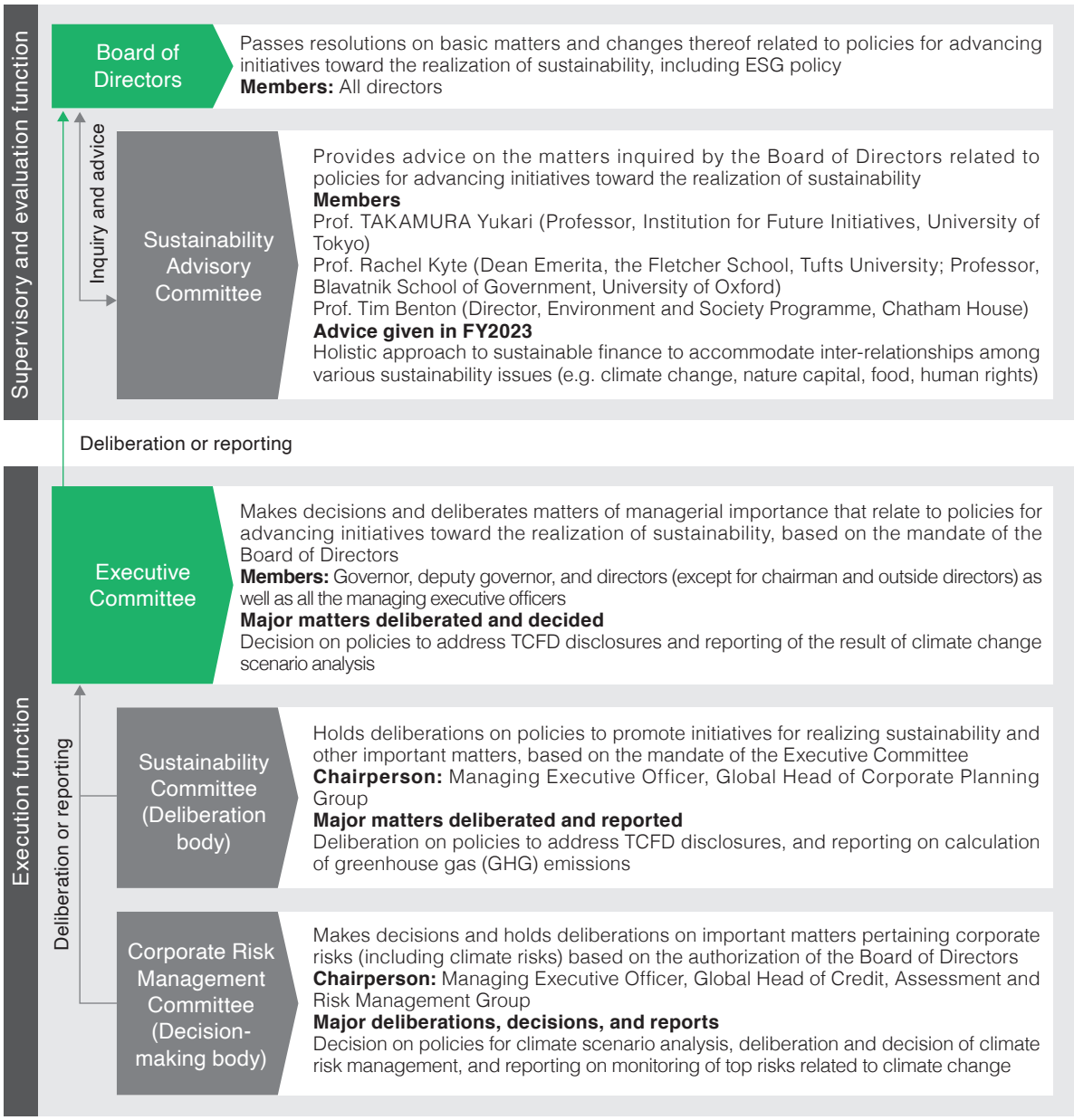
Sustainability Governance and Management Systems

At JBIC, important matters related to sustainability, including items concerning climate change, are discussed at the Executive, Sustainability, and Corporate Risk Management Committees under the supervision of the Board of Directors.

In June 2022, JBIC established the Sustainability Advisory Committee, Sustainability Committee, and Sustainability Management Department as a part of its efforts toward "strengthening its sustainability governance and management systems," as set out in the ESG Policy and has implemented initiatives to promote sustainability including efforts for climate change (sustainability promotion).

Under such sustainability governance and management systems, JBIC will contribute actively to the realization of global sustainability, including sustainable development of the global economy and society and resolution of global issues. To that end, JBIC will provide proactive support for initiatives by Japanese corporations to promote the SDGs and realize the decarbonization of global economy and society, and ensure the appropriate disclosure and announcement of the outcomes of such initiatives to stakeholders.

Sustainability Governance and Management Systems



◆ Role of Board of Directors, Sustainability Advisory Committee

The Board of Directors supervises the basic policies on sustainability promotion and its progress in JBIC. Matters concerning sustainability promotion are addressed as important managerial matters and are discussed by the Board of Directors. The outcomes are reflected in the management strategies and risk management policies.

In addition, the status of climate finance is regularly reported to and properly supervised by the Board of Directors.

The Sustainability Advisory Committee, comprising external experts, was founded in June 2022 as an advisory body of the Board of Directors. It provides advice on matters such as JBIC's policies for advancing sustainability promotion including initiatives for climate change.

◆ Role of Executive, Sustainability, Corporate Risk Management Committees

The Executive Committee is responsible for the implementation of climate change-related operations, based on the mandate of the Board of Directors.

The Sustainability Committee, based on the mandate of the Executive Committee, deliberates on policies for advancing initiatives toward the realization of sustainability and other important issues, and it reports the progress of sustainability promotions by JBIC and related general updates in Japan and abroad. Matters deliberated on are reported to the Executive Committee and are taken to the Board of Directors if necessary, following the discussions and decisions by the Committee.

The Corporate Risk Management Committee deliberates and decides on the important matters related to the management of corporate and credit risks (including climate risks), based on the basic policies determined by the Board of Directors, the Executive Committee, and others. When necessary, the Committee reports and takes matters to the Board of Directors and the Executive Committee.

Guidelines for Environmental and Social Considerations

Amid growing global interest in the environment and human rights, there are more than a few cases where inadequate risk management regarding environmental and social impacts has significantly affected business operations and exposed social reputational risks.

Under these circumstances, JBIC confirms that all projects JBIC has financed consider the impact on local communities and the natural environment, in accordance with the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (Environmental Guidelines).

The Environmental Guidelines set out the criteria and requirements that JBIC-financed projects must meet, and the procedures they must follow, when confirming environmental and social considerations. When JBIC judges that a project's proponents have not made appropriate environmental and social considerations, it will encourage them to take remedial measures. If appropriate environmental and social measures have not been taken, JBIC may decide not to extend funding, or may request that the borrower repay the loan before the due date.

For nuclear sector projects, in December 2017 JBIC established and made public the Japan Bank for International Cooperation Guidelines for Confirmation of Information Disclosure Considerations for Nuclear Sector Projects (Information Disclosure Guidelines). Based on the Information Disclosure Guidelines, JBIC confirms that appropriate measures are carried out by project proponents and other relevant parties. This is designed to ensure that information about issues specific to each project are disclosed, and that there is public participation in projects.

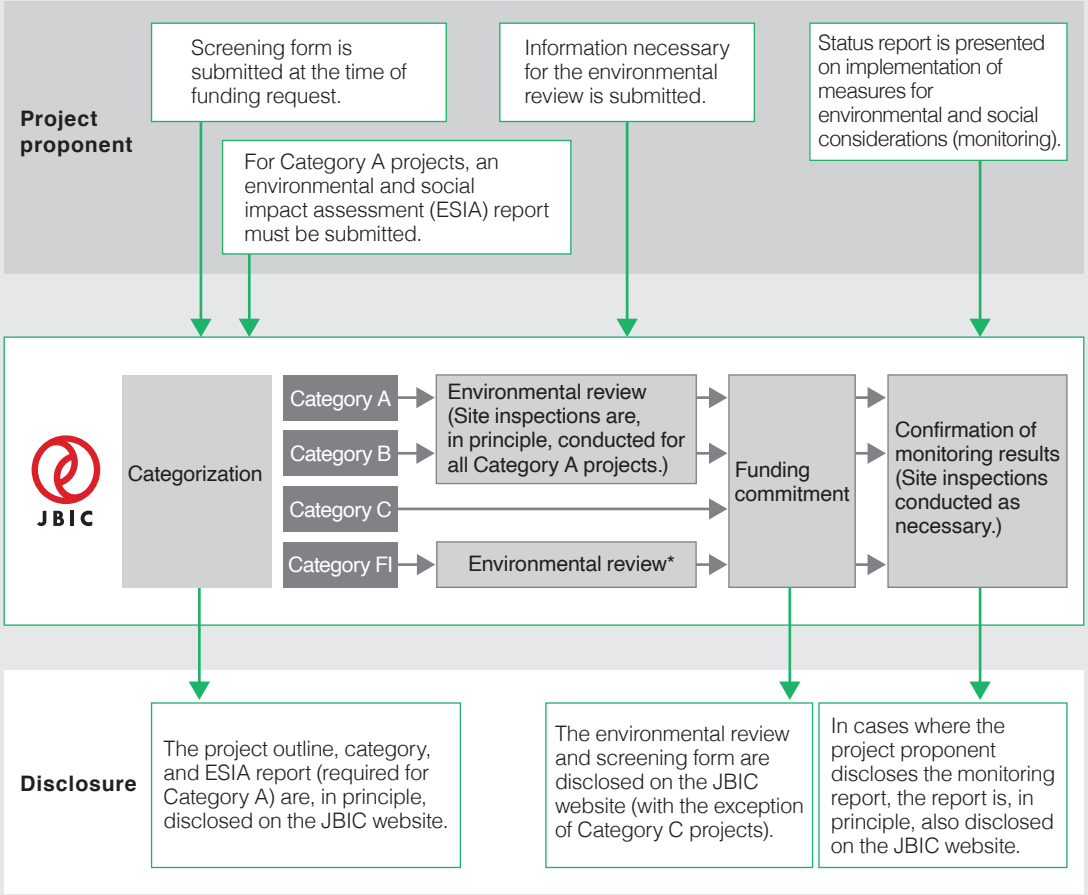
Every five years after their enforcement, the Environmental Guidelines are subject to a comprehensive review. It is based on verification of the Environmental Guidelines' implementation during the previous five years. Revisions are carried out as necessary based on review results. In 2020, five years after their enforcement, JBIC initiated a revision of the guidelines, which it made public. The revision was completed in May 2022, and its stipulations took effect in July of that year.

In order to ensure that the process of revision was open and transparent, JBIC held 10 consultation forums between February 2021 and February 2022, and solicited public comment on the draft revision. In keeping with this revision, JBIC also revised its Summary of Procedures to Submit Objections concerning JBIC Guidelines for Confirmation of Environmental and Social Considerations and Information Disclosure Considerations for Nuclear Sector Projects (Procedures) in May 2022. The current summary of Procedures came into force in July 2022.

Details on the Guidelines for Confirmation of Environmental and Social Considerations are available here:
https://www.jbic.go.jp/en/business-areas/environment/image/Environemtal_Guidelines_2022.pdf

Procedures for Confirmation of Environmental and Social Considerations

Prospective projects are screened prior to funding and classified into categories according to the degree of potential environmental impact. An environmental review is then conducted to verify that the environmental and social impacts have been considered in a proper manner. After funding has been approved, projects are monitored to assess the actual impact.



* For Category FI projects, JBIC confirms through the financial intermediary that the proper environmental and social considerations indicated in the Environment Guidelines have been followed for the project.

Projects are classified into one of the following four categories in relation to the degree of environmental impact, based on the information provided by the project proponent during the screening process.

Category A	Project with the potential for a serious and adverse impact on the environment
Category B	Project with the potential for an adverse impact on the environment, but less than that of Category A projects
Category C	Project with the potential for minimal or no adverse impact on the environment
Category FI	Project for which JBIC provides funding to a financial intermediary, and after acceptance of JBIC funding, the financial intermediary selects and conducts screenings for specific subprojects, in cases where subprojects cannot be determined prior to acceptance of JBIC funding, and where such subprojects are anticipated to have an impact on the environment

Participation in Various Initiatives

JBIC participates in both domestic and international initiatives to promote efforts to achieve sustainability in collaboration with various stakeholders. In FY2023, we joined the Keidanren Nature Conservation Council, the Impact Consortium, and the Asia GX Consortium, and have been exchanging ideas with participating companies and others on advanced case studies. We are also strengthening our existing initiatives, and the Sustainability Leaders Council has been disseminating opinions on water resources through online public events and reports. (See pp. 44 and 55 for details.)

External initiatives

◆ Climate change related

■ Asia GX (Green Transformation) Consortium

The Asia GX Consortium is a consortium for public and private financial institutions to discuss transition finance based on case studies in Asia with the aim to form specific methodologies and real cases of transition finance. JBIC has been participating in the consortium since its kickoff meeting in March 2024.

■ TCFD Consortium

In October 2019, JBIC expressed its support for the objectives of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the body's consortium.

■ Japan Hydrogen Association

The Japan Hydrogen Association is a forum for various stakeholders in the public and private sectors to discuss the direction of strategies for realizing a hydrogen-based society.

■ Japan Hydrogen Forum (JH2F)

Set up by 32 Japanese companies engaging in hydrogen-related businesses in the U.S., The forum aims to contribute to the achievement of the country's decarbonization goal. JBIC joined JH2F in April 2022 and has since been participating in monthly general and other meetings.

■ Clean Fuel Ammonia Association

The Clean Fuel Ammonia Association was established in April 2019 as a general incorporated association (formerly known as the Green Ammonia Consortium) to establish a value chain from the production to the use of CO_2-free ammonia and for its social implementation, thereby helping to realize a low-carbon society.

◆ Nature related

■ TNFD Forum

In December 2022, JBIC became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, and supports the work and mission of the TNFD.

■ Keidanren Nature Conservation Committee

The objective of the Keidanren Nature Conservation Committee is to support biodiversity conservation activities both in developing countries and Japan, as well as to promote such activities of businesses. It supports projects through the Keidanren Nature Conservation Fund, makes policy recommendations, and conducts awareness-raising of biodiversity conservation among Japanese businesses; JBIC joined the committee in June 2023.

Sustainability Leaders Council

The Sustainability Leaders Council was jointly established by the Eurasia Group and Suntory Holdings Limited in October 2021 to advance the sustainability agenda in Asia. JBIC is contributing to the activities of this council as a sponsoring partner.

Executive Sustainability Forum

The Executive Sustainability Forum is an organization that brings together executives of Japanese businesses to discuss and disseminate information on sustainable growth and sustainable business in Japan and Asia. JBIC has been a participant since its launch in November 2022. At the World Economic Forum Annual Meeting in January 2024, the Executive Sustainability Forum announced a joint statement on the circular economy and carbon neutrality in ASEAN.

Others

African Clean Cities Platform

In July 2022, JBIC became an associate member of the African Clean Cities Platform, which was set up to support the achieving the SDGs by realizing clean and healthy cities, sharing knowledge on waste management, and promoting relevant investment in African countries.

2X Challenge / 2X Global

JBIC announced in June 2018, at the G7 summit in Charlevoix, Canada, its participation in The G7 2X Challenge: Financing for Women (the 2X Challenge), an initiative to promote women's social empowerment. In June 2024, the 2X Challenge announced its collective target of mobilizing US$20 billion in gender lens investments by 2027.

The 2X Challenge is currently operating as part of 2X Global.

ESG Finance High-level Panel

The ESG Finance High-level Panel is a forum organized by Japan's Ministry of the Environment to discuss, take action to raise awareness about, and initiate efforts regarding ESG finance between the financial and investment industries and the government. JBIC has participated as a member since the fifth meeting held in March 2022. At the seventh meeting in March 2024, JBIC expressed its views on the importance of engagement as a prospect for deepening ESG finance in Japan.

Human Capital Management Consortium

JBIC has been a member of the Human Capital Management Consortium since its establishment in August 2022. The consortium was set up to share advanced examples of human capital management practices, examine information disclosure methods, and engage in dialogue with companies and investors.

Impact Consortium

In February 2024, JBIC joined the Impact Consortium, which was launched to support a variety of economic and financial initiatives that aim to achieve environmental and social impacts, and to serve as a platform for discussion and collaboration with a wide range of stakeholders.

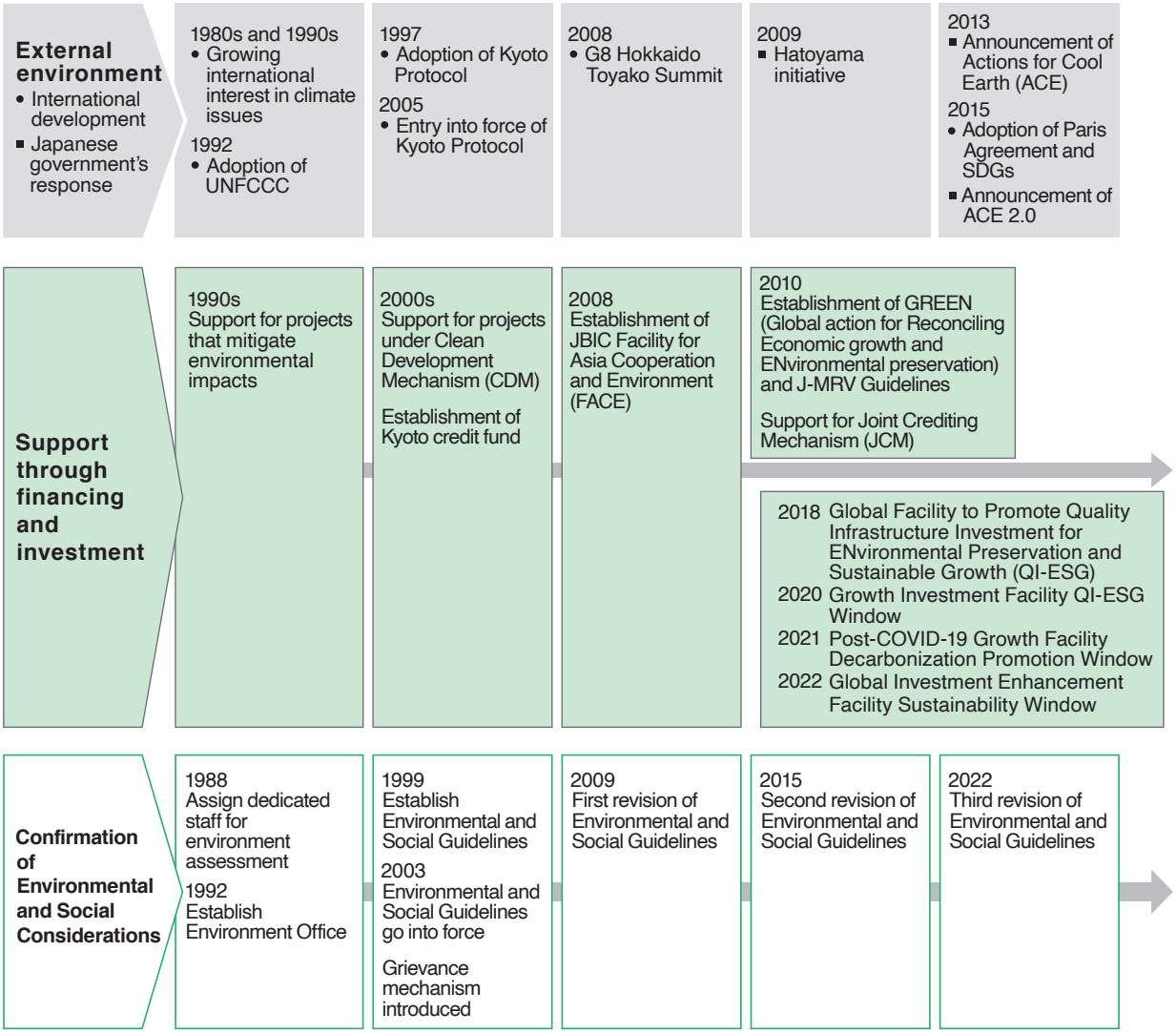
2. Environment

JBIC's Journey on Environmental Issues

Since the 1990s, JBIC has been working to create a new finance menu and develop governance and management systems, while reflecting Japanese government policy and recognizing the need for global efforts to address environmental issues.

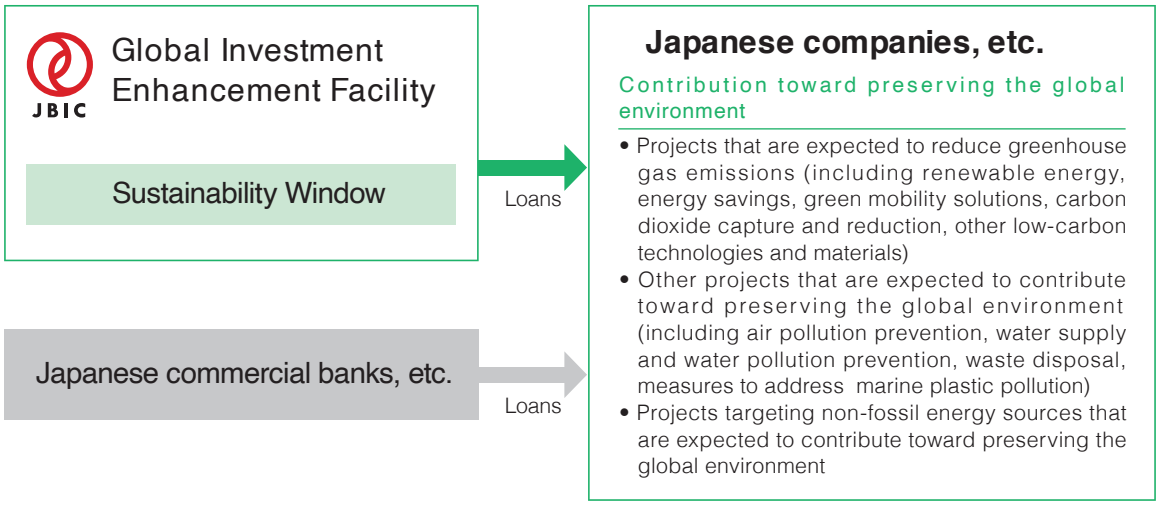
As we put to good use the distinctive functions of a policy-based financial institution, we aim to accelerate the transition to sustainable sources of energy in emerging and developing countries. We plan to continue offering a variety of options for financing, engagement, and multilateral collaboration, thereby contributing to the achievement of worldwide carbon neutrality.

JBIC continues to be proactive in providing financial support for efforts to tackle climate change and other issues. This reflects international agreements and Japanese government policies based on those agreements.



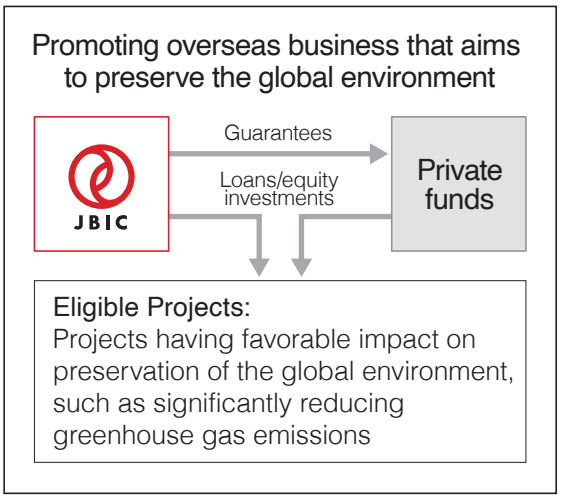
Global Investment Enhancement Facility (Sustainability Window)

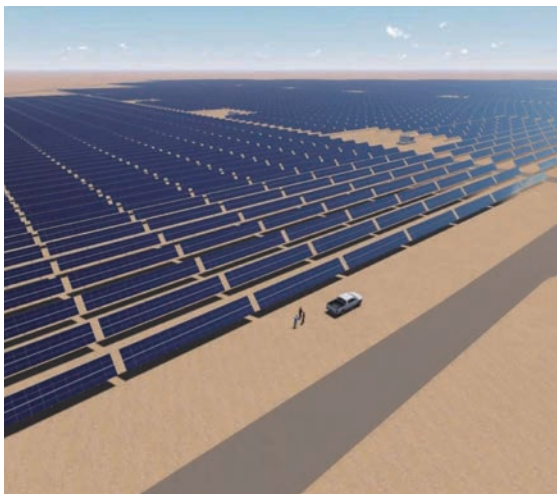
In July 2022, JBIC established the Sustainability Window under the Global Investment Enhancement Facility in order to support and accelerate overseas expansion of Japanese companies with cutting-edge technologies in the area of environment, or with distinctive competitiveness. It is intended to support Japanese companies contributing to preserving the global environment, including decarbonization.



GREEN Operations

JBIC conducts environmental operations under Global action for Reconciling Economic growth and ENvironmental preservation (GREEN). Under GREEN operations, JBIC provides support for projects that have a major effect in terms of global environmental conservation. The support is given in the form of loans, guarantees, and equity investment, while private sector funds are mobilized. The projects undertaken include those to construct solar power generation plants or high energy efficiency power plants, and those to introduce energy-saving equipment that utilizes advanced environmental technologies. GREEN's main focus has been providing support for preserving the global environment, mainly for projects that are expected to significantly reduce greenhouse gas emissions, while paying attention to the potential use of Japanese advanced technologies that are highly regarded around the world.





Green Bonds

JBIC aims to contribute to realizing a sustainable society and environment through green finance. To raise the necessary funds, in January 2022, JBIC first issued green bonds as international bonds, which were guaranteed by the Japanese government. Since then, we have issued another two government-guaranteed global green bonds and one non-guaranteed domestic green bond.

The funds raised through these issues will be allocated to eligible projects, including those related to renewable energy and clean transportation. Green bonds have been issued based on a stringent framework that has received a second-party opinion from Sustainalytics Japan Inc., a company holding a major market share and well recognized in the market.

Global green bond issues

	First (JBIC50)	Second (JBIC55)	Third (JBIC60)
Guarantor	Japanese government		
Currency	USD		
Maturity	5 years		
Coupon rate	1.625%	4.375%	4.875%
Amount	$500 million		

Eligible projects

- Renewable energy (e.g. wind power projects in Africa, geothermal power projects in Southeast Asia)
- Clean transportation (e.g. high-speed railway projects in Europe)

Details concerning issue schedule, results, etc. are available here: https://www.jbic.go.jp/en/ir/greenbond.html

Climate-related Financial Disclosures Based on TCFD Recommendations

JBIC has been disclosing climate-related information based on TCFD recommendations since 2022. Below is a summary of the TCFD disclosure published in December 2023.

Governance

Sustainability Governance and Management Systems

At JBIC, important matters related to sustainability, including items concerning climate change, are discussed at the Executive, Sustainability, and Corporate Risk Management Committees under the supervision of the Board of Directors. For details, please refer to Sustainability Governance and Management Systems (p. 39).

Strategies

Approach to transitioning toward the realization of carbon neutrality

Climate change is one of the most urgent challenges facing the world's economies. Following the adoption of the Paris Agreement in December 2015, international efforts to address climate change have accelerated. As achieving the objectives of the Paris Agreement requires substantial investment, the flow of funds, including private finance, needs to be redirected to pathways leading to decarbonization.

JBIC sees opportunities in activities related to climate change. They include the growing need to finance green energy projects to attain carbon neutrality; the business and technological transformation required for the transition to a decarbonized society; and innovation to establish new technologies. JBIC intends to support such initiatives in a bid to help realize a decarbonized society.

Further, achieving carbon neutrality on a global scale is an issue that must be tackled in tandem with the pursuit of sustainable economic growth. To that end, it is crucial for JBIC to support various paths to a sustainable decarbonized society and thereby contribute to the steady decarbonization of the economy.

With such recognition, JBIC is committed to supporting energy transition-related projects from their initial phases, and to boosting decarbonization initiatives through various types of financial support, while taking into consideration Japanese government policies. To this end, we will use our long-term strategic risk-taking function as a policy-based financial institution. We also will make use of our continuous engagement with host countries' governments and authorities, as well as our ongoing collaboration with overseas governmental organizations and international organizations.

As part of our contribution to the international implementation of the Paris Agreement, we will attain net-zero GHG emissions in our own business by 2030, and net-zero GHG emissions in our investment and lending portfolio by 2050.

JBIC addresses fossil fuel projects appropriately in line with the Japanese government's policies (e.g., consistency with the 1.5°C target and goals of the Paris Agreement), and we have discontinued financing for unabated international thermal coal power generation projects.

Examples of initiatives related to green finance

(1) Financing for offshore wind power generation projects in France

In April 2023, JBIC signed loan agreements to provide project financing amounting to up to €1.1 billion for each of the approximately 500 MW offshore wind power projects to be implemented off the coast of (1) western and (2) northern France. Co-financing amounted to approximately (1) €2.2 billion and (2) €2.4 billion. The loans will contribute to the French government's goal of achieving net-zero GHG emissions by 2050, as well as its renewable energy transition policy.

(2) Finance for U.K. offshore electricity transmission project

In November 2023, JBIC signed a loan agreement to provide up to approximately £259 million (with co-financing totaling approximately £523 million) for an offshore electricity transmission project to transmit electricity generated at the U.K. Triton Knoll offshore wind farm to the British mainland. This loan is in line with the U.K. government's energy policy to achieve net zero CO_2 emissions by 2050 and to advance introduction of renewable energy to attain the target of net zero CO_2 emissions by 2050.

Further, in line with the Japanese government aims to strengthen the international competitiveness of the energy industry by supporting Japanese companies' efforts in development and implementation of decarbonization technologies, the expertise acquired by project investor TEPCO Power Grid UK Limited, a subsidiary of TEPCO Power Grid Inc., regarding power transmission services for the offshore wind farm is expected to be utilized in future business expansion in Japan and outside the U.K.

(3) Post-earthquake energy-related projects in Türkiye

Signing ceremony with TKYB

Signing ceremony with TSKB

In December 2023, JBIC established credit lines of up to $120 million each with (1) the Türkiye Kalkınma ve Yatırım Bankası A.Ş. (TKYB) and (2) the Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) banks, for total co-financing of $200 million. JBIC also provides guarantees for the portion co-financed by private financial institutions.

The credit lines will provide financing respectively for (1) renewable energy and energy efficiency projects in Türkiye, as well as (2) renewable energy, energy efficiency, and water- and waste-related projects that contribute to recovery efforts from the February 2023 earthquake. These loans are in line with initiatives of the government of Türkiye, TKYB, and TSKB, which uphold policies related to the development of renewable energy sources and efficient energy consumption. These loans also create business opportunities for Japanese companies with expertise in energy-saving equipment manufacturing.

Examples of initiatives related to engagement

We believe that engagement with stakeholders including host countries represents our important responsibility as a policy-based financial institution for accelerating energy transition in emerging and developing countries toward the realization of a decarbonized society and for ultimately achieving global carbon neutrality. As Japan's policy-based financial institution, JBIC continues to be proactive in providing financial support for efforts to tackle climate change through the reinforcement of collaboration with overseas governmental organizations and international organizations.

(1) Engagement with host countries' governments

Indonesia
Annual policy dialogue with the Government of Indonesia (March 2022)

Conducted 10th Policy Dialogue among JBIC, the Ministry of Finance of Indonesia, the Ministry of Energy and Mineral Resources and the Indonesia Investment Authority.
Exchanged views on investment trends of Japanese companies and JBIC's potential plan to support decarbonization in Indonesia.

Vietnam
Launch of Vietnam Climate Finance Framework (VCFF) (January 2023)

Launched the VCFF under the Australia–Japan–U.S. partnership to promote projects contributing to Vietnam's goal of achieving net zero GHG emissions by 2050.

(2) Strengthening of cooperation with government and international agencies

Romania
MOU with the Ministry of Finance and Banca de Export-Import a României EximBank S.A. (Romania EximBank) (March 2023)

Strengthen cooperation in energy security and climate change measures in Romania and third-party countries including countries neighboring Ukraine. It also supports direct investment and business expansion in Romania by Japanese companies, and diversification of fund-raising methods to include the issuance of Samurai bonds by the Romanian government.

Egypt
MOU with Ministry of International Cooperation (April 2023)

Support the business development of Japanese companies in a variety of sectors, including decarbonization, such as renewable energy, hydrogen, and ammonia, by strengthen the cooperation between the Government of Egypt and JBIC.

Agreement inked with G7, European development financial institutions, European Bank for Reconstruction and Development (EBRD) (June 2023)

Signed a business cooperation agreement on the Ukraine Investment Platform with G7 and European development finance institutions, as well as the EBRD, at the Ukraine Recovery Conference co-hosted by the British and Ukrainian governments in London. Aims to support Ukraine and neighboring countries in solidarity among the G7, European development financial institutions, and the EBRD, primarily focusing on exchanging information and collaborating on financing to assist the private sector.

UAE
MOU with Abu Dhabi National Oil Company (ADNOC) (July 2023)

Promote cooperation between ADNOC and Japanese corporations, with a focus on areas such as decarbonization, energy transition, and energy efficiency.

MOU for business cooperation with the Black Sea Trade and Development Bank (BSTDB) (February 2024)

Strengthen mutual cooperation including facilitating business activities that contribute to Ukraine's reconstruction; promoting structuring projects in the areas of agriculture, food, transportation, logistics, digital, and healthcare in Ukraine and neighboring countries; and the formation of projects that contribute to climate change mitigation in BSTDB member countries, focusing on renewable energy projects.

Saudi Arabia
MOU with electric power company (April 2024)

Strengthen partnership with the Saudi Arabian Electricity Company (SEC) to facilitate the country's energy transition investment by the introduction of products and technologies, and Japanese companies' financial solutions for the SEC's future projects.

US
MOU with International Development Finance Corporation (April 2024)

Signed an MOU on business cooperation with the U.S. International Development Finance Corporation. The MOU affirms willingness to cooperate in areas such as quality infrastructure, supply chain resilience, and energy transition, primarily in the Indo–Pacific region, and will help realize the Free and Open Indo–Pacific promoted by the Government of Japan.

Discussions with International Finance Corporation
(January 2024)

Aim to further strengthen cooperation with IFC to promote structuring projects in areas such as sustainability, including climate change and energy transition, and infrastructure and resources that help strengthen global supply chains, and innovation.

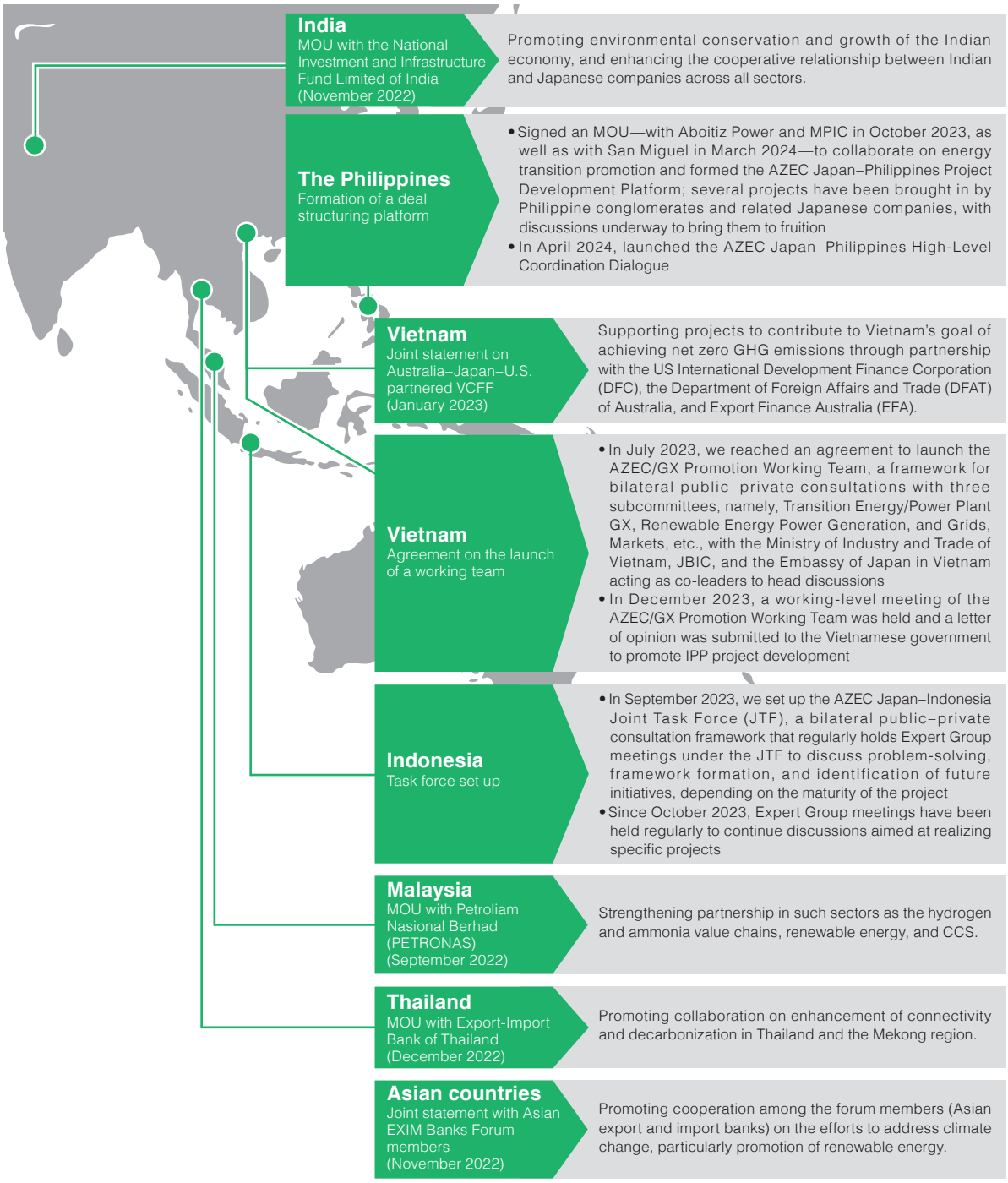
Support for energy transition in Asia

The Japanese government promotes decarbonization through the Just Energy Transition Partnership and the Asia Zero Emissions Community (AZEC). JBIC supports energy transition by engaging with host countries' governments and developing projects such as those for renewable energy.

Asia Zero Emission Community (AZEC)

AZEC is a multilateral platform that was put forward by Prime Minister KISHIDA Fumio in January 2022 and launched under the leadership of the Government of Japan in March 2023. Together with other Asian countries that are actively tackling carbon neutrality, AZEC supports decarbonization while considering the unique circumstances each country faces to ensure economic growth and energy security.

In line with the AZEC concept, JBIC strengthens support for decarbonization in Indonesia, Vietnam, and the Philippines not only through promoting engagement with the host countries' governments but also by structuring renewable energy projects in those countries.



◆ Climate related risk management

JBIC recognizes the importance of managing risks related to climate change, and so decided to incorporate a climate risk management policy in 2023. Based on this policy, JBIC has prepared a framework to identify, assess, and manage climate-related risks.

Risk management frameworks

JBIC recognizes climate-related risks as forward-looking risks that may materialize in different patterns and magnitudes, subject to future environmental and social circumstances, and which therefore need to be addressed through long-term, comprehensive perspectives. We also understand that climate-related risks are characterized as risk drivers that are associated with every risk category, including credit risk, market risk, liquidity risk, and operational risk. Thus, they may materialize over a variety of time horizons, both short and long term, and through a wide range of channels and touchpoints.

Based on this recognition, JBIC has designated climate-related risks as one of the Top Risks (risk events that will significantly impact JBIC when they become apparent and require particular attention) in its enterprise risk management framework, and it comprehensively manages these risks by monitoring the social and regulatory trends related to climate issues and changes in situations regarding fossil fuel projects.

With external experts, we also conduct qualitative assessments of the significance of climate-related risk events that are anticipated in each risk category, taking into account the characteristics of JBIC's business activities and portfolios. This assessment shows that JBIC's credit risks (e.g., increases in credit-related costs due to a deterioration in a borrower's business performance) are of high significance, so JBIC has been prioritizing the development of climate-related risk assessments and management frameworks.

One of the climate-related credit-risk assessment measures that JBIC implements is scenario analysis regarding the transition and physical risks of borrowers. As the TCFD's supplemental guidance for the financial sector recommends the disclosure of significant concentrations of credit exposure to carbon-related assets for certain sectors, JBIC has designated the four sectors of electricity, energy, transportation, and iron and steel as high-priority sectors, where climate-related risks are high in light of the relatively large amounts of credit.

		Examples of Risk Events	Climate Risk	Timeframe
Credit risk		Increasing credit costs along with the deterioration of a borrower's business performance resulting from declining revenue and increasing carbon-related burdens, mainly in carbon-related industries	Transition risk	Medium- to long-term risks
		Increasing credit costs along with the deterioration of a borrower's business performance and collateral impairment due to extreme weather	Physical (acute) risk	Short-term risks
		Increasing credit costs resulting from collateral impairment and deterioration of a borrower's business performance following long-term climate change	Physical (chronic) risk	Medium- to long-term risks
Market/ liquidity risk		Disruption to financial and commodity markets and accompanying price fluctuations of financial products and commodities due to hasty transitions or natural disasters.	Transition and physical (acute) risk	Short- to long-term risks
		Funding costs increase due to a deterioration in reputation resulting from a delayed response to transition risks	Transition risk	Short- to medium-term risks
Operational risk	Tangible asset risk	Damage to the head office, branch, etc.	Physical (acute) risk	Short-term risks
	Reputation risk	Deterioration of reputation resulting from an inadequate response to climate change issues and delayed responses to disclosures	Transition risk	Short-term risks

Scenario analysis

In order to evaluate the impact that climate change is likely to have on our portfolio in the future, we conduct scenario analyses for transition and physical risks. The analyses are based on climate scenarios from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), a financial authority network primarily related to climate change risks, in line with the TCFD recommendations.

In terms of transition risks, we have analyzed the likely impacts until 2050, mainly using the Net Zero 2050 scenario (for warming below 1.5°C) based on NGFS calculations. It assumes a view in which strict regulations and progress in innovation will limit global warming to 1.5° C and achieve zero carbon dioxide emissions around 2050.

We selected analysis targets taking into consideration both GHG emissions and the credit exposure of JBIC. Specifically, our analyses have focused on large domestic and international corporate borrowers in the four high-priority sectors, borrowers with particularly large credit lines in carbon-related project finance projects, and large sovereign borrowers that are vulnerable to the effects of the transition to a decarbonized society as we often provide credit to foreign governments due to the nature of a policy-based financial institution.

In terms of physical risks, the hazards (climate disasters) analyzed were acute risks—such as coastal floods, river floods, storms, droughts, wildfires, and sea level rises—as well as chronic risks, such as rising temperatures and sea levels.

Based on a worldview in which currently implemented policies will be maintained while physical risks increase, we analyzed impacts up to 2050, primarily using the NGFS Current Policies scenario (3° C rise scenario). Taking into account the characteristics of JBIC's credit portfolio, the analysis covered all of JBIC's project financing. This is because in project finance, the revenue assets are concentrated in one location, making them highly susceptible to the effects of hazards.

As a result of the scenario analyses of transition and physical risks, we have confirmed the importance of implementing appropriate credit management. At the same time, the characteristics of each project must be taken into account, dialogue and engagement with governments and borrowers must continue, and support through GX finance and other means must be provided to ensure that decarbonization efforts are carried out as planned. JBIC acknowledges scenario analysis as a tool to assess the future impact that climate change will have on its portfolio, and it will continue to utilize scenario analysis in order to enhance the flexibility and resilience of its risk management for various future climate-related conditions.

We will advance our ceaseless efforts to improve the analysis and data utilization method through dialogue with various stakeholders, including host countries' governments and clients so that we can enable scenario analysis to reflect decarbonization prospects in each sector and in clients' transition plans.

Metrics and targets

Key Monitoring Metrics	Results	Target
GHG emissions (FY2022)		
Scope 1	181.5 t-CO_2	Net zero by 2030
Scope 2	861.4 t-CO_2	Net zero by 2030
FY2023 climate-related finance results		
Number of projects structured	57	28
Number of projects committed	32	42
Co-financing amount	¥2,443.3 billion	—
Outstanding credit of project financing to the thermal coal power generation projects	¥1,106.6 billion	Expected to reach zero by the early 2040s

GHG emissions

JBIC is conducting analysis and examination on the measurements of its GHG emissions as a metric to evaluate and manage climate-related risks and opportunities.

(1) Initiatives toward reduction of GHG emissions from our operations

Under its ESG policy, JBIC is committed to pursuing efforts to reduce GHG emissions from its own operations to net zero by 2030. We will continue to implement measures to reduce Scope 1 and 2 emissions. We also started calculations for the categories in Scope 3 (business trips) from FY2022.

(2) GHG emissions from our finance portfolio

Currently a trial calculation of GHG emissions in our finance portfolio, based on our operational features, is underway. We will continue to analyze and adjust our calculations and the scope of our monitoring to achieve net zero emissions by 2050.

Pages 47 to 53 of *Integrated Report 2024* are based on a summary of *Annual Report 2023 Addendum—Climate-related Financial Disclosures Based on TCFD Recommendations*, published in December 2023. For *Integrated Report 2024*, examples of initiatives mentioned in the Addendum have been updated.

For the full text of climate-related financial disclosures based on TCFD recommendations, please refer to the *Annual Report 2023 Addendum* on the JBIC website:
https://www.jbic.go.jp/en/information/news/news-2023/image/TCFD_2023_E.pdf

Initiatives for Natural Capital

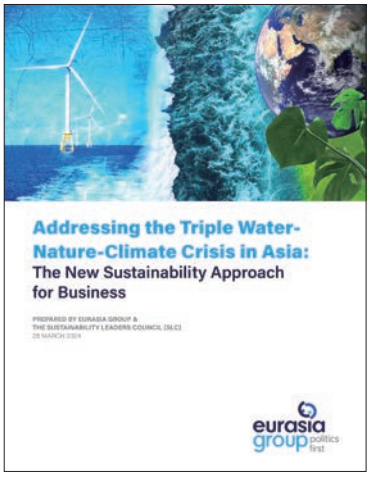
There is a correlation between climate change and natural capital and biodiversity loss. Thus, transition to a decarbonized society, restoration of nature, and conservation of biodiversity need to be promoted in an integrated manner.

JBIC recognizes such efforts to address sustainability issues as new business opportunities for companies, and new value-added creation opportunities for the global economy. Therefore, from a cross-regional and cross-industry perspective, JBIC supports projects related to natural capital and biodiversity, as well as decarbonization.

Initiatives to conserve water resources

JBIC participates in the Sustainability Leaders Council, an initiative jointly established by the Eurasia Group and Suntory Holdings Limited, and is involved in discussions on sustainability, mainly in Asia.

In 2023, its theme was water. In November, it held a public event online to communicate principal needs: for integrated measures in collaboration with stakeholders who share water resources, and for innovative water-related technologies and support. In March 2024, it released a report on the current situation of water-related issues and future initiatives.



Partial acquisition of publicly offered Samurai blue bonds

In May 2023, JBIC partially acquired yen-denominated foreign bonds (Samurai bonds) These bonds total ¥20.7 billion, and were issued by the Government of Indonesia through public placement in the Japanese market.

JBIC provided guarantees for Samurai bonds issued by the Government of Indonesia four times, and partially acquired such bonds twice in the past. The bonds that JBIC partially acquired this time are the first Blue Bonds that the Government of Indonesia has issued. Use of the proceeds is limited to activities in the maritime sector, such as conservation of marine resources.

The proceeds of the bonds will be allocated to eligible projects, which may include marine and coastal protection, restoration of biodiversity and ecosystems, waste management, sustainable fishing, and so on under the SDG Government Securities Framework formulated by the Government of Indonesia. In addition, the purchase of the bonds will contribute to facilitating such projects, thereby strengthening the cooperation between JBIC and the Government of Indonesia.

(This is for illustrative purpose only.)

Sustainability transformation

In March 2023, JBIC signed an agreement for equity investment up to €58 million NordicNinja Fund II SCSp of Luxembourg.

The fund is a venture capital fund established by JBIC IG Partners, a joint venture between Industrial Growth Platform, Inc. (IGPI) and JBIC, and others. It invests in startups related to the sustainability and digitalization sectors, mainly in northern Europe (Nordic and Baltic countries plus the U.K., Ireland, and the Benelux countries).

One of its investees, Onego in Finland, produces alternative proteins that, compared with conventional proteins, reduce manufacturing-related GHG emissions, land use, and water use. That company also plans to use by-products from the manufacturing process for a number of applications, including as packaging materials.

The fund will support Japanese companies to achieve sustainability transformation by promoting businesses and capital alliances between such startups in northern Europe and Japanese strategic investors.

Cream made from alternative protein produced by Onego.
(This is for illustrative purpose only.)

3. Social

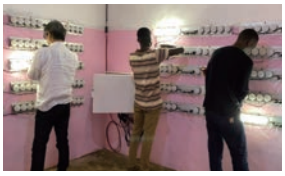
Examples of initiatives related to Social Finance

Through social impact finance, we are providing support for projects that assist in resolving social issues.

(1) Benin Ministry of Primary Education electric lantern project

In June 2023, JBIC signed a loan agreement amounting to up to €1 million, of which JBIC's portion is €500,000, with the Government of the Republic of Benin under a credit line set up in March 2021. JBIC provided a guarantee for the portion co-financed by private financial institutions.

The loan is provided as part of JBIC's GREEN operations, and is intended to provide the funds necessary for the installation of rooftop solar panels at Benin's elementary school buildings, enabling students to power rechargeable electric lanterns with a clean renewable energy source and lend them to pupils to light households in unelectrified areas.



Lanterns are lent (left) and can be recharged.

(2) Environmental conservation supported as Japanese companies expand in India

In August 2023, JBIC signed an agreement for equity investment in the India -Japan Fund. The target size of the fund is INR49 billion, with the Indian government and JBIC committed to investing INR24 billion and INR25 billion, respectively. The fund was set up by the National Investment and Infrastructure Fund Limited (NIIFL), Indian government affiliated investment fund manager, and is operated by NIIFL in collaboration with JBIC IG Partners, a joint venture between JBIC and IGPI.

The fund will invest in India's environmental and social sector (including renewable energy, electric vehicles, waste management, and water management), and Indian companies/projects that collaborate with Japanese companies, in order to enhance the cooperative relationship between Indian and Japanese companies across all sectors. As India works to address the challenges derived from population growth and rapid urbanization, the fund will help solve such social issues as the ongoing increase in untreated waste and water pollution.

Signing ceremony

(3) Antigua and Barbuda decentralized water circulation system

In February 2024, JBIC signed a loan agreement with WOTA Corp. for a loan of up to ¥84 million (with total co-financing amounting to ¥120 million). The loan will fund the manufacture and sale in Antigua and Barbuda of a small-scale decentralized water recycling system developed by WOTA, which allow residences to reuse grey water. With the island nation facing chronic water shortages, the systems are expected to contribute to a hygienic and stable water supply without relying on water and sewerage infrastructure, which require huge outlays for development and maintenance.

Discussions are held with local stakeholders.

Human Rights Initiatives

Fundamental approach

As a Japanese policy-based financial institution with the aim of contributing to the sound development of Japan and the international economy and society, JBIC recognizes that respect for human rights is a critical issue that it is required to be addressed proactively.

In April 2023, JBIC released its Human Rights Policy (the Policy). It expresses JBIC's commitment to human rights, and states that JBIC expects its clients and suppliers to respect human rights. JBIC will continue to respect human rights and promote the realization of sustainability in line with this policy.

Commitment to Respect Human Rights

JBIC respects international human rights standards, while endeavoring to respect these rights. JBIC shares the philosophy behind the Policy and expects its employees, suppliers, and clients to respect human rights.

International human rights standards

The Universal Declaration of Human Rights

International Covenants on Human Rights

ILO Declaration on Fundamental Principles and Rights at Work

Guiding Principles on Business and Human Rights

Philosophy

- Prohibit discrimination of any kind
- Zero tolerance of human rights violations, including harassment, forced labor, child labor, and human trafficking

The full text of our Human Rights Policy is available here: https://www.jbic.go.jp/en/sustainability/image/0414-017692_1.pdf

Initiatives for human rights due diligence

JBIC respects international norms on human rights, including the United Nation's Guiding Principles on Business and Human Rights.

JBIC carries out human rights due diligence initiatives that include the identification and assessment of human rights risks, while considering and implementing measures to prevent and mitigate adverse impacts.

When conducting transactions with clients, JBIC confirms that project proponents undertake appropriate environmental and social considerations, including human rights, in accordance with Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations, which will be reflected in our funding decision-making. Moreover, even after decision-making on funding, it continues to monitor and engage with the projects to ensure environmental and social considerations are being undertaken properly.

Access to remedies

Suppliers and clients can bring to JBIC's attention their concerns and complaints through a complaints hotline.

Further, the JBIC Guidelines for Confirmation of Environmental and Social Considerations recommends that project proponents establish a point of contact for complaints in order to receive complaints from stakeholders such as local residents at an early stage and to promote their resolution.

For employees, JBIC has set up an internal and an external hotline to provide relief for those who have been negatively affected within JBIC, as well as an external consultation counter specializing in harassment issues. When an issue arises, JBIC will conduct prompt investigations and take measures to provide relief to the victim and prevent the issue from recurring. As part of our efforts to raise awareness of respect for human rights and prevent harassment, we provide training and e-learning programs for all executives and employees annually.

Human Capital Management in Practice

Human capital management in medium-term business plan

JBIC's corporate philosophy is "Positioned at the crossroads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy." Under this philosophy, JBIC has established the medium- to long-term vision, "To serve as a 'navigator' to build a brighter future with Japanese power in an uncharted global situation." This defines what JBIC wishes to become over the next 10 years.

The theme for our Fifth Medium-Term Business Plan thus is, Navigate toward and Co-create a Valuable Future. To achieve these goals, we need to have talented people with high levels of financial expertise and public spirit, as well as an international perspective. The people in question should also recognize the development of Japan and the international economy as being in an increasingly complex international environment.

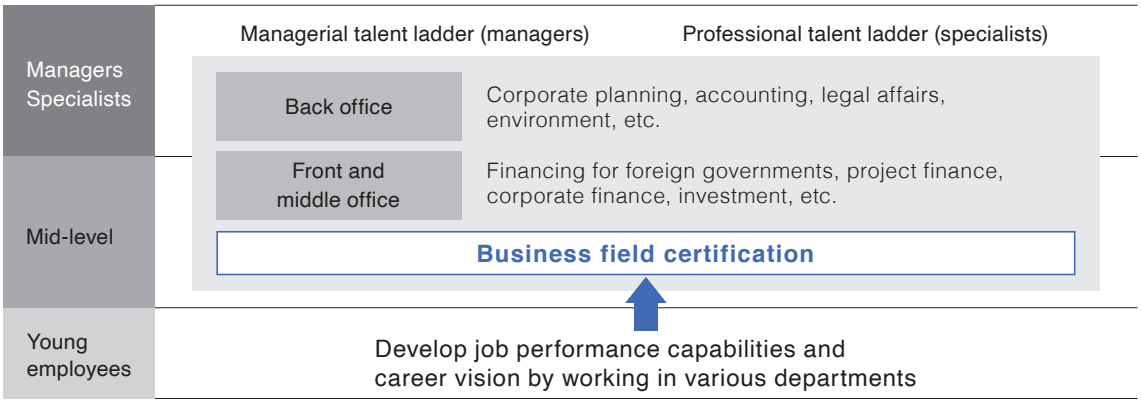
Under the business plan, we will work to evolve into a highly engaged organization that can maximize the capabilities of our employees in order to quickly respond to the needs of the times and the environment to create value.

Human resource development policy

As an organization that contributes to the advancement of Japan and the international economic community, JBIC aims to create added value and respond to needs that are becoming increasingly diverse and sophisticated amid the progression of globalization. To do so, JBIC implements human resource development and training policies that focus on the strengths and aptitudes of individual employees rather than training generalists in a homogeneous manner, consciously cultivating hard and soft skills from an early stage and continually strengthening these with an eye to future career paths.

Please see the diagram below for an overview of career development for managerial track and administrative track positions.

Managerial Track Positions



- Managerial talent ladder: Building a career while taking on organizational management responsibilities as a manager in one's certified business field
- Professional talent ladder: Narrow down one's knowledge and expertise within the certified business field (country/region, macroeconomics, etc.) and build a career as a highly-skilled expert

Administrative Track Positions

Human Resource Development

Training system (JBIC Academia)

In order to develop human resources in a way that draws out the capabilities and vitality of its diverse employees, JBIC has been upgrading its training system and, in April 2023, set up the JBIC Academia as a new training system consist of Human/Conceptual Skills, Technical Skills, and Global Skills. It fosters learning, teaching, and communication among employees. JBIC is working to strengthen its training through the Learning Management System, an IT tool that was introduced the same month.

Human/Conceptual skills

In order to be active at the forefront of international business, strengthen our human resource development capabilities, and develop our future executive personnel, we are providing the skills required at each level. Thus for new employees, we are stressing logical thinking; for mid-level employees, leadership and the skill of involving others; while for managers, we are boosting their leadership and organizational management abilities.

Technical skills

We hold training and study sessions featuring the specialized knowledge required to carry out our work, which involves sovereign, corporate, project and structured finance and investment, together with legal, environment- and sustainability-related aspects. In addition, we subsidize the cost of attending training courses offered by other institutions, in order that our employees may acquire the specialized knowledge required for our work.

Depending on the specialty that employees choose to follow, we send them to graduate schools overseas or in Japan, to study areas such as economics, business administration, public policy, and law.[1] We also arrange for employees to be seconded to international organizations[2] and overseas branches of private banks through a partly-open application system, as well as to government agencies responsible for foreign and economic policy.

Notes:
1. Overseas graduate schools include Harvard University, Stanford University, Massachusetts Institute of Technology, Columbia University, London Business School, and the University of Cambridge.
2. International organizations include the World Bank and International Finance Corporation.

Global skills

New and young employees undergo intensive English-language training through private lessons and group training. New and young managerial-track employees, meanwhile, spend several months as trainees at overseas representative offices. In fiscal 2023, 13 men and 18 women were thus dispatched.

To encourage employees to acquire ability in foreign languages—not just English—in the context of their work, we subsidize part of the costs they face for tuition and other fees, and send them to graduate schools abroad, on secondment, and to specialist language schools.

Encouraging diverse and talented human resources

Besides OFF-JT (off the job training) that utilizes the above-mentioned JBIC Academia, JBIC provides OJT (on the job training) at the actual workplace to establish career paths that reflect each employee's specialized skills through work experience. We ensure that both new graduate employees who begin their careers at JBIC and mid-career employees who JBIC focuses on enhancing recruitment as described below, can quickly become familiar with our organization and can work autonomously. Specifically, during OJT we provide support by assigning trainers (instructors for work-related development) to our new graduate employees and mentors to mid-career employees. Additionally, we are strengthening support for employee development through one-on-one meetings, which provide regular opportunities for dialogue with managers for the purpose of employee development.

Diversity

Approach

JBIC regards the promotion of diversity and inclusion (D&I) as an organizational requirement if we are to see a world that, embracing diversity, enables countries and people to make the most of their individual potential. By respecting the diversity of all employees, each with their own individuality, and providing them with fair and equal opportunities, we seek to create an organization in which all staff can work energetically and sustainably in a way that best suits their respective and diverse values.

Implementation framework

At JBIC, the Human Resources Office takes the lead in promoting D&I through various initiatives. We believe that stimulating communication within the organization is important to promoting D&I, and thus undertake a variety of initiatives, including the implementation of interactive and participatory projects involving management and employees.

In addition to these initiatives, JBIC has introduced an Inclusivity Officer system to enable employees to seek advice and help each other regarding concerns and questions they may have in the workplace. In addition, our management team has announced its executives' commitment to fostering a corporate culture that, understanding the importance of D&I, is working to promote it throughout the Company.

Promoting diverse work styles

With a view to enabling work styles matched to the diverse values of employees, we have established leave and other personnel systems and a range of support programs for employees who balance work with childcare/nursing care. We distribute childcare/nursing care handbooks, hold childcare/nursing care interviews with managers, and regularly communicate information about work–life balance support systems to all employees. Through these initiatives, JBIC has received public certifications, such as "Kurumin" certification as a company supporting child-rearing and "Tomonin" certification as a company striving to create a workplace environment that helps employees to balance work with nursing care.

Under the Second Plan for Work Style Reform, we created an environment in which all employees can perform childcare and return to work without anxiety; held work–life balance support seminars and roundtable discussions; and provided training for managers to promote an understanding of childcare and nursing care. Additionally, we have expanded our support system for employees with children in school, as well as systems to encourage male employees to take temporary retirement for childcare. In FY2023, the percentage of men taking temporary retirement for childcare was 76.4% and the percentage of men taking childcare leave and leave for childcare purposes was 105.8%.* We are also expanding our comeback system, which allows employees who left the company for reasons such as childbirth, childcare, nursing care, or the transfer of a spouse to return to work.

* The number of male employees who took childcare leave in FY2023 includes those whose spouses gave birth in fiscal 2022, so the figure for fiscal 2023 exceeds 100%.

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Creating Environments that Enable Flexible Working Styles

We implement a highly flexible staggered work system, a telework system, and a summer vacation (five days) that is separate from paid vacation. We have set a target of 80% paid leave usage rate for JBIC employees (2023 result: 66.3%) and encourage employees to steadily take paid leave, including encouraging them to take consecutive holidays, while making efforts to create work environments conducive to easily taking leave such as by making employees aware of the state of their unused paid leave.

Besides improving networks for employee teleworking, we are working to improve the office environment so that employees can be more productive in a more comfortable environment, when they begin work each day. We are also making efforts to revitalize communication among employees working in hybrid conditions by implementing team building training and roundtable discussions on a variety of topics.

Active participation of diverse human resources

In our action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we set a goal of increasing the proportion of female employees in management positions at JBIC to 10% or more by the end of July 2024 (10.1% as of the end of July 2024). To do so, we expanded support for balancing work with childcare/nursing care and created an environment that enables flexible work styles. Concurrently, we are making efforts to foster career development awareness among female employees such as by sending them to external training programs. Under this plan, we are actively recruiting women with the aim of increasing the proportion of recent-graduate females to 50% each year among new graduates hired for managerial track positions at JBIC (45% in 2023, 50% in 2024). We are also increasing the number of female employees at overseas representative offices and seconding locations (as of the end of March 2024, the percentage of managerial track employees posted overseas was 16% for men and 13% for women).

We are also focusing on mid-career recruitment, including of specialist personnel. As of the end of March 2024, mid-career hires accounted for approximately 20% of managerial positions and approximately 30% of non-managerial positions among managerial track employees, while the mid-career hiring ratio for regular employees in 2023 was 30%.

Creating a work environment that promotes physical and mental health

To provide mental health care to our employees, besides implementing stress check tests, we distribute regular newsletters, set up external consultation desks, and provide self-care and line-care training.

Creating a highly engaged organization

In response to the times and environment, and in order to create value, JBIC is creating a highly engaged organization in which employees can maximize their capabilities through specific, management-led organizational reforms. This is also one of the priority issues in JBIC's Fifth Medium-Term Business Plan.

To understand the state of engagement within the organization, we conduct annual employee opinion surveys and share the results with each workplace. We do our best to identify issues, while studying and carrying out measures to improve workplaces so that employees can feel more motivated and have a sense of growth.

Employee interviews and comments

Human resource development

JBIC serves as a bridge between Japan and the world, and is at the crossroads of business and policy formation. In order to collaborate with a wide range of stakeholders, it is important that each employee acquire a broad perspective and a big-picture viewpoint based on their financial expertise and multifaceted skills.

JBIC Academia plays an important role in employees' acquisition of the necessary outlook and skills, and has significantly expanded our training system. Another feature of all-round employee training is job rotation. As we are not a large organization, we want to see each employee demonstrate leadership qualities on behalf of the organization in an environment of broad discretion and great responsibility. Our goal is to develop human resources able to grasp the big picture of our organization, as they gain a bird's-eye view and a broad perspective, while helping the organization advance. Thus we are committed to developing all of our employees.

IKEHARA Satoshi

Special Advisor for Human Resource Development (at the time)
Human Resources Management Office, Corporate Planning Department, Corporate Planning Group

Diversity promotion

Diversity has many different contexts, such as women's participation in the workforce, support for balancing work and family life, paternity leave, and diversification of the workforce. But in all cases, I believe mutual understanding is necessary between the people involved and those around them.

Therefore, when I was in charge of promoting diversity, I was conscious of creating a workplace with a high degree of psychological safety, where communication was a two-way street, and people were free to express their opinions without having any qualms.

The newly adopted split-shift working system is very helpful as it allows me to work flexibly to suit my life and that of my family. I use it when taking part in weekday daytime events such as parent–teacher meetings and elementary school interviews.

JBIC has a well-established work style, which allows employees to make independent arrangements by using the work system best suited to their needs. At the same time, the type of career and life staff want to lead is taken into consideration.

Personally, I hope to continue taking advantage of the work options JBIC offers and enjoying a healthy balance between my professional and personal life.

MATSUO Yuri

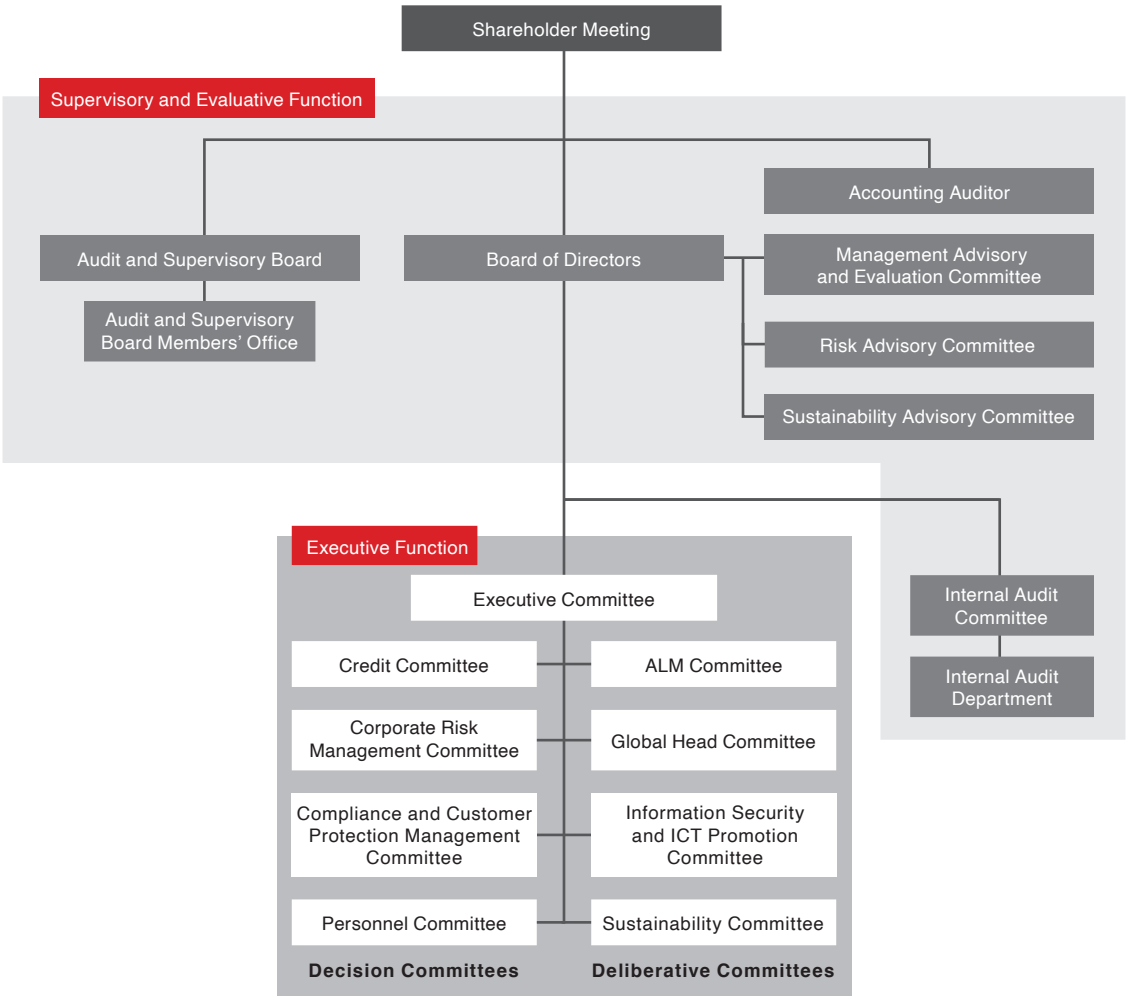
Deputy Director
Unit 1, Finance Office for SMEs, Industry Finance Group

Note: Matsuo was previously in charge of diversity promotion in the Human Resources Management Office.

4. Governance

Fundamental Approach

JBIC is making efforts to build a corporate governance structure in conducting operations with particular attention to integrity and efficiency, as it seeks to fulfill the mission set out under the JBIC Act (Law No. 39, 2011) and realize its corporate philosophy.



◆ Involvement of Japanese Government

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

◆ Supervisory and evaluation function and the conduct of JBIC operations

To strengthen the supervisory and evaluative function of the Board of Directors as well as conduct speedy and flexible operations, JBIC has established, in addition to the Board of Directors, the Audit and Supervisory Board and other organs required by the Companies Act, the Management Advisory and Evaluation Committee, Risk Advisory Committee, Sustainability Advisory Committee, the Internal Audit Committee, and the Executive Committee. Furthermore, a variety of committees were set up by the Executive Committee that delegates specific tasks to them.

(1) Board of Directors

The Board of Directors consists of nine members, of whom three are non-executive directors, including two outside directors as set forth in the Companies Act. The non-executive directors supervise the conduct of representative directors and executive directors in JBIC's operations, thereby making a contribution to improving its governance.

The main discussion topics in FY2023 are as follows:

- Fifth Medium-Term Business Plan (FY2024–2026)
- Policy to review implementation framework to strengthen Special Operations
- Policy to appoint Chief Representative for Supporting Ukraine Recovery and Neighbouring Countries
- Policy to revise regulations in line with the Act for Partial Amendment of the Japan Bank for International Cooperation Act
- Sustainability Advisory Committee Selection
- Policy on climate change-related information disclosure based on TCFD recommendations
- Feasibility studies for creation of research and planning system to streamline operations using IT
- Report on FY2024 government budget proposal, decision on funding plans, and other matters

(2) Audit and Supervisory Board

The Audit and Supervisory Board consists of three members, of whom two are outside Audit and Supervisory Board Members, as set forth in the Companies Act. Outside Audit and Supervisory Board Members contribute to improving the governance structure of JBIC, as they cooperate with the full-time Audit and Supervisory Board Member in auditing the conduct of its operations. The Audit and Supervisory Board Members' Office helps them carry out their responsibilities.

(3) Management Advisory and Evaluation Committee

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

List of Members of the Management Advisory and Evaluation Committee (As of July 1, 2024)

Name	Occupation
URATA Shujiro	Professor Emeritus, Waseda University; Chairman, Research Institute of Economy, Trade and Industry, IAA (RIETI)
ENDO Noriko	Senior Researcher (Professor), Research Council at Waseda University
KAWAMURA Yoshinori	JBIC Managing Director (Outside Director)
KOIZUMI Shinichi	JBIC Managing Director (Outside Director)
SATO Yasuhiro	Senior Advisor, Mizuho Financial Group, Inc.
SOGO Hiromi	Head of Editorial Content, Richesse & Esquire The Big Black Book, Hearst Digital Japan Co., Ltd.; Specially Appointed Professor at Shinshu University
TAKAGI Yuzo	Certified Public Accountant
NIINAMI Takeshi	President & Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited

(4) Risk Advisory Committee

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

■ Members of the Risk Advisory Committee (As of July 1, 2024)

Name	Occupation
ABE Shuhei	President, CEO of SPARX Group Co., Ltd.
EHARA Nobuyoshi	Co-founder, Unison Capital, Inc.
OGAWA Eiji	Professor Emeritus, Hitotsubashi University; Professor, Faculty of Economics, Tokyo Keizai University
KAWAMURA Yoshinori	JBIC Managing Director (Outside Director)
KOIZUMI Shinichi	JBIC Managing Director (Outside Director)
SASAKI Mami	External Director, Sumitomo Mitsui Trust Asset Management Co., Ltd.
MATSUDA Chieko	Professor of Management, Graduate School of Management, Tokyo Metropolitan University
YOKOO Keisuke	President, Member of the Board, Chief Executive Officer, Japan Investment Corporation

(5) Sustainability Advisory Committee

The Sustainability Advisory Committee consists of external experts. They offer advice on matters regarding JBIC's policy to advance initiatives toward the realization of sustainability.

■ Members of the Sustainability Advisory Committee (As of July 1, 2024)

Name	Occupation
TAKAMURA Yukari	Professor, Institute for Future Initiatives, The University of Tokyo
Rachel Kyte	Dean Emerita, the Fletcher School, Tufts University; Professor of Practice in Climate Policy, Blavatnik School of Government, University of Oxford
Tim Benton	Director, Environment and Society Programme, Chatham House

(6) Internal Audit Committee

The Internal Audit Committee consists of representative directors and an outside director. They make decisions and deliberate on important matters pertaining to internal audits, as delegated by the Board of Directors.

(7) Executive Committee

The Executive Committee consists of representative directors, executive directors, and all the managing executive officers. They make decisions and deliberate on important managerial matters, thereby taking responsibility for conducting flexible JBIC operations, as delegated by the Board of Directors. The committees below have been established as advisory bodies to the Executive Committee or as decision-making bodies on certain matters as delegated by the Executive Committee.

i. Credit Committee

The committee makes decisions and discusses important matters in connection with loans, equity investment, and guarantees issued by JBIC, based on the Executive Committee's authorization.

ii. Corporate Risk Management Committee

This committee makes decisions and holds deliberations on important matters pertaining to JBIC's corporate risk management, based on authorization by the Executive Committee.

iii. Compliance and Customer Protection Management Committee

This committee makes decisions and holds discussions on important matters related to JBIC's compliance and customer protection management, as authorized by the Executive Committee.

iv. Personnel Committee

Decisions are made and deliberations held by this committee concerning important matters related to JBIC personnel, as authorized by the Executive Committee.

v. ALM Committee

Deliberations are held by the committee concerning important matters pertaining to JBIC's asset-liability management (ALM), as authorized by the Executive and the Corporate Risk Management Committees.

vi. Global Head Committee

As authorized by the Executive Committee, this committee discusses cross-cutting matters among internal groups, including operational policy for each country and region.

vii. Information Security and ICT Promotion Committee

This body discusses the use and management of JBIC's information assets, as well as important matters regarding information security and cross-divisional ICT-related matters, such as measures required for ICT plans and policies which have been determined by the Board of Directors and Executive Committee, as authorized by the Executive Committee.

viii. Sustainability Committee

The committee holds deliberations concerning the promotion of sustainability. To this end, it discusses JBIC's sustainability-related policies and measures, as authorized by the Executive Committee.

Mission/sector-specific group structure

JBIC reconstituted its organization and adopted a mission/sector-specific group structure. Its objective is to strengthen the capacity to formulate projects by bringing together know-how and expertise in each sector and area, thereby enabling JBIC to perform the functions in its mission more flexibly and strategically.

Seven groups were set up: the Corporate Planning Group; Credit, Assessment and Risk Management Group; Treasury and Systems Group; Energy and Natural Resources Finance Group; Infrastructure and Environment Finance Group; Industry Finance Group; and Equity Finance Group, each having departments with special expertise.

For each group, a responsible board member is appointed, and a managing executive officer serves as the global head of each group. Each group is managed in an integral manner under the global head of the group in an effort to conduct rapid, flexible, and efficient operations.

Global Heads of Groups (As of July 1, 2024)

Global Head of Corporate Planning Group	NEGISHI Yasuaki Managing Executive Officer	Corporate Planning Group
Global Head of Credit, Assessment and Risk Management Group	TANAKA Eiji Managing Executive Officer	Credit, Assessment and Risk Management Group
Global Head of Treasury and Systems Group	KITAJIMA Toshiaki Managing Executive Officer	Treasury and Systems Group
Global Head of Energy and Natural Resources Finance Group	AMANO Tatsushi Managing Executive Officer	Energy and Natural Resources Finance Group
Global Head of Infrastructure and Environment Finance Group	SEKINE Hiroki Managing Executive Officer	Infrastructure and Environment Finance Group
Global Head of Industry Finance Group	SASAKI Satoshi Managing Executive Officer	Industry Finance Group
Global Head of Equity Finance Group	YONEYAMA Yasuaki Managing Executive Officer	Equity Finance Group

Basic policy for internal control

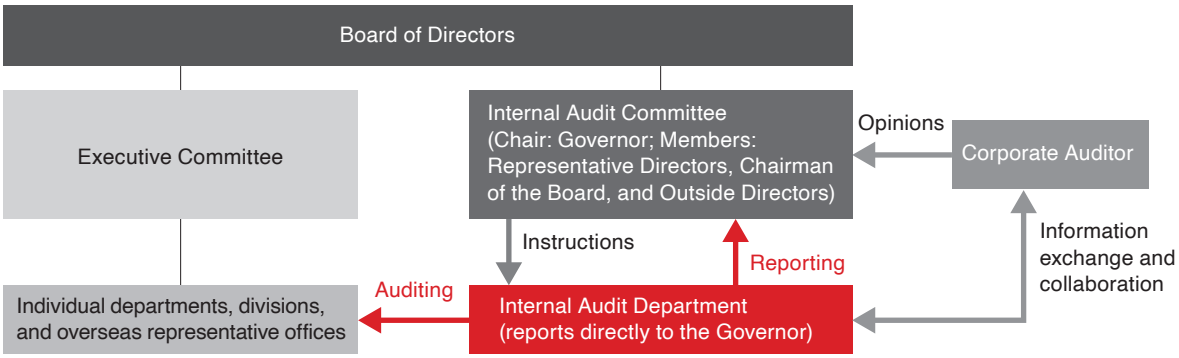
Pursuant to the Companies Act, JBIC has put in place an institutional structure, including internal regulations, to ensure the proper conduct of its operations and activities, based on the Basic Policy for the Internal Control System decided by the Board of Directors.

Internal audit system

JBIC has an Internal Audit Committee that serves to control overall operations and ensure that appropriate internal audit procedures are in place. JBIC is thus able to review and evaluate whether its operations are appropriate and effective, and to recommend improvements as necessary. The committee, which includes an outside director, functions as a decision-making body independent of the Executive Committee, which is responsible for conducting operations.

JBIC also has an Internal Audit Department which, independent of line departments, reports directly to the Governor. The Internal Audit Committee makes important decisions regarding, for example, annual internal audit plans, and receives the results of internal audits from the Internal Audit Department.

In addition, in the interests of conducting efficient internal audits, the Internal Audit Department exchanges relevant information and cooperates with Audit and Supervisory Board members and an accounting auditor.



Directors and Audit and Supervisory Board Members

Directors

Governor

HAYASHI Nobumitsu

Division of duties, etc.

Presides over JBIC's operations and the Internal Audit Department

Deputy Governor

AMAKAWA Kazuhiko

Division of duties, etc.

Assists the governor in managing JBIC's operations

Executive Managing Director

HASHIYAMA Shigeto

Division of duties, etc.

Corporate Planning Group, Industry Finance Group

Senior Managing Director

KIKUCHI Yo

Division of duties, etc.

Credit, Assessment and Risk Management Group and assistant to the Executive Managing Director for the Corporate Planning Group

Senior Managing Director

OGAWA Kazunori

Division of duties, etc.

Treasury and Systems Group, Infrastructure and Environment Finance Group

Senior Managing Director

UCHIDA Makoto

Division of duties, etc.

Energy and Natural Resources Finance Group, Equity Finance Group

Non-executive Directors

Managing Director, Chairman of the Board of Directors

MAEDA Tadashi

Chairman of the Board

Managing Director (Outside)

KOIZUMI Shinichi

Managing Director (Outside)

KAWAMURA Yoshinori

Corporate Auditors

Corporate Auditor (full-time)

NASU Noriko

Corporate Auditor (Outside)

TSUCHIYA Mitsuaki

Corporate Auditor (Outside)

MOTOMURA Aya

5. Compliance and Risk Management

Compliance

Fundamental approach

JBIC has set forth in its Code of Conduct that it will maintain high ethical standards and a law-abiding spirit, while observing its moral code.

In accordance with this Code of Conduct JBIC has formulated internal regulations concerning compliance and its implementation status under the Basic Policy for the Internal Control System. In addition, the Basic Principles of Compliance is formulated as follows.

- Recognizing JBIC's role as a policy-based financial institution that undertakes international operations, directors and employees are keenly aware of the public missions and social responsibilities called for in the international community and in civil society. It is also well recognized that any act in violation of laws, regulations, or rules by its directors and employees will lead to denigrating confidence in JBIC as a whole and have a materially adverse effect on its operations. Attentive to these needs, JBIC is constantly pursuing compliance and operational integrity
- Directors and employees recognize that JBIC is accountable to the general public regarding its operations and that it must make efforts to ensure it has the trust of the general public through appropriate information disclosure
- JBIC shall have no connection with antisocial forces, shall adopt an uncompromising Company-wide attitude to antisocial forces, and decisively reject all improper demands from such forces to maintain public trust and ensure JBIC's operations are appropriate and sound as it responds in collaboration with police and other relevant authorities

Compliance system

In accordance with the above Basic Principles, JBIC adheres to all relevant compliance requirements.

JBIC makes efforts to improve compliance, primarily through the Compliance and Customer Protection Management Committee and has set up the Legal Affairs and Compliance Office as an integrated compliance management unit.

Each Group and Overseas Representative Office serving as a regional headquarter has an Integrated Compliance Officer, while each department and overseas representative office has a Compliance Officer for making efforts in compliance, such as fostering such awareness among JBIC employees.

Compliance Initiatives

Implementation

Each fiscal year, JBIC formulates a compliance-related program, laying out specific action plans for achieving compliance. Based on this, JBIC tackles and monitors compliance-related issues and regularly follows up on the program's progress.

In addition, we have compiled a compliance manual as a guide for executives and employees to put compliance into practice. We review the manual every year, bearing in mind current awareness, as well as changed domestic and international circumstances. In addition, we work to foster and strengthen compliance awareness among all employees, through training.

Financial crime countermeasures

With the importance of anti-money laundering and counter-terrorist financing measures increasing, financial institutions are having to strengthen their related measures. Although JBIC does not accept deposits or conduct foreign exchange transactions, bearing in mind the nature of its business operations, we carry out verification procedures to vet borrowers, recipients, and other business partners in accordance with the Foreign Exchange and Foreign Trade Act, as well as other relevant laws and regulations.

In our effort to prevent bribery, we take measures based on the OECD's Recommendation on Bribery and Officially Supported Export Credits.

Insider trading prevention

To prevent insider trading by executives or other members of staff, we have regulations in place regarding the buying and selling of stocks and other securities, as well as regulations regarding the management of important company information, including insider information. To prevent insider trading and other nefarious activities, we raise awareness among all employees through training.

Whistleblowing

In addition to the reporting procedures in its ordinary line of business, JBIC has put in place a reporting system for whistleblowers. This enables us to find any significant compliance issues at an early stage and take appropriate remedial action. We have rules to ensure the anonymity of whistleblowers and confidentiality regarding the information we receive to prevent retaliation.

In addition to the internal reporting counter, which is managed by the head of the Legal Affairs and Compliance Office, we also have an external counter managed by external law firms and specialist service providers.

We are working to increase trust in the system by raising awareness of its existence, while providing compliance training for all employees, posting information on JBIC's intranet and in its compliance manual, and sending regular relevant emails to all staff.

Risk Management

Risk management systems

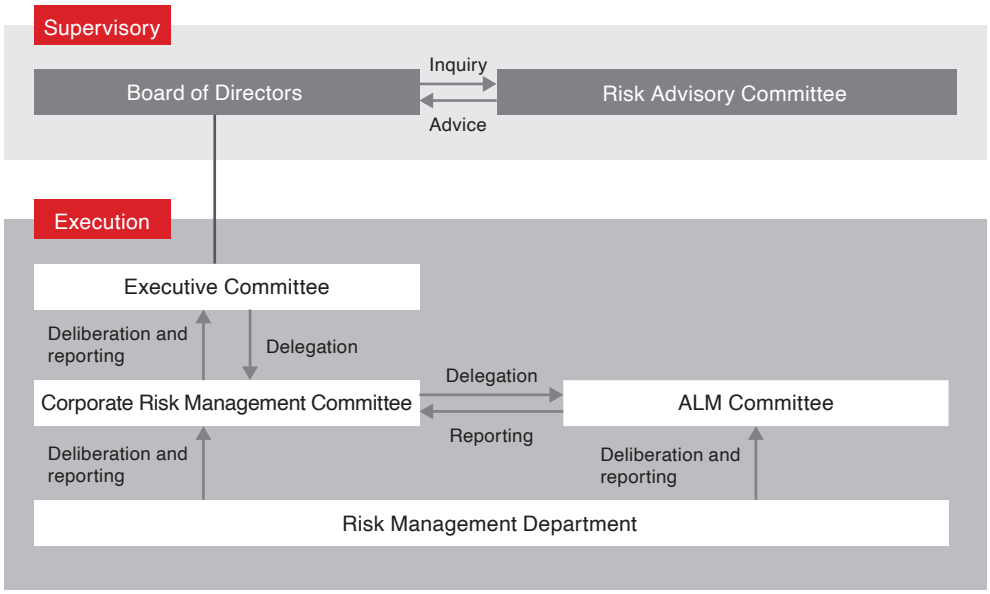
In general, the operations of financial institutions involve various risks, including credit risk, market risk (such as interest rate and exchange rate risks), liquidity risk, and operational risk.

As a policy-based financial institution, JBIC conducts financial operations to achieve policy objectives. Thus, JBIC differs from private financial institutions in its nature as well as the extent of risks involved in its operations and ways to deal with them. Nonetheless, recognizing the importance of appropriate risk management as a financial institution, JBIC has put in place an institutional system for risk management commensurate with different types of risks and for addressing integrated risk management. More specifically, JBIC defines the objective of risk management as identifying, measuring, and monitoring various risks JBIC is exposed to in the process of conducting operations to ensure the soundness and integrity of operations and increase transparency. For this purpose, JBIC has designated the personnel responsible for managing various risks and has a department managing overall risk.

In addition, there are the Corporate Risk Management Committee and the ALM Committee which hold discussions and make considerations for the effective functioning of risk management. JBIC has also set up the Risk Advisory Committee, which consists of external experts, to provide the JBIC Board of Directors with advice on the risk management and assessment system with respect to large-lot debtors and on issues referred to by the JBIC Board of Directors with respect to risks associated with large-scale projects.

JBIC conducts risk management separated into the Ordinary Operations Account and Special Operations Account. The following sections describe how JBIC manages the various risks it faces in conducting operations as a policy-based financial institution.

Risk Management Structure



◆ Enterprise risk management

To ensure the soundness and appropriateness of its operations as a policy-based financial institution, JBIC undertakes enterprise risk management that comprehensively ascertains the risks to which JBIC is exposed and utilizes Top Risk management and stress tests as its main methods.

(1) Top Risk management

JBIC defines Top Risks as those events that will significantly impact JBIC when they become apparent and require particular attention. Top Risks are designated based on risk factors that are assumed in view of current international circumstances and the characteristics of JBIC's portfolio. Monitoring of these risks is regular and ongoing.

In principle, the Top Risk identification policy and monitoring policy are determined by the Executive Committee each fiscal year. The results of monitoring are reported regularly to the Executive Committee and the Corporate Risk Management Committee.

Note: Please refer to p. 51 for information on climate related risk management.

Top Risks

Risk Events	Reasons for Selection
Growing cost of credit	A decline in the creditworthiness of large borrowers and borrowers with low ratings due to factors such as the global economic downturn, continuing inflation, and the emergence of geopolitical risks would directly affect JBIC's profitability through an increase in credit costs.
Increased cost of funding	An increase in funding costs due to the deterioration of the funding environment will directly affect JBIC's profitability, especially when there are signs of a shift in the interest rate environment in domestic and international financial markets.
Climate-related risks	JBIC has a relatively high proportion of carbon-related assets in its credit portfolio, so it is important to understand international trends among supervisory authorities and financial institutions regarding climate change and to respond appropriately to their requests or trends. It is becoming increasingly important to ascertain the impact on business conditions and the creditworthiness of borrowers, given that the transition to a decarbonized society is likely to cause change in JBIC's external environment and stakeholder trends surrounding fossil fuel projects (transition risk), while extreme weather events are causing damage around the world (physical risk).

(2) Capital adequacy review and stress tests

Although JBIC is not subject to the Basel capital adequacy ratio requirement, it voluntarily calculates and reviews its capital adequacy ratio in accordance with the FSA's notifications based on Basel III standards. JBIC also periodically reviews its capital adequacy based on a risk measurement methodology that takes into account the characteristics of its own portfolio and conducts stress tests as a forward-looking risk management tool.

Stress scenarios are developed that are suited to the characteristics of JBIC's portfolio. In developing the scenarios, JBIC analyzes historical events and hypothetical future events that take into account macroeconomic changes and emerging risks at present and in the foreseeable future. We examine the impact on our capital adequacy and annual profits and formulate business operation plans based on the results.

◆ Credit risk

Credit risk refers to the potential loss from a decline or loss of the value of credit assets due to deterioration in the financial conditions of a debtor. This risk is inherent in JBIC's operations as it primarily engages in lending activities. Credit risk exposure to JBIC may be classified into: sovereign risk, which involves financing foreign governments; corporate risk, which involves financing business firms; project risk, which occurs when a project financed in project financing—a financing structure in which a loan is primarily secured on the cash flow generated from the project—fails to generate the planned cash flow; and country risk, which involves financing foreign firms as well as projects located in foreign countries (collateral risk arising from political and economic situations of countries where debtor companies are located or projects are under way). Given the very nature of financial support JBIC provides for promotion of overseas development and securement of strategically important resources to Japan, for maintaining and improving the international competitiveness of Japanese industries, and for promoting the overseas business for preserving the global environment, such as preventing global warming, JBIC frequently extends loans to foreign governments, government agencies, and companies. Therefore, sovereign and country risks account for a considerable share of the credit risks accompanying JBIC's operations. For credit risk, JBIC performs credit risk management for individual borrowers during each credit provision process and undertakes portfolio credit risk management by quantifying credit risks.

(1) Managing credit risk

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower's creditworthiness in the process leading to credit approval. When a new loan application is being processed, the relevant finance department and the Credit Department collect and analyze information on the borrower. The overseas representative offices also play a part in collecting information on foreign governments and companies. It is based on this information and its analysis that credit appraisal takes place, with checks and balances at work between these different departments throughout this process, leading to the final decision by management.

In providing credit for foreign governments and companies, JBIC makes the most of its unique position as an official financier, as it exchanges views and information with the governments and relevant authorities in the recipient countries, multilateral institutions such as the International Monetary Fund (IMF) and the World Bank, other official export credit agencies and, furthermore, with private financial institutions in developed countries. Using all these channels, JBIC evaluates sovereign and country risks based on a broad range of information collected on borrowing governments, government agencies, and political and economic conditions in their countries.

In providing credit for domestic and foreign companies, there is a need to evaluate their creditworthiness and the appropriateness of the collateral they offer. In particular, for credit provision related to overseas projects, credit evaluation involves checking and examining the certainty of conducting transactions to be financed, feasibility studies of the projects, and the industry in which the borrower operates.

(2) Internal credit rating management

JBIC has established an internal credit rating system which covers, in principle, all the borrowers.

Internal credit ratings are the cornerstone of credit risk management, being used for conducting individual credit appraisals and quantifying credit risks.

(3) Internal assessment of asset portfolio

JBIC is undertaking the internal assessment of its loan portfolio so that the characteristics of its loan assets will be accurately reflected on its assessment. In this process, the first-stage assessment is conducted by the relevant financing departments, while the second-stage assessment is conducted by the Credit Department and the Country Credit Department, which is then inspected by the Audit Department. The results of internal assessment conducted on the portfolio are not only used internally for the continuous reviews of the loan portfolio but are also reflected in the disclosure of asset quality to enhance the transparency of JBIC's financial position.

(4) Quantifying credit risk

In addition to individual credit risk management, JBIC is working on quantifying credit risks with a view to evaluating the risk of the overall loan portfolio. JBIC quantifies credit risk utilizing its own proprietary credit risk quantification model that takes into account the characteristics of JBIC's loan portfolio, which holds a significant proportion of long-term loans and loans involving sovereign and country risks and mechanisms for securing assets, such as the Paris Club,* a unique international support framework for debt management by official creditor countries. JBIC uses this quantified credit risk for credit portfolio analysis encompassing the degree of credit concentration and also for internal control.

* The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations. Since the first meeting took place in 1956 to resolve the debt problem of Argentina, the meeting has been held in Paris, with the French Treasury acting as its secretariat. Hence, it has come to be called the Paris Club.

◆ Market risk

Market risk refers to the potential loss from changes in the value of assets and liabilities as a result of fluctuations in interest rates and foreign exchange rates. JBIC manages specific market risks as follows.

(1) Exchange rate risk

Foreign currency-denominated loans involve the risk associated with exchange rate fluctuations. JBIC has a consistent policy of hedging the full amount of such exposure through currency swaps and forward exchange transactions.

(2) Interest rate risk

Funding for yen-denominated loans is mainly managed at fixed-rate interest. Interest rate risk for yen-denominated loans, however, is limited since derivative transactions such as interest rate swaps are used to hedge interest rate risk for portions of loans that are thought to have high exposures to interest rate fluctuation risk. Interest rate risks associated with foreign currency-denominated loan operations and relevant fundings are generally hedged by managing the funds with floating interest rates with the use of interest rate swap transactions. In addition, JBIC carefully calculates and analyzes projections of its future asset/liability structure and profits and losses.

(3) Derivatives transactions

i. Basic policy for derivatives transactions

JBIC engages in derivatives transactions exclusively for the purpose of hedging exchange rate and interest rate risks.

ii. Transactions

Derivatives transactions of JBIC include interest rate and currency swaps and forward exchange contracts. The following table gives a summary of these transactions as of March 31, 2024.

■ Credit Risk of Derivatives, etc.

(As of March 31, 2024; unit: ¥100 million)

	Contract Amounts / Notional Amounts	Credit Risk Amounts*	Market Value
Interest rate swaps	70,118	1,148	(3,811)
Currency swaps	50,761		(6,136)
Forward exchange contracts	229	—	0
Credit risk reductions through netting	—	—	—
Total	121,109	1,148	(9,947)

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

iii. Risks involved in derivatives transactions

Derivatives transactions involve the following risks.

- Counterparty credit risk

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

- Market risk

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

iv. Measures to address these risks

- Counterparty credit risk

JBIC constantly monitors the fair value of a derivative in conducting a transaction with each counterparty, credit risk exposure to it, and its creditworthiness. Such information is then used to assess the eligibility of the counterparty. Regarding the fair value of a derivative in conducting a transaction and credit risk exposure, JBIC performs detailed management by taking into account collateral transfer based on a collateral contract with the counterparty.

- Market risk

JBIC utilizes derivatives transactions exclusively for the purpose of hedging. Therefore, the market risk on derivatives transactions and the risk on hedged (lending or funding) transactions, in principle, offset each other.

◆ Liquidity risk

Liquidity risk refers to the potential loss resulting from difficulties in funding due to a maturity mismatch between financing and funding caused by unexpected cash-outs or from being forced to fund at an interest rate significantly higher than in normal circumstances, as well as the potential loss resulting from a failure to make transactions in the market due to market turmoil or from being forced to make transactions at a significantly disadvantageous price compared to normal circumstances.

JBIC is minimizing liquidity risk through effective cash flow management and the diversification of its funding sources, including borrowings under the Fiscal Investment and Loan Program (FILP), government-guaranteed bond issues in international capital markets, and FILP agency bond issues in the domestic capital market.

◆ Operational risk

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, people, and systems or from external events. Apart from administrative, computer system, and information security risks, JBIC recognizes that its operations involve various direct and indirect risks. JBIC will proactively identify, assess, and manage such risks.

(1) Administrative risk

Administrative risk refers to the potential loss resulting from the neglect by officers and employees to conduct administrative work properly, accidents caused by them, and violation of laws and regulations caused by them, etc., conducted in the course of the administrative work process.

JBIC has been minimizing this risk by ensuring sound operations through scrupulous checks on work processes, creating operational manuals, improving training programs, and streamlining and adopting systematic procedures.

(2) Computer system risk

Computer system risk refers to the potential loss from a breakdown or malfunction in computer systems as well as from their misuse. JBIC has been minimizing computer system risk by increasing its readiness to respond effectively to emergency situations. Specifically, (a) measures have been taken to prevent system malfunctions and leakage of client information; and (b) contingency plans have been prepared to respond to system malfunctions caused by accidents and other causes, and disaster-response drills have been conducted.

(3) Information security risk

Information security risk refers to the potential loss due to threats to the confidentiality, integrity, and availability of information assets. JBIC has taken all possible measures to maintain information security by establishing information security regulations and a structure encompassing information management as well as by providing comprehensive education to management and staff members.

Cybersecurity Risk Management

Fundamental approach

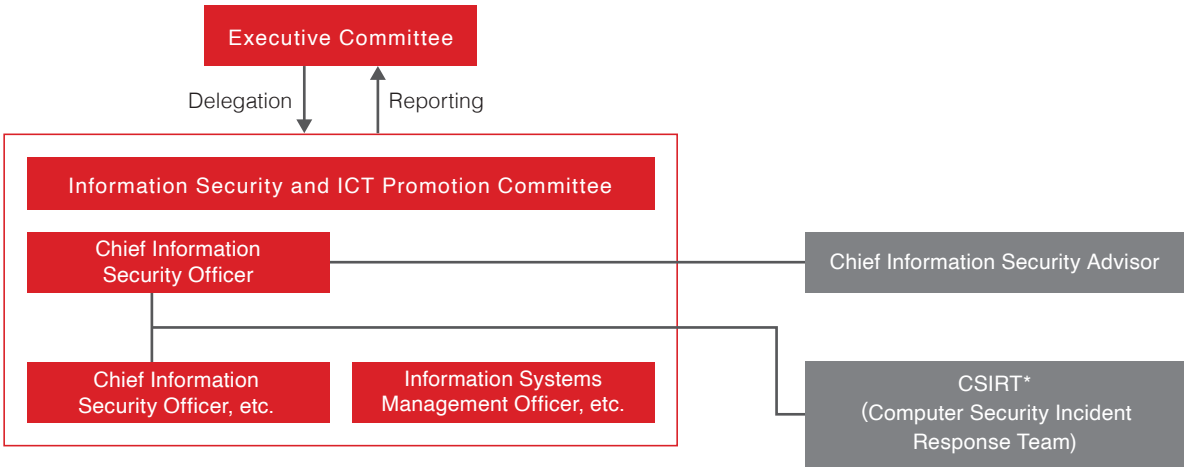
The cybersecurity environment has changed significantly in recent years, due to the increasing sophistication and ingenuity of those conducting cyber attacks and the increased use of remote working. JBIC recognizes that ensuring information security is critical for gaining the trust of customers and enhancing the sustainability of its business. Therefore, as part of its management plan, JBIC is working to strengthen security against cyber attacks.

Governance framework

To manage its information assets, JBIC has established rules and regulations. They cover the classification and management of information, physical security, personnel security, technical security, operations, as well as evaluation and review. As part of its information security framework, JBIC has appointed a chief information security officer and a chief information security advisor, and created a Computer Security Incident Response Team to clarify the division of roles and responsibilities.

Furthermore, JBIC has established an Information Security and ICT Promotion Committee. It is authorized by the Executive Committee to deliberate important matters related to the use and management of JBIC's information assets and information security, respectively, and has devised a system for reporting matters deliberated by the ICT Promotion Committee to the Executive Committee as necessary.

As part of its management framework, JBIC has in place a system for appointing information security officers and information security personnel in each department and Bank office to inform employees of relevant regulations and enable them to report security incidents. JBIC is working to improve its human and technical security by conducting anti-phishing training, security diagnoses, security incident drills, and other related measures.



* A team directly under the chief information security officer.

6. Financial Capital

Message

Future value creation based on solid financial foundation

Looking back at the business environment over the past few years, companies engaging in trade and overseas investment on a global scale have faced a series of severe challenges. Investor confidence has been shaken by supply chain disruptions during and since the pandemic, Russia's invasion of Ukraine, subsequent energy and food problems, monetary tightening in response to rising inflation in several countries, the ensuing political and economic instability, as well as ongoing rising diplomatic tension in some countries and regions. And this has continued to affect market volatility in interest rates, foreign exchange rates, and other areas. These unpredictable risks are unprecedented obstacles to the pursuit of sustainable growth and a stable business environment.

Given the uncertainties of the market environment, JBIC will flexibly respond to changes in society and the market. As it is the only policy-based financial institution that plays an important role in the foreign economic policies of the Japanese government, the bank will continue agile and stable fund procurement through dialogue with stakeholders, while avoiding market risks by using swaps and other financial instruments.

Furthermore, essential to JBIC's ongoing value creation with stakeholders is a strong financial foundation and sound financial position, backed by stable funding and an autonomous revenue structure based on the proactive control and sharing of risk.

Based on these initiatives, JBIC will demonstrate its risk-taking functions by making full use of a diverse range of financial tools, mainly foreign currency, to respond to global issues and needs in Japan and the international community. This includes projects which aim to help attain a decarbonized society, while strengthening and creatively transforming Japan's industries, as well as providing local currency-denominated support in several countries and regions.

KITAJIMA Toshiaki

Managing Executive Officer,
Global Head of Treasury and Systems Group

Basic Policy

- In light of the role expected of JBIC by society and our clients, we will ensure stable fund procurement and cash management, while responding promptly and flexibly to social and market changes
- To ensure an adequate supply of risk capital, we will maintain an autonomous profit structure and increase our capital adequacy, thereby ensuring a strong financial foundation and financial soundness

Awareness of Current Conditions

Given the changing international conditions surrounding Japan, JBIC is leveraging its unique strengths, including its ability to assume risks as a policy-based financial institution, to support Japanese companies that are contributing to global environmental conservation through decarbonization, enhanced supply chain resilience, and the development of quality infrastructure overseas.

As JBIC provides long-term financing with loan maturities of more than five years, it is essential that we procure long-term funding corresponding to loan maturity, in particular U.S. dollar-denominated long-term funds. These account for approximately 90% of our loan assets.

Since 2022, the U.S. and Europe have implemented rapid policy-related interest rate hikes in response to rising inflation. Coupled with the situation surrounding Russia and Ukraine, the outlook for the global economy has become increasingly uncertain. As the rise in European and U.S. interest rates slowed down in the second half of 2023, the market environment showed some calm compared with 2022. Given that interest rates in Europe and the U.S. remain high, with concerns lingering over the worsening situation in the Middle East, it remains more difficult to procure low-cost, long-term foreign currency funding than a few years ago.

Despite uncertainties, we have been able to accurately ascertain the constantly changing market environment through ongoing dialogues with investors, financial institutions, and other market participants around the world. We have secured a stable financial foundation that can provide long-term, large-scale funding by efficiently and stably raising foreign currency funds through a combination of means. These include currency swap transactions and borrowing from the Japanese government, with a focus on issuing government-guaranteed foreign bonds, while at the same time avoiding market risk.

Leveraging this financial foundation, we proactively respond to the needs of Japanese companies and others engaged in overseas business as the one-of-a-kind policy-based financial institution with an important role in the Japanese government's foreign economic policies.

Consolidated Operating Results and Financial Condition

In FY2023, JBIC recorded interest income including interest on loans and discounts of ¥1,022.0 billion, and ordinary income of ¥1,133.0 billion. Yet, JBIC recorded ¥1,069.7 billion in ordinary expenses, after having posted ¥902.7 billion in interest expenses including interest on borrowed money. As a result, ordinary profit amounted to ¥63.2 billion and net income to ¥62.3 billion.

Since the majority of our assets and liabilities are denominated in foreign currencies, the yen equivalent value increases as the yen weakens. As of the end of March 2024, total assets amounted to ¥21,657.1 billion (of which loans amounted to ¥16,423.4 billion). Total net assets amounted to ¥2,985.0 billion, mainly due to the increase in investment in capital and recording of net income. The capital adequacy ratio was 18.79% (non-consolidated, BIS basis), indicating ongoing financial soundness.

Financial Strategy

As JBIC moves forward with various initiatives based on the recently formulated Fifth Medium-Term Business Plan (FY2024–2026), it will be necessary to efficiently manage the procurement of stable funding, while strengthening our financial foundation. Specifically, we will promote initiatives focused on the following points.

• Ensuring a strong financial foundation

JBIC exercises its risk-taking function by making full use of a wide range of financial tools, primarily in foreign currencies, in order to respond to global challenges, as well as Japanese domestic and international community needs.

JBIC has initiated risk control and risk sharing by collaborating with host governments, as well as cooperating with public and international organizations. As a result, JBIC has established and maintained an autonomous profit structure, and has consistently been profitable since its establishment.

JBIC has returned a portion of its profits to the national treasury while increasing its own capital adequacy. At the same time, because international and market situations can have a significant impact on our financial balance, we will continue our efforts to secure core profitability and capital adequacy, so as to maintain and strengthen our financial foundation.

• Agile and stable fund procurement

As mentioned above, a majority of JBIC's assets are foreign currency-denominated loans, principally in U.S. dollars. Thus, ensuring stable foreign currency liquidity is a key issue in financial management.

Based on its integrated relationship with the Japanese government, JBIC seeks to procure foreign currency in a flexible and stable manner by issuing bonds and engaging in currency swap transactions. For this reason, we believe it is important to continue to deepen our ties with our key stakeholders, while continuing to hold regular dialogues with overseas investors and financial institutions.

Further, to help realize a sustainable society and environment through green finance, we will continue issuing green bonds, the use of which is limited to initiatives that contribute to climate change countermeasures and environmental conservation.

• Providing support in locally denominated currencies

In order to meet various country and regional funding needs, including support for infrastructure projects, where project income is usually denominated in local currencies, JBIC is focusing on local currency-denominated support. For this, it has set up a system that can handle several currencies, including the Thai baht, Indian rupee, and Indonesian rupiah.

Moreover, since communication with local financial institutions and financial authorities is also important when providing local currency-denominated assistance, we will continue to leverage the relationships we have built with institutions in each country to further expand local currency-denominated assistance to reflect funding needs.

• Avoiding Market Risks

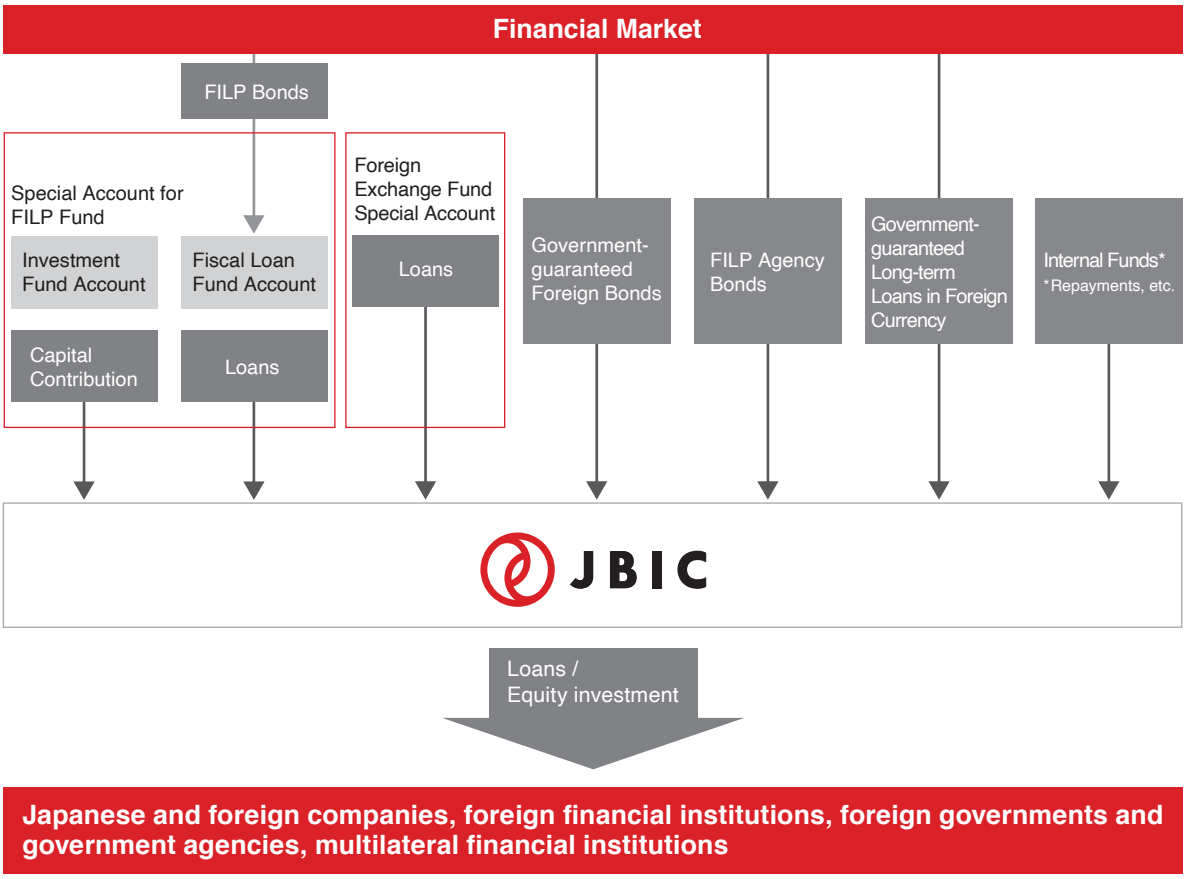
In the event of sudden market fluctuations, such as are caused by market turmoil, losses may be incurred due to such market risks as interest rate and exchange rate fluctuations. With regard to the latter when associated with foreign currency lending, we hedge our interest rate risk by adopting a full hedging policy that, generally, uses currency swaps and other instruments. We also manage funds with variable interest rates, using interest rate swaps and other methods. We will continue to do as appropriate to avoid market risks.

Funding Sources

JBIC finances its operations through various sources, including borrowings from the Fiscal Investment and Loan Program (FILP) Fiscal Loan, Government-guaranteed Foreign Bond issuance, Government-guaranteed Long-term Loans in Foreign Currency, Non-guaranteed domestic bond issuance, Capital Contributions from FILP Industrial Investment, and borrowings from the Foreign Exchange Fund Special Account.

As JBIC provides long-term financing, its operations are financed by long-term funds to match maturities between funding and lending instruments.

Funding Sources



Government-guaranteed foreign bonds

JBIC raises part of its funds by issuing government-guaranteed global bonds in international capital markets. Outstanding government-guaranteed foreign bonds at the end of FY2023 amounted to ¥6,627.5 billion at face value, accounting for 41.84% of the total outstanding borrowings and bonds. JBIC provides foreign currency loans (primarily in U.S. dollars) when necessary to effectively implement policy. The loans are sourced from funds raised by issuing government-guaranteed global bonds.

In October 2021, JBIC developed the JBIC Green Bond Framework, which is aligned with the "Green Bond Principles 2021," published by the International Capital Market Association and, in January 2022, JBIC issued its first green bond. This is Japan's first government-guaranteed foreign green bond. JBIC went on to issue green bonds in October 2022 and October 2023, and plans to continue doing so. According to the JBIC Green Bond Framework, the proceeds from the issuance of these bonds will be used for renewable energy projects that help decarbonize society, and for green finance to assist green mobility.

In the FY2024 budget, JBIC plans to issue government-guaranteed foreign bonds for a maximum amount of ¥1,438.5 billion.

JBIC's government-guaranteed foreign bonds receive the same ratings from rating agencies as does the Government of Japan. Since they are treated as assets for which the Bank for International Settlements assigns zero risk weight in calculating the capital adequacy ratio for depository institutions, these bonds provide a quality investment opportunity for investors in international capital markets.

Non-guaranteed domestic bonds

Since FY2001 and in compliance with the government policy to reform FILP, JBIC has issued bonds without government guarantees (non-guaranteed domestic bonds) in Japan's capital market. This has enabled it to raise funds based on its own creditworthiness. JBIC plans to issue up to ¥20.0 billion worth of bonds in FY2024. In May 2024, it issued its first green bond as a non-guaranteed domestic bond.

Non-guaranteed domestic bonds that JBIC has already issued have received the same ratings as the Government of Japan (see below). They are treated as assets for which BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Rating & Investment Information, Inc. (R&I) ····· AA+
Japan Credit Rating Agency, Ltd. (JCR) ····· AAA
Moody's ····· A1
S&P ····· A+
(As of July 10, 2024)