As we publish Annual Report 2009, I would like to express my heartfelt appreciation for your continued understanding and support for our work.

The world economy in 2008 developed into global-scale economic disruption, as the turmoil in financial and capital markets in industrial countries triggered by credit scare spilled over to financial markets in emerging and developing economies. The credit squeeze induced by credit scare exerted the impact of the financial turmoil on the real economy across the world. The year 2008 also saw that oil and other resource prices soared first and then nosedived. Amid such developments, the Japanese economy sustained their impacts in 2008. The Japanese government, facing major challenges of plunging stock prices, sunken exports and credit crunch, had to cope with them by mobilizing a range of policy measures.

It was in these difficult economic circumstances that JBIC set off to a new start as the international wing of the Japan Finance Corporation (JFC) on October 1, 2008, by succeeding the international financial operations of the former JFC. To maintain international trust and confidence enjoyed by its predecessor, the new organization will continue to use the name “JBIC.” The new JBIC devotes itself to conducting vigorous and flexible operations to fulfill its mission: “contributing to the sound development of the Japanese and international economies, and to the improvement of the quality of national life.” Specifically, to fulfill the mission JBIC conducts its operations in following three fields: (1) promoting overseas development and acquisition of strategically important natural resources to Japan; (2) maintaining and improving the international competitiveness of Japanese industries; and (3) responding to disruptions in financial order in the international economy.

In responding to the turmoil in international financing, the Japanese government empowered JBIC to launch three financial facilities at the end of December 2008 in an effort to maintain the international competitiveness of Japanese industries. This was as an exceptional and temporary measure to be terminated at the end of March 2010. They were: (1) supplier’s credit to finance exports to developing countries; (2) loans to Japanese companies for investment projects in developing countries; and (3) loans and guarantees for Japanese firms’ business operations in industrial countries. As of the end of March 2009, JBIC provided ¥121 billion and ¥455.8 billion respectively under these facilities to finance business operations in developing and industrial countries.

JBIC also participated in the Bank Capitalization Fund with the International Finance Corporation (IFC) to strengthen the capital base of major banks in small and medium developing countries by equity participation or subordinated loans to them, thereby helping stabilize their countries’ financial systems. JBIC contributed ¥178.7 billion to the Fund for this purpose. Further, JBIC announced in February 2009 financial support for trade finance in developing countries in Asia and other regions to facilitate trade transactions which have been affected by the financial crisis.

In its contribution to fiscal policy measures that should be “frontloaded and quickly executed,” as confirmed by the meeting of G7 Finance Ministers and Central Bank Governors in February 2009, JBIC unveiled the Leading Investment to Future Environment (LIFE) Initiative in March 2009 to support environmental investments and address long-term goals of the infrastructure sector in Asian and other developing countries. The financing volume will total about US$5 billion over the next two years. Overall, JBIC financed a total of ¥755.5 billion in loans, equity investments and guarantees to date in the operations responding to the International financial crisis.

To support overseas development and acquisition of strategically important resources to Japan, JBIC provided ¥909.4 billion in loans, equity investments and guarantees to the projects that will contribute to securing a stable supply of energy and other resources to Japan. Financing for specific projects included a loan to the Sakhalin II LNG Project in Russia, a loan to the Pluto LNG Project in Australia, equity investment in a Canadian uranium development company, and a loan to finance the acquisition of interests in an iron ore mine in Brazil.

JBIC also signed memorandums of understanding with state-owned resource companies in Qatar and Viet Nam to secure a stable supply of resources to Japan and strengthen relations with resource-endowed countries.

In the area of climate change and the environment, prior to the LIFE Initiative, the JBIC Facility for Asia Cooperation and Environment (FACE) was launched in April 2008. FACE has strengthened our equity investment and guarantee facilities to mobilize private sector capital for the projects contributing to mitigating climate change and implementing the projects promoting cooperation with Asian countries. Another notable milestone in JBIC’s effort to contribute to the global environment was the publication of Nikkei-JBIC Carbon Quotation Index. This is part of efforts to provide information for activating domestic carbon trading under the Kyoto Mechanisms.

Our mission—consisting of “(1) promoting overseas development and acquisition of strategically important natural resources to Japan; (2) maintaining and improving the international competitiveness of Japanese industries; and (3) responding to disruptions in financial order in the international economy”—is of significant importance to Japan that has to live in mutually beneficial harmony with the international community. We will thus dedicate our efforts toward fulfilling this mission. I look forward to your enduring support and understanding for JBIC operations going forward.

July 2009
Hiroshi Watanabe
President & CEO, JBIC
JFC was established in October 2008 with integration of the National Life Finance Corporation (NLFC), the Agriculture, Forestry and Fisheries Finance Corporation (AFC), the Japan Finance Corporation for Small and Medium Enterprise (JASME) and the International Financial Operations (IFOs) of the Japan Bank for International Cooperation (JBIC).

**Profile of Japan Finance Corporation**

- **Name**: Japan Finance Corporation (JFC)
- **Establishment**: October 1, 2008
- **Statutory law**: The Japan Finance Corporation Act
- **Head office**: 1-9-3, Otemachi, Chiyoda-ku, Tokyo, Japan
- **Governor & CEO**: Shosaku Yasui
- **Capital**: ¥2,452.1 billion
- **Reserve fund, other**: ¥1,472.6 billion
- **Branch offices**: Japan: 152 Overseas representative offices: 19
- **Employees**: 8,107 (positions sanctioned in the FY2009 budget)
- **Outstanding loans**:
  - Micro Business and Individual Unit: ¥7,539.2 billion
  - Agricultural, Forestry, and Fisheries and Food Business Unit: ¥2,758.3 billion
  - Small and Medium Enterprise Unit: ¥5,640.0 billion
  - Japan Bank for International Cooperation: ¥7,280.6 billion
  - Crisis Response Operations: ¥1,430.1 billion

**Major Business Operations of JFC**

- **Micro Business and Individual Unit**
  - Operations aimed at micro business and individuals
  - Details of operations:
    - Small loans for micro/small businesses
    - Support for business start-ups/management advice, provision of information
    - Educational loans, and loans secured by pensions, etc.

- **Agricultural, Forestry, Fisheries, and Food Business Unit**
  - Operations aimed at agriculture, forestry, fisheries, and food businesses
  - Details of operations:
    - Loans for agricultural, forestry, fisheries, and food businesses that foster and support principal farmers
    - Loans for food industry that support food safety and security, and close collaboration between agriculture and food industry
    - Management support services such as consulting and business matchmaking services

- **Small and Medium Enterprise (SME) Unit**
  - Operations aimed at SMEs
  - Details of operations:
    - Long-term business funds for SMEs
    - Support for private financial institutions utilizing securitization methods
    - Acceptance of insurance on CGC guaranteed liabilities involving loans to SMEs

- **Japan Bank for International Cooperation (JBIC)**
  - Operations
  - Details of operations:
    - Promoting overseas development and acquisition strategically important natural resources to Japan
    - Maintaining and improving the international competitiveness of Japanese industries
    - Responding to disruptions to financial order in the international economy

**Crisis Response Operations**

Services to grant a certain credit to designated financial institutions at the time of occurrence of crises certified by the competent ministers, such as financial disorder, large-scale disasters, and other similar events both at home and abroad.
Profile of JBIC

- **Name**: Japan Bank for International Cooperation (JBIC)
  - JBIC is the international wing of Japan Finance Corporation (JFC) established on October 1, 2008.
  - The predecessor of JBIC is the International Financial Operations of the former JBIC. JFC will take over IFOs in its international wing. However, to maintain international trust and confidence enjoyed by JBIC, the international wing of JFC will continue to use the name of Japan Bank for International Cooperation (JBIC) as it conducts international finance operations.

- **Head Office**: 4-1 Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan

- **Capital**: ¥1,035.5 billion

- **Outstanding Loans and Other Financing**: ¥7,280.6 billion

- **Outstanding Guarantees**: ¥1,650.3 billion

(As of March 31, 2009)

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[JBIC to Undergo Organizational Realignment in October 2008]

Based on the Law Concerning Promotion of Administrative Reform to Realize a Streamlined and Efficient Government, passed on May 26, 2006, the Law for Partial Amendment to the Japan International Cooperation Agency Law and the Japan Finance Corporation Law were passed respectively on November 8, 2006, and May 18, 2007.

In accordance with these laws, the two types of operations conducted by the current JBIC will be realigned on October 1, 2008, as follows: international financial operations (IFOs) will be taken over by the Japan Finance Corporation (JFC) as its international wing, and overseas economic cooperation operations (OECOs) will be succeeded by the new Japan International Cooperation Agency (new JICA).
# Overview of Activities in Fiscal Year 2008

1. JBIC’s Operational Principles and Operational Results in FY2008  
2. Financial Overview  
3. Overview of Operations  
4. Creating Value Added and Disseminating Information

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<td>3</td>
<td>11</td>
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<td>4</td>
<td>18</td>
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</tbody>
</table>
JBIC’s Operational Principles and Operational Results in FY2008

1—JBIC’s Mission and Operational Principles

JBIC set off to a new start on October 1, 2008, as the international wing of the Japan Finance Corporation. JBIC pursues the sound development of the Japanese economy and an increasingly interdependent international economic system, with Japan positively playing its own role in this endeavor. For this purpose, JBIC, in its capacity as a policy-based financing institution responsible for advancing Japan’s external economic policy and economic cooperation, will conduct its operations to fulfill the following mission and advance the following operational principles by utilizing its financing instruments, while complementing and catalyzing activities of private financial institutions.

**Mission**

To fulfill its mission to contribute to the sound development of the Japanese and international economy and society and to the improvement of the quality of national life, JBIC will perform the following fields, while complementing activities of private financial institutions.

- Promoting overseas development and acquisition of strategically important natural resources to Japan
- Maintaining and improving the international competitiveness of Japanese industries
- Responding to disruptions in financial order in the international economy

**Operational Principles**

1. Well-focused policy-based financing
2. Complementing private-sector financial institutions
3. Ensuring financial soundness
4. Maintaining and improving international trust and confidence
5. Conducting business operations by drawing on its expertise and initiatives

2—Operational Results in FY2008

(1) Loans, Investments and Guarantees

In FY2008, loan, investment and guarantee commitments increased 59.2% from the previous year to ¥2,693.9 billion. This increase is mainly attributable to the emergency response to address international financial turmoil, as well as to large-scale resource and infrastructure projects.

Outstanding loans and investments decreased 0.5% to ¥7,280.6 billion at the end of FY2008 on March 31, 2009. Outstanding guarantees, however, rose 2.0% to ¥1,650.3 billion in FY2008.

**Operational Highlights** (see p. 11)

- Addressing the global financial crisis
- Supporting the development and acquisition of strategically important overseas resources
- Supporting infrastructure development that is contributing to the creation and expansion of overseas business opportunities for Japanese firms
- Addressing climate change and environmental business
- Promoting financial assistance for Africa
- Utilizing facility for equity participation
(2) Operations Other than Loans, Investments and Guarantees

**Addressing Environmental Issues** (see p. 18)

As part of efforts to provide information in order to boost domestic trading of carbon (based on the Kyoto Mechanisms), JBIC started to publish the Nikkei-JBIC Carbon Quotation Index, the information on yen-denominated indicative price of carbon credits, from April 2008.

In June 2008, JBIC launched 5 year FILP Agency bonds called "JBIC Environmental Support Bond" for ¥20 billion, based on the concept of "Contribution to Global Environment" in Japanese capital markets.

JBIC also signed MOUs on business cooperation with the São Paulo state government, Brazil, Bank for Agriculture and Agricultural Cooperatives (BAAC), Thailand, and the Ministry of Environment, Pakistan, with an aim to promote Clean Development Mechanism (CDM) projects, one of the Kyoto Mechanisms, and to support Japanese entities in their smooth acquisition of Certified Emission Reduction (CER) generated from such projects.

**Efforts to Promote Islamic Finance**

JBIC continued to collect information and build domestic and international networks for promoting Islamic finance.

In May 2008 and February 2009, JBIC held review meetings on Islamic finance, jointly with three Japanese banks, by inviting an Islamic scholar who serves as JBIC’s shariah adviser, as well as practitioners to speak about the latest trends and practical issues in Islamic finance.

In August 2008, JBIC signed a loan agreement for the Ras Laffan C Power and Desalination Project, the third cofinancing with Islamic finance (see p. 35).

**Promoting Investment for Africa** (see p. 36)

Following the Japanese government’s announcement in TICAD IV held in May 2008, that JBIC will provide financial support for Africa in the total amount of US$2.5 billion over the next five years, JBIC established the Africa Office in July 2008, to strengthen support for African development. JBIC then established the JBIC Facility for African Investment (FAI) which facilitates JBIC’s active engagement in making equity investments, providing guarantees and offering advisory service (in April 2009).

**Promoting Operational Cooperation**

JBIC signed MOUs on business cooperation with multilateral institutions including the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB), as well as governmental financial institutions in Namibia and Brazil. JBIC also concluded similar MOUs with state-owned resource enterprises in Qatar and Viet Nam in an effort to secure a stable supply of resources to Japan, as well as to strengthen ties with resource-endowed countries.

(3) Organizational Transition

In October 2008, the international financial operations of the former JBIC were merged into the Japan Finance Corporation (JFC) as its international wing, together with the National Life Finance Corporation, the Agriculture, Forestry and Fisheries Finance Corporation, and the Japan Finance Corporation for Small and Medium Enterprises, and inherited the name of JBIC.

In the meantime, the departments conducting ODA loan operations in the former JBIC were merged into the Japan International Cooperation Agency (JICA). Riding out the organizational transition, JBIC will continue to accomplish its mandate while maintaining effective alliance with ODA loan operations that are currently under JICA.
Financial Overview

1—Operational Results

In FY2008 (April 1, 2008–March 31, 2009), disbursements for lending, Investments and securitization totaled ¥1,815.3 billion.

[Planned and Actual Lending and Investments]

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Actual</td>
<td>Plan</td>
<td>Actual</td>
</tr>
<tr>
<td>Export Loans</td>
<td>231.0</td>
<td>81.6</td>
<td>213.0</td>
</tr>
<tr>
<td>Import Loans and Overseas Investment Loans</td>
<td>688.0</td>
<td>687.6</td>
<td>712.0</td>
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<tr>
<td>Untied Loans</td>
<td>205.0</td>
<td>82.2</td>
<td>131.0</td>
</tr>
<tr>
<td>Equity Participation</td>
<td>6.0</td>
<td>0.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Securitization</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,130.0</td>
<td>851.7</td>
<td>1,060.0</td>
</tr>
</tbody>
</table>

2—Financial Results

■ Principles of Accounting

(1) Separation of Account
Pursuant to Article 41 of the Japan Finance Cooperation Law (JFC Law), JBIC and other operational units of JFC conduct their operations on separate accounts.

(2) Preparation of Financial Statements
JBIC prepares financial statements pursuant to the Companies Act and Article 40 of the JFC Law and submits them to the Minister of Finance. The report on the final settlement of accounts is submitted to the Government of Japan, together with the financial statements, and, after examination by the Board of Audit, to the Diet.

■ Net Earnings
In FY2008, the overall earning on financing activities, including loan interest, amounted to ¥93.5 billion, with ordinary income reaching ¥97.7 billion. These figures are largely attributable to responding to the global financial crisis, increasingly large resource and infrastructure development projects and increased assistance. Funding cost, including interest payment for debt, amounted to ¥66.0 billion, with ordinary expenses registering ¥77.8 billion. As a result, ordinary profits stood at ¥19.9 billion. After subtracting extraordinary profits and expenses, net earnings for FY2008 were ¥26.8 billion.

■ Summary of Balance Sheet
Factors mentioned above increased loans by ¥432.6 billion from the time JFC was established to ¥7,243.0 billion and customers liabilities for acceptances and guarantees rose by ¥72.8 billion to ¥1,650.3 billion. As a result, the total asset at the end of FY2008 stood at ¥9,756.9 billion.

At the same time, a ¥577.7 billion increase in debt from the time JFC was established to ¥4,019.8 billion led to the total liabilities of ¥7,811.0 billion. The net total assets reached ¥1,945.9 billion, which includes ¥30.0 billion in capital contribution and ¥26.8 billion in net earnings.
Overview of Activities in Fiscal Year 2008

Financial Overview

Japan Finance Corporation 2009 JBIC

JBIC finances its operations through various sources, including borrowings from the Fiscal Investment and Loan Program (FILP), government-guaranteed bond issues in international capital markets, FILP bond issues, and capital contributions from the general account budget.

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

3—Funding Sources

Borrowings from the FILP, government-guaranteed bond issues in international capital markets and capital contributions from the general account budget constitute part of the national budget (either as an item in the general account budget or the special account budget). Therefore, they are submitted, together with the operating budget of JBIC, to the Diet for approval. Recent funding results and plans for FY2009 are shown in the table below.

First Term JBIC Financial Statements for FY2008

<table>
<thead>
<tr>
<th>[Statement of Income]</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Six months ended March 31, 2009; millions of yen)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>97,740</td>
</tr>
<tr>
<td>Interest income</td>
<td>93,554</td>
</tr>
<tr>
<td>Fees and commissions</td>
<td>3,697</td>
</tr>
<tr>
<td>Other ordinary income</td>
<td>259</td>
</tr>
<tr>
<td>Other income</td>
<td>229</td>
</tr>
<tr>
<td>Ordinary expenses</td>
<td>77,810</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>66,011</td>
</tr>
<tr>
<td>Fees and commissions payments</td>
<td>578</td>
</tr>
<tr>
<td>Other ordinary expenses</td>
<td>2,852</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>8,145</td>
</tr>
<tr>
<td>Other expenses</td>
<td>222</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>19,929</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>6,947</td>
</tr>
<tr>
<td>Extraordinary losses</td>
<td>39</td>
</tr>
<tr>
<td>Net income</td>
<td>26,838</td>
</tr>
</tbody>
</table>

| [Balance Sheet] |  | (As of March 31, 2009; millions of yen) |
|------------------|-------------------------------------------------|
| Assets | 2009 | Liabilities | 2009 |
| Cash and due from banks | 239,218 | Borrowed money | 4,019,847 |
| Securities | 10,920 | Bonds payable | 2,093,214 |
| Loans and bills discounted | 7,243,068 | Other liabilities | 35,448 |
| Other assets | 698,794 | Provision for bonuses | 561 |
| Property, plant and equipment | 38,307 | Provision for directors’ bonuses | 7 |
| Intangible assets | 2,821 | Provision for retirement benefits | 11,611 |
| Customers’ liabilities for acceptances and guarantees | 1,650,329 |  |
| Allowance for loan losses | (126,500) | Acceptances and guarantees | 1,650,329 |
| Ordinary income | 19,929 | Net assets | 7,811,046 |
| Extraordinary income | 6,947 | Capital stock | 1,035,500 |
| Extraordinary losses | 39 | Retained earnings | 739,430 |
| Total assets | 9,756,961 | Total valuation and translation adjustments | 170,984 |
| Total liabilities | 7,811,046 | Total net assets | 1,945,915 |
| Net income | 26,838 | Total liabilities and net assets | 9,756,961 |

Funding Sources: Actual and Planned

<table>
<thead>
<tr>
<th>Funding Sources: Actual and Planned</th>
<th>(Unit: billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Contribution from the General Account</td>
<td>—</td>
</tr>
<tr>
<td>Capital Contribution from the Special Account for Fiscal Investment and Loan</td>
<td>—</td>
</tr>
<tr>
<td>Borrowing from the Special Account for Fiscal Investment and Loan</td>
<td>363.1</td>
</tr>
<tr>
<td>Borrowing from the Special Account for Foreign Exchange Fund</td>
<td>—</td>
</tr>
<tr>
<td>Government-Guaranteed Bonds in International Capital Marketsa</td>
<td>266.2</td>
</tr>
<tr>
<td>FILP Agency Bonds</td>
<td>260.0</td>
</tr>
<tr>
<td>Other Sources of Funds, Including Repayments</td>
<td>(576)</td>
</tr>
<tr>
<td>Total</td>
<td>851.7</td>
</tr>
</tbody>
</table>

a. Figures for bonds are indicated in face value.
**Government-Guaranteed Bonds**
JBIC raises part of its funds through government-guaranteed bond issues in international capital markets. The outstanding bonds at the end of FY2008 were ¥1,059.5 billion, which accounts for 17% of the total outstanding borrowings and bonds. JBIC provides foreign currency loans, if they are necessary for effective financing operation. Financial resources funded by government-guaranteed bond issues in international capital markets are applied to such financial operations.

In the FY2009 supplementary budget, JBIC plans to issue government-guaranteed bonds in the total amount up to ¥770.0 billion, equivalent to US$7.5 billion.

**FilP Agency Bonds**
Since FY2001, JBIC has complied with the government policy to reform the FILP and issued bonds without government guarantee (FILP agency bonds) in the domestic capital market, thereby raising funds based on its own creditworthiness. A total of ¥70.0 billion FILP agency bonds were issued in FY2008. JBIC is planning to issue ¥70.0 billion FILP agency bonds in the FY2009 supplementary budget.

JBIC’s FILP agency bonds receive very high ratings as shown below (as of the end of July 2009). They are treated as assets for which the BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Moody’s................................................................. Aa2
Standard & Poor’s ............................................... AA
R&I.......................................................... AAA
JCR........................................................ AAA
JBIC is the international wing of JFC, a policy-based financial institution of Japan, and conducts lending, investment and guarantee operations while complementing the private sector financial institutions.

Since projects in developing countries have risks that private financial institutions find difficult to assess and assume, they will become feasible when JBIC assumes/controls their risks and reduces burdens on the private sector. Specifically, JBIC provides credit in project finance\(^1\) as well as structured finance\(^2\), actively assumes local corporate risks; and utilizes its guarantee facility for private-sector lending; thereby helping Japanese firms maintain their international competitiveness as well as secure stable resource supplies to Japan. JBIC's close ties and network with foreign governments and multilateral institutions as an official institution have served as its strength for smooth project management and resolution of various problems in the field.

Financial market turmoil triggered by the sub prime loan problem in the U.S. boiled over and seriously affected the real economy on a global scale in 2008, thus calling on countries to take speedy and appropriate responses. Placed under a new regime after the organizational transition, JBIC is making contribution to the sound development of Japanese and international economy, as well as the improvement of national lives, by efficiently conducting operations in the following fields: promoting overseas development and acquisition of strategically important natural resources to Japan; maintaining and improving the international competitiveness of Japanese industries; and responding to disruptions in financial order in the international economy.

Financial Operations

Loan, investment and guarantee commitments totaled ¥2,693.9 billion during FY2008. This is an increase of 59.2% from the previous year and reflected financing for crisis-response measures to address disruptions in the international financial order, as well as large-scale projects such as resource and infrastructure projects. Of this total, lending amounted to ¥2,085.2 billion, rising 80.1%, while guarantees declined by 2.1% to ¥523.0 billion, and equity participation registered ¥85.6 billion, a 100% increase. In response to global financial crisis, JBIC made lending, investment and guarantee commitments totaling ¥755.4 billion in support of Japanese firms' overseas business operations and the IFC Capitalization Fund for developing country banks, of which guarantee commitments amounted to ¥120.0 billion. With the world resource supplies remaining tight, JBIC also supported resource projects in Russia and Australia, and Japanese industries' participation in IPP and IWPP\(^3\) projects in Asia and the Middle East.

Commitments for project finance/structured finance and risk taking for firms and financial institutions locally operating in developing countries totaled ¥1,314.7 billion for 56 projects. They accounted for 67.8% of the total, excluding commitments that JBIC made in response to global financial turmoil above.

Outstanding loans, investments and guarantees decreased slightly from the previous year to ¥8,931.0 billion. Of this total amount, loans and investments were ¥7,280.6 billion, a minor decrease, while guarantees increased 2.0% to ¥1,650.3 billion.

By financing facility, export loans amounted to ¥276 billion, a 26.8% decrease from the previous year, for 24 projects including LNG plant export in Yemen. By region, the Middle East at ¥19.0 billion accounted for 68.8% of the total.

Import loans totaled ¥15.4 billion, decreasing 94.0%.

Overseas investment loans increased about 2.5 times to ¥1,816.5 billion. Of this total amount, commitments for resource development projects amounted to ¥926.7 billion, or 51.0% of the total, including large-scale project finance projects in Asia and the Middle East, as well as support for Japanese industries' overseas business operations.

### Financial Operations

<table>
<thead>
<tr>
<th>Loans, Investments and Guarantees</th>
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<tbody>
<tr>
<td><strong>(Unit: millions of yen)</strong></td>
</tr>
<tr>
<td><strong>Commitments</strong></td>
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<tr>
<td>Export Loans</td>
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<tr>
<td>Import Loans</td>
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<tr>
<td>Overseas Investment Loans</td>
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<td>Untied Loans</td>
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<tr>
<td>Equity Participation</td>
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<td>Guarantees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>Disbursements</strong></td>
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<td>Loans and Investments</td>
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<tr>
<td>Guarantees</td>
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<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Repayments</strong></td>
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<tr>
<td>Loans and Investments</td>
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<tr>
<td>Guarantees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Outstanding</strong></td>
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<tr>
<td>(the end of fiscal year)</td>
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<tr>
<td>Loans and Investments</td>
</tr>
<tr>
<td>Guarantees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

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\(^1\) Project finance is a financing structure that relies primarily on the cash flow generated by the project for repayment. It is used for financing large projects such as power generation and oil, gas or other natural resource development.

\(^2\) Structured finance is a financing technique used by firms with financial needs to obtain funds by relying on export earnings of the resources or products they develop for repayment.

\(^3\) Independent Power Producer (IPP) builds and operates a power plant on its own and sells the electricity produced to power utilities. Independent Water and Power Producer (IWPP) builds and operates power generation and water desalination plants on its own and sells the electricity and water produced from them.
Loan and guarantee commitments made in untied loans in FY2008 increased 13.3% from the previous year to ¥415.5 billion for 11 projects. Of this total, lending amounted to ¥225.5 billion for 8 projects, while guarantees stood at ¥190.0 billion.

Equity participation totaling ¥85.6 billion was made for 5 projects, including the IFC Capitalization Fund for developing country banks.

◆ Outline of Operations

JBIC set off to a new start in October 2008, as the international wing of JFC. By utilizing a variety of financial schemes, JBIC is striving to accomplish its mission of implementing Japan’s external economic policy. It conducts operations in the following three fields:

1. Promoting overseas development and acquisition of strategically important natural resources to Japan;
2. Maintaining and improving the international competitiveness of Japanese industries;
3. Responding to disruptions in financial order in the international economy.

In FY2008, loan, investment and guarantee commitments totaling ¥914.0 billion were made in “Promoting overseas development and acquisition of strategically important natural resources to Japan,” accounting for 33.9% of the total commitments. Specifically, JBIC financed the Sakhalin II LNG project in Russia and the Pluto LNG project in Australia with an aim to secure a stable supply as well as to diversify energy and mineral sources to Japan. JBIC also signed MOUs on operational cooperation with the state-owned resource companies in Qatar and Viet Nam in order to ensure a stable resource supply for Japan and to strengthen ties with resource-endowed countries.

In the meantime, loan, investment and guarantee commitments for “Maintaining and improving the international competitiveness of Japanese industries” amounted to ¥1,601.2 billion, or 59.4% of the total. To maintain the international competitiveness of Japanese industries amid the unfolding global financial turmoil, the following Emergency Operations to Support Overseas Business Activities were launched in December 2008, based on the Ministerial Meeting on Economic Measures. As an exceptional measure, these operations will be terminated by the end of March 2010:

1. Supplier’s credit to finance exports from Japan to developing countries
2. Loans for projects being undertaken by large Japanese firms in developing countries through domestic firms
3. Loans and guarantees for Japanese firms and their affiliates doing business in industrial countries

In addition to these operations responding to economic crisis, JBIC financed, in project financing, the coal-fired power plant expansion project in Indonesia and the power and desalination project in Qatar. JBIC also supported large-scale transport infrastructure projects contributing to overseas Japanese business operations, including the Panama Canal expansion project in Panama, the port expansion project in South Africa and the railway network development project in Brazil.

Loan, investment and guarantee commitments for “Responding to disruptions in financial order in the international economy” reached ¥178.7 billion, making up a 6.6% share in the total commitments in FY2008. To help stabilize the global financial system, JBIC joined the IFC Capitalization Fund in cooperation with the International Finance Corporation (IFC) and made a loan and investment commitment totaling ¥178.7 billion to this Fund.

To facilitate trade transactions affected by the financial crisis, JBIC announced to launch a trade finance facility in February 2009, to support financial institutions, primarily in Asian countries. (The facility was expanded to US$1.5 billion in April 2009, which will support overall total trade transactions worth up to US$6.0 billion over the next 2 years.) JBIC also announced the establishment of the Leading Investment to Future Environment (LIFE) Initiative to support environmental investments in developing countries. Under the LIFE Initiative, JBIC will provide financial support totaling approximately US$5.0 billion over the period of about 2 years. In doing this, JBIC will mobilize the JBIC Facility for Asia Cooperation and Environment (FACE) which was established in April 2008, to cope with climate change and encourage private investments in environmental projects in Asia.

<table>
<thead>
<tr>
<th>Loan, investment and guarantee commitments in FY2008</th>
<th>Loan and investment</th>
<th>Guarantee</th>
<th>Total</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting overseas development and acquisition of strategically important natural resources to Japan</td>
<td>909.3</td>
<td>4.6</td>
<td>914.0</td>
<td>33.9</td>
</tr>
<tr>
<td>Maintaining and improving the international competitiveness of Japanese industries</td>
<td>1,082.8</td>
<td>518.3</td>
<td>1,601.2</td>
<td>59.4</td>
</tr>
<tr>
<td>Responding to disruptions in financial order in the international economy</td>
<td>178.7</td>
<td>—</td>
<td>178.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>2,170.9</td>
<td>523.0</td>
<td>2,693.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Strengthening the Financing Function

Increasing Equity Investment and Project Finance Loans

In July 2008, the Investment Banking Planning Department was renamed the Investment Banking Department in an effort to strengthen securitization and equity investment operations. JBIC has to conduct innovative financing operations, through investment and securitization activities, to meet increasingly diverse financial needs arising from the Japanese firms that conduct globalized operations and multi-faceted efforts to secure Japan’s access to natural resources.

In April 2008, JBIC established the JBIC Facility for Asia Cooperation and Environment (FACE) to support projects contributing to climate change mitigation, as well as Asian projects. JBIC will mobilize private capital to the greatest extent possible, through use of its equity participation and guarantee functions. JBIC also provided guarantees for loans to the Philippines and Vietnamese government agencies with an eye to promoting the Clean Development Mechanism (CDM) under the Kyoto Mechanisms. Further, JBIC made equity participation to a fund investing in the environment and energy saving projects in China.

At the end of June 2008, the Project Finance Department was dissolved in a constructive manner, and its project finance operations were handed over to other operational departments (Asia and Oceania Finance Department, Europe, Middle East and Africa Finance Department, Americas Finance Department, Energy and Natural Resources Finance Department, and Corporate Finance Department). Concurrently, the project finance committee aimed at facilitating sharing of expertise and know-how of project finance, as well as project information, was set up as part of JBIC efforts to strengthen its project finance function.

Signing MOUs on Operational Cooperation

JBIC has signed memorandum of understanding (MOU) for operational cooperation with a broad range of institutions, including official multilateral and bilateral financial institutions. By strengthening cooperative ties and collaborating with these institutions, JBIC will be able to provide further support for Japanese firms operating overseas.

In May 2008, JBIC signed an MOU with the IFC to promote collaboration in assisting the private sector investment in Africa. This has enabled both institutions to exchange information and views on financial support utilizing loans and guarantees.

With the sight set on securing a stable supply of resources to Japan by enhancing relations with resource-endowed countries, JBIC signed MOUs aimed at strengthening cooperation with Vale in Brazil in May 2008, Qatar Petroleum in October 2008, and the Vietnam National Coal and Mineral Industries Group (VINCACOMIN) in Viet Nam in January 2009, respectively. JBIC also signed in October 2008, an MOU on promotion of the Delhi-Mumbai Industrial Corridor (DMIC) with India’s DMIC Development Corporation (DMICDC) and India Infrastructure Finance Corporation Limited (IIFCL).

Partnership with Multilateral and Official Financial Institutions in Other Countries

The Asian Exim Banks Forum was launched in 1996 to provide a place for export credit agencies from 9 Asian countries to discuss collaboration measures and strategies that they can adopt for addressing a variety of issues facing individual members. In October 2008, JBIC participated in the 14th Annual Meeting of the Forum held in Sydney, Australia, and signed the Sydney Consensus, which set out cooperation in responding to financial market turmoil. Amid unfolding global financial crisis, the signatory member agencies agreed, under the Sydney Consensus, that they jointly take necessary measures should any difficulty arise while executing the project in which they take part through provision of loans and guarantees. JBIC will continue to cement cooperative ties with Asian exim banks by taking advantage of this Forum, as Asian economies become increasingly interdependent with each other.

In May 2008, JBIC, jointly with Japan Carbon Finance (JCF), sponsored a CDM workshop for Export-Import Bank of Thailand (EXIM Thailand) and Electricity Generating Authority of Thailand (EGAT). It was held based on MOUs on operational cooperation that JBIC signed in May 2006, with the EXIM Thailand, and in June 2007 with EGAT, respectively (see p. 23).
Addressing Climate Change and Supporting Environmental Business

JBIC is supporting Japanese firms for their acquisition of carbon credits (or greenhouse gas (GHG) emission allowances in the framework of the Kyoto Mechanisms).

In April 2008, JBIC established the JBIC Facility for Asia Cooperation and Environment (FACE) with objectives to support climate change mitigation and to mobilize private capital to projects in Asia. Under FACE, JBIC has increased the use of its equity participation and guarantee facilities, and made equity participation in a fund investing in environmental and energy saving projects in China, as well as loan commitments totaling ¥108.4 billion in support of the hydropower plant project in Viet Nam, etc.

In June 2008, based on the concept of “contribution to global environment,” JBIC issued the 31st JBIC Bond (called JBIC Environmental Support Bond). This is the 5 year, ¥20-billion FIP Agency bond, incorporating two different arrangements: “bond issuance” and “emission trading.”

As part of efforts to disseminate information and invigorate carbon credit trading in the domestic market, JBIC established, jointly with Japan Institute for Overseas Investment (JOI), a website named “Japanese Carbon Credit Trading Platform” in November 2007, where information on carbon credits issued by the UN (secondary information) was posted. From April 2008, JBIC started to publish the Nikkei-JBIC Carbon Quotation Index, showing indicative price of Kyoto carbon credits issued by the UN CDM Executive Board. In November 2008, JBIC made public Kyoto credit projects (primary information) in advance of their issuance by the Board.

In September 2008, JBIC signed an MOU with The Energy and Resources Institute (TERI) of India for cooperation in the development of GHG reduction projects in India. Further, to promote Japanese firms’ environmental business and to accelerate CDM project implementation, JBIC signed MOUs on operational cooperation with the Sao Paulo state government, Brazil, Bank for Agriculture and Agricultural Cooperatives (BAAC) of Thailand, and the Ministry of Environment of Islamic Republic of Pakistan (MOE).

Contributing to the Building of the Framework for Utilizing Officially Supported Export Credits

JBIC determines terms and conditions of its export credits in accordance with OECD’s Agreement on Guidelines for Officially Supported Export Credits. The purpose of this Arrangement is to provide a framework for the orderly use of officially supported export credits and to foster a level playing field for official support. A total of 26 industrial countries, including Japan, have agreed to adopt the Arrangement as a common rule for officially supported export credits extended to finance exports of plants and other capital goods.

JBIC has participated in discussions in the OECD’s Working Party on Export Credits and Credit Guarantees (ECG), to ensure the fairness of the Arrangement with respect to Japanese exports and to make it serve as a common framework for promoting fair international competition among exporters.

JBIC will continue to participate in various ECG meetings to set international rules that address diverse issues involved in export credits, including export credit terms, environmental considerations and debt sustainability.

Supporting Globalization Efforts of SMEs

Advanced technology possessed by Japanese small and medium enterprises (SMEs) are given high marks both in Japan and abroad, and developing countries are eager to invite investment from such high-caliber SMEs. In the midst of globalization, supporting SMEs is one of the primary tasks of JBIC’s operations. Compared to major firms, SMEs are practically constrained in terms of fund raising, access to information and human resources which are necessary for overseas business development. JBIC provides comprehensive support for them by performing its three functions: lending and other financing; information service on investment climate; and problem solving when SMEs encounter local problems by working on host country governments and other authorities.

Specific examples are: complementing the functions that are difficult for private financial institutions to perform, including assumption of political risks for their financing; cooperating with regional financial institutions and prefectural and municipal governments in Japan; and providing information and consulting services on transactions involving overseas business partners; and holding seminars and other events for providing information on overseas investment climates. While supporting SME’s efficient local business operations and problem solving, JBIC draws on close ties with foreign governments and networks that it has built up over many years of operations.

JBIC also held roundtable meetings with SMEs in Osaka for the clients with whom JBIC has business relations. They have served to develop networking among SMEs engaging in overseas operations for exchanging information and sharing experiences and lessons learned.

Seminars on Overseas Investment Climates

JBIC conducts “Overseas Business Development Survey,” an annual survey targeting Japanese manufacturing companies, and publishes the results in “the Survey Report on Overseas Business Operations by Japanese Manufacturing Companies.” The survey was based on the 620 responses by Japanese companies on key issues that are essential in considering overseas business development, including: “medium-term prospects for overseas business development;” “evaluation of overseas business performance;” “promising countries/regions for investment;” and “important efforts to maintain/improve their international competitiveness;” and then conducted analysis on their responses. Since the survey report
Overview of Activities in Fiscal Year 2008

Overview of Operations

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lecture by an invited expert on “Why should Japanese corporations go global?” as well as a panel discussion where lively discussions and Q&A sessions were held on issues such as: Differences between the present economic turmoil and the Asian currency crisis; what factors have contributed to higher evaluation that India, Russia and Brazil have received as investment destinations; and strategical problems of Japanese firms. Similar seminars were also held in Fukuoka in February 2009 and in Aichi in March 2009, respectively.

In February 2009, JBIC invited officials of ministry of finance and central banks of Cambodia, Laos, Myanmar and Viet Nam to a lecture meeting regarding how to develop their countries’ SMEs and how to address globalization. During this meeting, JBIC provided information on the trend of Japanese companies’ foreign direct investments, as well as how to win investments to their countries. In July 2008, the “India for FY2008 marked the 20th issue of the annual series, it featured a changing pattern of “promising countries/regions for overseas business operations” over the past two decades.

In December 2008, overseas investment seminars were held in Tokyo and Osaka to present the survey results. During the “Overseas Investment Seminar: Trends and Agenda of Japanese Overseas Manufacturing Operations” organized in Tokyo by JBIC, in cooperation with JOI, in addition to the presentation of the survey results, external experts were invited as lecturers and panelists to raise issues under the topic: “Recent Changes in Business Climate and How to Cope with Them.” In Osaka, JBIC sponsored, jointly with the Osaka Chamber of Commerce and Industry (OCCI) and in cooperation with JOI, the “Overseas Investment Seminar: Trends and Agenda of Japanese Overseas Business Operations.” After hearing the survey results, participants of the Seminar were given a lecture by an invited expert on “Why should Japanese corporations go global?” as well as a panel discussion where lively discussions and Q&A sessions were held on issues such as: Differences between the present economic turmoil and the Asian currency crisis; what factors have contributed to higher evaluation that India, Russia and Brazil have received as investment destinations; and strategical problems of Japanese firms. Similar seminars were also held in Fukuoka in February 2009 and in Aichi in March 2009, respectively.

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 Loans to Strengthen and Expand the Development and Production Base in China: Supporting OEM cosmetics manufacturer for going independent and increasing productivity

Toshiki Pigment Co., Ltd. (President: Yasuhiro Shigihara), an OEM cosmetics manufacturer founded in 1951, develops and contract manufactures a wide range of cosmetics including powder ingredients, makeup products such as lipsticks and eyeshadows, and skincare products, for more than 200 clients in and outside Japan. Today, Toshiki Pigment is enjoying a good reputation as the only integrated manufacturer who can develop raw materials and supply finished products.

The company’s advanced powder technology is applied to a variety of products including foundations and baby powders. Since they are manufactured in a GMP2 environment, cosmetics companies who give top priority to product safety give high marks to these products.

Anticipating a rapid growth of China’s cosmetics market, Toshiki Pigment, jointly with a Chinese company, established production bases in Beijing and Shanghai in 1999. Drawing on its advanced technology which not only satisfies strict Japanese standards but is also capable of supporting any manufacturing process, the company has continued to efficiently expand business to this day. Actually, 5 years ago, Toshiki Pigment received large OEM orders from a Japanese-affiliated major cosmetics maker and a baby-related products maker.

In 2009, seizing the opportunity of the expiration of the 10 year joint venture contract, the company decided to go independent and increase the production capacity by transferring/expanding the Shanghai plant. JBIC supports this project by providing a loan jointly with a private financial institution. Under the project, the new plant, whose space will increase threefold, will start operation in the fall of 2009, with an eye to supplying products not only to Japanese and local major cosmetics companies, but eventually to foreign brand makers advancing to the Chinese market as well. To compete in the rapidly changing cosmetics industry, it is vital to make speedy investment decisions. In this regard, Toshiki Pigment commented: “JBIC was quick in making the loan decision. We hope JBIC will continue to serve as a source of long-term and stable finance over the coming years.”

1. Original Equipment Manufacturing (OEM) is to contract manufacture the custom- er's brand-name products.
2. Good Manufacturing Practice (GMP) is the standard for the control and management of manufacturing and quality control of pharmaceutical products.
Investment Seminar: Key to Success in India for Automobile Parts Manufacturers’ was held jointly by JBIC, the government of India and the Nagoya Chamber of Commerce and Industry.

◆ Advisory and Information Service on Trade and Foreign Investment
JBIC offers itinerant advisory service on trade and foreign investment to domestic clients in cooperation with local governments and chambers of commerce and industry that support overseas business expansion of the local firms. It also offers advisory service in response to inquiries on the procedures and formalities of trade transactions and foreign direct investment, as well as on ways to obtain long-term financing.

JBIC conducts survey and prepares booklets on investment climate of individual countries. While these publications were distributed to interested individuals, JBIC started, at the request of users, to make such information available on the JBIC website (in PDF file) from October 2008. One of the operational highlights for FY2008 was the publication in October of “Business Climate in Neighboring Asian Countries: To expand overseas sales channel of Japanese food products and ingredients,” a booklet targeting food-related industries who are considering to increase sales in Asian markets, as well as local governments and relevant government agencies who are trying to promote exports of local food products and ingredients. By introducing local business climate and food-related rules and regulations in individual countries for narrowed-down business categories, the publication has enjoyed a good reputation. By region, given numerous inquiries JBIC receives about Asian countries, it either revised or newly published data for China, India, Indonesia and Cambodia. In the meantime, investment climate in Croatia, Romania and Bulgaria, countries drawing growing attention as production bases essential for competing in the EU market, was also published.

◆ Partnership with Regional Banks
In recent years, Japanese regional firms have been considering that internationalization of their business, such as expansion into foreign markets and overseas business operations, will serve as a means of invigorating the regional economy. Thus they are looking on China, India, Viet Nam, Thailand, Russia and other countries as promising countries for their business development. Since banks located in rural regions sometimes have difficulty with information gathering, JBIC is strengthening business cooperation with regional banks, trust banks and regional financial institutions by sharing and complementing information and know-how. In May 2008, JBIC signed an MOU with The Shonai Bank Ltd., to provide information on overseas investment climate. When one of the Shonai Bank’s client firms decides to launch overseas business, this MOU enables JBIC not only to offer the host country’s investment climate and other information to Shonai Bank, but also to send speakers to the seminars organized by the Bank. To date, JBIC has signed similar MOUs with 11 regional financial institutions.

JBIC provided expertise and know-how that JBIC has acquired on investment climate and finance as a gesture of cooperation with regional banks across Japan. For example, during the Overseas Business Seminar organized by The Gunma Bank, Ltd. in November 2008, a lecturer sent by JBIC delivered a speech entitled: “Marketing network, investment strategy and local situation in China and ASEAN member countries, from the viewpoint of SMEs.” In February 2009, JBIC sent a speaker to the China-Thailand-India Business Seminar held by The Hiroshima Bank, Ltd., where he delivered a lecture: “The Current Investment Climate in Thailand.”

◆ Partnership with Prefectural Governments
JBIC provides policy cooperation for prefectural governments by drawing on its know-how acquired in supporting Japanese firms’ overseas business development.

The prefectural government of Yamagata set up the Conference for Formulating Strategy for the East Asian Economy in FY2006 and formulated the Yamagata Strategy for the East Asian Economy with a view to increasing economic transactions with East Asia. The strategy focuses on four areas: “the Business development of the manufacturing industry in East Asia,” “exports of products produced in the prefecture to East Asian markets,” “attracting foreign tourists” and “promoting cultural exchange with East Asia.” JBIC continued to participate in the Conference as its member in FY2008 and provided cooperation for Yamagata Prefecture in making its external economic policy in terms of issues including changes in economic situation of East Asia, strategy for exporting automobile parts to Russia, as well as strategy for exporting Japanese food products and ingredients to China, which are highly acclaimed for their quality and safety.

After signing an MOU in February 2008 with the Tokyo metropolitan government on mutual cooperation concerning measures to address climate change, JBIC has continued to share information and views on climate change with the Tokyo metropolitan government. For example, JBIC provided cooperation for carbon offset at the “C40 Tokyo Conference on Climate Change: Adaptation Measures for Sustainable Low Carbon Cities,” an international meeting organized in Tokyo in October 2008, as part of efforts to help the metropolitan government in drafting measures and building up an international framework to fight global warming. Benefiting from this partnership, JBIC is providing further support for prefectural and municipal governments and Japanese firms in contributing to global issues.

JBIC has various forms of partnership with domestic prefectoral and municipal governments, which lead to mutual cooperation and the provision of knowledge assistance in other countries.
Overview of Activities in Fiscal Year 2008

JBIC’s Response to Global Financial Turmoil:
Not only emergency measures but post-crisis support as well

Financial turmoil triggered by the subprime loan problems in the U.S. has evolved into a global financial crisis, with its effects spilling over to real economy. It has dealt an especially serious blow to the economies in Asia, who have to this date largely relied on exports for their growth. In response to disruptions in the international financial order, JBIC is taking emergency measures in support of Japanese industries’ exports and overseas business operations, as well as the stabilization of the international financial system. At the same time, JBIC focuses its attention on the post-crisis stability.

Supporting Japanese firms’ trade and investment activities
JBIC mobilized the following financial facilities in an effort to support Japanese industries’ exports and overseas business development amid the current global financial turmoil:
1. Supplier’s credit to finance exports from Japan to developing countries
2. Loans for projects being undertaken by large Japanese firms in developing countries through domestic firms
3. Loans and guarantees for Japanese firms and their affiliates doing business in industrial countries.
All measures above are exceptional and temporary to be terminated at the end of March 2010, based on the Emergency Measures to Defend People’s Daily Lives decided by the Ministerial Meeting on Economic Measures in December 2008.

Support for Stabilizing Global Financial System
JBIC signed agreements with the International Finance Corporation (IFC) for providing loans and equity capital to the IFC Capitalization Fund (JBIC contributing ¥178.7 billion). The objective of this Fund is to capitalize major local banks in small and medium developing countries by providing equity capital or subordinated loans to them, to strengthen their capital bases, thereby helping to stabilize their countries’ financial systems. Combined with proactive responses by the International Monetary Fund (IMF) to support small and medium emerging market countries, the Fund is expected to make a significant contribution to the stabilization of the international financial system.

Support for Trade Finance
JBIC announced in February 2009, to launch a trade finance facility in support of financial institutions in developing countries primarily in Asian countries. The facility was expanded in April 2009, to US$1.5 billion, which will support overall total trade transactions worth up to US$60.0 billion over the next two-year period. Under this initiative, JBIC will continue to bolster trade operations by utilizing networks that JBIC has built with the export-import banks in Asian countries, while at the same time strengthening partnerships with export credit agencies and international development institutions in Europe and the U.S.

Leading Investment to Future Environment (LIFE) Initiative
JBIC announced the establishment of LIFE Initiative in March 2009. The LIFE Initiative will support environmental investments which are in line with the principle announced in the G7 Communiqué at Rome, February 2009, that fiscal policy measures should be “frontloaded and quickly executed” in response to the ongoing and severe global economic downturn, and which address long-term goals in infrastructure sectors in developing countries.

Through these emergency operations, loan commitments totaling ¥121.0 billion (4.5% of overall commitments in fiscal 2008) for 30 projects supported business financing in developing countries, while commitments totaling ¥455.7 billion (16.9%) in loans and guarantees for 20 projects supported business financing in industrial countries.
Realizing economic development compatible with environmental conservation is a major challenge to the global economy. Given its mission to contribute to sustainable economic and social development in the global community, JBIC has mainstreamed environmental and social considerations in financing operations, while devoting its significant resources to supporting environmental conservation and improvement projects. At the same time, JBIC is dynamically addressing global warming, which requires solutions through coordinated global action.

**Efforts to Curb Global Warming**

- **Toward a Low Carbon Society**
  The first commitment period started in 2008 under the Kyoto Protocol, wherein the decision was made to reduce greenhouse gas (GHG) emissions. During this commitment period of 2008–2012, Japan has an obligation to achieve a quantitative target of reducing GHG emissions by an average of 6% from the level of 1990 baseline year. This target is difficult to achieve solely through domestic efforts, even if Japanese firms mobilize all their advanced energy-saving technologies. Thus there are emerging moves to participate in projects generating GHG emission reductions in developing countries and purchase carbon credits (emission allowances in the Kyoto Mechanisms) generated by these projects or to trade carbon credits in the market.

  JBIC has supported projects for improving the environment or coping with global warming by drawing on its experience in supporting overseas projects that utilized advanced Japanese technologies. In addition, JBIC is working to create an innovative financing mechanism, while advocating a business model for acquiring carbon credits.

- **Facilitating Domestic Carbon Credit Trading**
  JBIC and JOI launched in November 2007 a web-based Carbon Credit Trading Platform (http://www.joi.or.jp/carbon) that provides information on projects generating carbon credits, market information on carbon credit trading, trends in carbon credit prices and international developments in the Kyoto Mechanisms. Since April 2008, the Nikkei-JBIC Carbon Quotation Index has been published in cooperation with Nikkei Digital Media Inc., providing indicators of the prices of carbon credits in the domestic market. Furthermore, since November 2008, this website has provided information service on projects for which carbon credits (GHG emission credits under the Kyoto Protocol) have yet to be certified by the Executive Board of CDM, an affiliate organization of the United Nations (primary CDM project information), in addition to information on carbon credits already certified by the CDM Executive Board (secondary CDM project information).

  In June 2008, JBIC reached agreement for cooperation on carbon trading with Asia Carbon Exchange Pte. Ltd. (ACX), a company whose business operations include an information service and the auction of carbon credits (certified emission reductions (CERs) under the Kyoto Protocol) in Singapore. It will encourage carbon credit trading by providing information on Japanese carbon credit trading to Asia, thereby stimulating a supply of carbon credits from Asian and other countries to Japan to meet the needs of Japanese companies.

  In the same month, JBIC launched a ¥20 billion, 5 year FILP Agency bond issue (public offering of non-government guaranteed domestic bonds) in the domestic capital market. The issue, called “JBIC Environmental Support Bond,” combined bond issue with a carbon trading mechanism based on the concept of “Contribution to the Global Environment.” Upon request from the investors, part of the interest they receive may be transferred to a non-profit intermediary corporation and used for the purchase of carbon credits for eventual retirement. Investors may also have access to the Carbon Credit Trading Platform.
Overview of Activities in Fiscal Year 2008

Creating Value Added and Disseminating Information

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** JBIC’s Approach to Carbon Offset**
Carbon offset, a civil society effort to realize a low-carbon society by utilizing carbon credits for reducing GHG emissions, has been drawing increasing attention.

In June 2008, JBIC and JOI held “Carbon Offset Business Seminar: Cases of Business Using Carbon Offset and the Outlook of Obtaining Carbon Credits.” In this seminar, successful examples of businesses using carbon offset were presented. Discussions also dwelled on how to ensure reliability and efficiency for smooth and steady development of such businesses as well as how to acquire carbon credits, as it is the key to such a business model.

In October 2008, JBIC provided support for an international conference, “C40 Tokyo Conference on Climate Change: Adaptation Measures for Sustainable Low Carbon Cities,” organized by the Tokyo Metropolitan Government. In December 2008, JBIC posted on the Carbon Credit Trading Platform the information that the Metropolitan Government desired to purchase carbon credits to offset GHG emissions generated by holding the conference. The Metropolitan Government subsequently selected a windmill project in India to use its carbon credits certified by the CDM Executive Board for carbon offset of the conference. In February 2008, JBIC and the Tokyo Metropolitan Government also signed a memorandum of understanding (MOU) for mutual cooperation on climate change. JBIC will continue to support Japanese prefectural and municipal governments as well as business firms in their respective efforts to cope with global issues.

The key to carbon offset is planning what activities to offset, and purchasing and managing carbon credits. Carbon credits certified by the CDM Executive Board are relatively easily purchased and kept in records even in small lots. Information on the Carbon Credit Trading Platform has been used for their purchase. Price information may be obtained from the Nikkei-JBIC Carbon Quotation Index. Thus there has been gradual development in the business environment of carbon offset.

** Supporting Environmental Projects**
JBIC is vigorously supporting projects that are expected to be eligible for CDM or Joint Implementation (JI) projects in the Kyoto Mechanisms.

In August 2008, JBIC offered a credit line for the Development Bank of the Philippines (DBP) for its financing of CDM projects. It makes use of the network of DBP and thereby enables JBIC to support small-scale CDM projects in its effort to exploit the full potential of trading carbon credits in the Philippines. In March 2009, training sessions were held for DBP loan officers for their capacity development to advance this endeavor.

JBIC also signed in November 2008 an untied loan agreement totaling up to ¥11 billion with Vietracimex Lao Cai Electric Joint Stock Company in Viet Nam. The loan is financing the construction and operation of a 60 MW (30 MW×2 units) run-of-the-river hydropower station located in Lao Cai Province, northern Viet Nam. This is a CDM candidate project from which a Japanese company is expected to purchase carbon credits (see p. 28).

** Looking beyond the Kyoto Protocol**
There are discussions underway on the post-Kyoto Protocol framework beyond the commitment period of 2008–2012 for reducing global GHG emissions.

Reducing emissions from deforestation and forest degradation (REDD) through forest conservation is not recognized as a “methodology” in the Kyoto Mechanisms, and is currently under consideration in the United Nations/Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC). In December 2008, JBIC co-organized the Forest Carbon Partnership Facility (FCPF) Seminar with the Tokyo office of the World Bank and JOI.

Discussing how to mobilize private-sector funds in the Forest Carbon Partnership Facility Seminar
Creating Value Added and Disseminating Information

Overview of Activities in Fiscal Year 2008

JBIC participated in Carbon Expo: Global Carbon Market Fair and Conference held in Germany in May 2008 and in Carbon Forum Asia 2008 held in Singapore in November 2008, with its staff engaged in panel discussions and delivered a keynote speech. In addition, JBIC set up a JBIC pavilion in cooperation with Japanese firms for public information activities disseminating recent efforts of JBIC to achieve Japan’s emission reduction target, including the Carbon Credit Trading Platform and the Nikkei-JBIC Carbon Quotation Index.

On the domestic front, JBIC participated in Eco-Products 2008 held at Tokyo Big Sight in December 2008 by setting up an exhibition booth like previous year and made a presentation titled “A Price Is Now Put on CO2.”

JBIC will continue to engage in active information dissemination activities to contribute to mitigating or adapting to global climate change and achieving Japan’s emissions reduction target under the Kyoto Protocol, while making use of its international networking resources.

On February 27, 2009, a MOU with the Australian government for cooperation in advancing carbon capture and storage (CCS) projects where carbon dioxide emissions from coal-fired power plants, oil and gas fields and other emission sources are recovered and stored in deep geological formations or in deep ocean floors. The Australian government has adopted a policy of actively supporting the development and implementation of CCS projects in a global effort to mitigate climate change. As part of this effort, Australian Prime Minister Kevin Rudd proposed the idea of Global Carbon Capture and Storage Institute (GCCSI) as an international institute to draw together and share information, knowledge and expertise on CCS. Since then he has been exhorting other governments and businesses to participate in this initiative, which culminated in the establishment of GCCSI in July 2009.

JBIC is also supporting the widespread use of weather derivatives. A weather derivative is a financial instrument that will help speedy recovery from economic damages caused by extreme weather events. Since weather derivatives do not need underpinnings of substantial fiscal funds, they are an effective measure to deploy private financing with relatively limited fiscal burden. Weather derivatives are thus expected to cope with a global issue of soaring food prices. In June 2008, JBIC signed a MOU with the Bank for Agriculture and Agricultural Cooperatives for mutual cooperation in the broader use of weather derivatives in the Thai agricultural sector.

Disseminating Information on Environmental Efforts to the International Community and Domestic Civil Society

JBIC participated in various events at home and abroad to provide and share knowledge and information with other participants.

During the Tokyo G8+5 Legislators Forum on Climate Change of GLOBE International held in June 2008, then Governor of the former JBIC delivered a keynote address in the session on the environment and finance. He pointed out in the speech the need to reduce CO2 emissions by the private sector and develop a new mechanism for mobilizing private sector funds in view of enormous financing demand arising from emissions reduction efforts. He then proposed further international collaboration on environmental financing.

In October 2008, JBIC and IFC co-hosted a seminar on Energy Efficiency and Sustainable Finance at the headquarters of the World Bank in Washington, D.C. Given that there are high expectations on the role played by private financial institutions, especially those in emerging markets, for realizing a low carbon society, presentations at the seminar informed the participants with innovative schemes of JBIC and IFC in the financial market to finance green investments.
**JBIC Guidelines for Confirmation of Environmental and Social Considerations**

**JBIC Confirms Environmental and Social Considerations**

With people paying increasing attention to environmental conservation and international trends leaning toward tighter environmental regulations, not a few companies face difficulty with project implementation and have to assume reputation risk because they failed to put in place sufficient risk management regarding possible environmental and social impacts of their overseas businesses. JBIC enforced in October 2003, the JBIC Guidelines for Confirmation of Environmental and Social Considerations (the Environmental Guidelines). Based on the Environmental Guidelines, JBIC confirms whether the borrower made appropriate environmental and social considerations for all JBIC-financed projects.

The Environmental Guidelines set forth the procedures and judgmental standard of JBIC’s confirmation of environmental and social consideration, as well as requirements that JBIC-funded projects must meet. When JBIC judges the project proponents are not undertaking appropriate environmental and social considerations, JBIC encourages it to take more appropriate measures. Furthermore, where appropriate environmental and social considerations are not taken, JBIC may decide not to extend funding.

Below are features of the Environmental Guidelines:

1. They are applied to all JBIC-funded projects.
2. Environmental and social considerations are defined as not only considerations for natural environment but also for social environment including involuntary resettlement and respect for indigenous people’s human rights.
3. Emphasis is placed on participation of a broad spectrum of stakeholders who are affected by projects, including local residents and local NGOs.
4. When JBIC conducts environmental reviews, JBIC emphasizes dialogue with the host country government and borrowers, while respecting the host country’s sovereignty.
5. Aiming to encourage stakeholders to provide information and secure accountability and transparency, JBIC makes public what category the funded project is classified into before making a decision on funding, and releases the result of environmental review of the project after the decision on funding, while at the same time adhering to both the principles of information disclosure and confidentiality.

Further, to ensure compliance under the Environmental Guidelines, JBIC has appointed examiners for the Environmental Guidelines, who are composed of third parties totally independent from JBIC’s operational departments, and has established procedures under which the examiners receive any submission of objections concerning compliance with the Environmental Guidelines from local stakeholders since October 2003. When an objection is filed, the examiners for the Environmental Guidelines examine it from the independent and neutral standpoint, report an examination result to president & CEO, JBIC, and encourage efficient communication among stakeholders in an effort to solve the problem.

In confirming environmental and social considerations, it is essential to make international alliances. By sharing information and knowledge on environmental and social considerations with environmental departments of the World Bank and IFC, JBIC is striving to implement more appropriate environmental and social considerations. JBIC is also committed to strengthening of knowledge sharing with export credit agencies in OECD member countries by participating in OECD/ECG meetings on export credit and credit insurance. At the same time, JBIC transfers knowledge on environmental and social considerations to developing country governments and financial institutions, while providing information on confirmation on environmental and social considerations to Japanese private sector financial institutions and the Nippon Export and Investment Insurance (NEXI).

**Revisions of the Environmental Guidelines**

The Environmental Guidelines set forth that a comprehensive review should be conducted within five years of their enforcement, and revisions may be made as needed. In accordance with this provision, JBIC started revision work in 2007, 4 years after the enforcement of the Environmental Guidelines, and announced this operation to the general public before completing the newly revised Environmental Guidelines (the New Environmental Guideline) in July 2009 (enforced in October 2009).

In preparing the New Environmental Guidelines, JBIC took care to ensure procedural transparency through greater information disclosure, and solicited views from a broad spectrum of stakeholders by holding consultation meetings and inviting public comments. Views thus collected were reflected in the final revised Guidelines. Specifically, to make revisions, JBIC:

1. Verified the status of the implementation of the Environmental Guidelines and announced the results;
2. Held 14 joint public consultation meetings with NEXI over the period of November 2007, through September 2008, to have a wide range of discussions with Japanese industries, NGOs, experts, and government officials;
3. Visited 19 agencies in 8 major developing countries in October through November 2008, to gather opinions on revisions; and
4. Invited public comments on the draft revision from October through November 2008.
JBIC is striving to maintain transparency in the revising process by posting the summary of these meetings and comments on the JBIC website.

Supporting Environmental Investments in Asian and Other Developing Countries: Mobilizing private funds to make more extensive efforts to address climate change

JBIC has been working on implementing the Leading Investment to Future Environment (LIFE) Initiative following its launch in March 2009 by Minister of Finance. The LIFE Initiative will support environmental investments in line with the principle of the G7 Communiqué at Rome, released in February 2009, which states that fiscal policy measures should be “frontloaded and quickly executed” in response to the ongoing and severe global economic downturn triggered by the financial crisis. The Initiative also sees beyond the crisis and addresses long-term goals in infrastructure sectors in developing countries.

JBIC will provide financial support totaling US$5 billion over the next 2 years for environmental investments made by the governments of developing countries as well as by the private sector in Asia and other developing countries. JBIC will also utilize the JBIC Facility for Asia Cooperation and Environment (FACE), established in April 2008 for supporting projects contributing to mitigating climate change and promoting projects for cooperating with Asian countries. JBIC will also cooperate with Multilateral Development Banks (MDBs) such as the Asian Development Bank (ADB) and the World Bank Group in implementing this Initiative.

JBIC will draw on the LIFE Initiative, FACE and other financing frameworks that mobilize private funds in its effort to actively support environmental investment and infrastructure projects in Asia and other developing countries.

Main targeted sectors of the Initiative are ...
- Clean power generation (solar, geothermal, wind power, clean coal power plants, etc.)
- Energy efficiency improvement (upgrading of existing transmissions and distributions, modernization and heat recovery of steel furnaces and cement kilns, ESCO (Energy Service Company), etc.)
- Water (water purification and supply, sewage system, wastewater treatment, desalination and water processing, etc.)
- Urban transportation (modal shift in densely populated areas, etc.)
Communications and Cooperation on Environmental Issues

Addressing Environmental Concerns in Partnership with Stakeholders

If environmental and social considerations are to achieve the intended effects, it is essential to have the understanding and cooperation of many stakeholders. By building partnerships with domestic and overseas stakeholders, JBIC has engaged in various activities and provided assistance for them to address environmental problems.

JBIC signed a MOU with The Energy and Resources Institute (TERI) in September 2008, for cooperation in the development of GHG reduction projects in India. Based on this MOU, JBIC and TERI will make concerted efforts in: (1) Sharing information on the current situation for the purpose of encouraging investment and use of energy saving/renewable energy projects in India, as well as exchange of views and comments about how to promote business development under the Japan-India partnership through the utilization of market mechanisms; (2) Introducing energy saving/renewable energy projects and CDM projects to Japanese firms; and (3) Conducting a joint study on building up an international framework for realizing a low-carbon society. The signing of this MOU is expected to invigorate dissemination of advanced technologies in the energy saving/renewable energy sector by taking advantage of the market mechanisms in Japan and India, thereby contributing to the sustainable economic growth of India. It will also help Japanese companies possessing energy saving/renewable energy technologies to develop environmental businesses in India.

Knowledge Transfer in Support of Environmental Efforts

To fully utilize the Kyoto mechanisms, it is vital to identify and formulate CDM and JI projects. And to identify CDM projects in particular, which are often small-scale projects located in developing countries, cooperation of local banks in the host country is indispensable. JBIC holds seminars and workshop to provide knowledge on what are CDM projects and how to formulate such projects. In May 2008, JBIC and JCF jointly held the CDM workshop for the EXIM Thailand and EGAT. During the workshop, lectures were delivered on CDM concept and how individual renewable energy programs were developed into CDM projects, with a presentation of case studies in other countries. JBIC will continue to strengthen cooperation on CDM projects with the EXIM Thailand and EGAT, while striving to help identify and structure new CDM projects in Thailand and its neighboring countries.

As a follow-up to the “JBIC Guidelines for Confirmation of Environmental and Social Considerations Seminar” that JBIC held for the Export-Import Bank of China (China Eximbank) in August 2007, JBIC has continued to share information and views with China Eximbank in an effort to strengthen the relationship.

JBIC has also signed agreements on environmental assessment with 19 private financial institutions in Japan and overseas.

In recent years, JBIC and private financial institutions have joined hands in assessing environmental considerations in an increasing number of projects. Seizing such opportunities, JBIC further deepens ties with private financial institutions by providing knowledge and know-how on environmental assessment that it has accumulated over the years. JBIC also signed a Cooperation Agreement on Environmental Review for Export Credits with NEXI. This agreement allows JBIC to provide NEXI with information and other cooperation for environmental assessment, thereby leading to simpler and efficient procedures for the clients who use export financing.
2—Research Activities and Seminars

JBIC has been conducting research related to its operations primarily at the International Research Office of the Corporate Planning Department. The results of research are made available to the public through seminars, reports, periodicals and occasional papers. In addition, JBIC is building a research network with relevant domestic and overseas agencies and research institutions.

Research

Effective Use of Research Output

JBIC conducts research on international finance, foreign direct investment and development assistance.


There has been increasing collaboration in research activities with overseas and domestic institutions, such as joint studies, to obtain high-quality output as well as analyses from a broader perspective. JBIC makes use of research output in offering policy recommendations for developing countries, implementing projects and making financing decisions.

The results of research are effectively utilized in policy proposals that JBIC makes for the foreign governments, made available as various papers, and shared with Japanese and overseas researchers and professionals.

Publishing Research Results

The results of research published in International Research Office and other publications are available at the JBIC website (http://www.jbic.go.jp/english/research). To disseminate the results of research, JBIC held seminars on the Survey Report on Overseas Business Operations by Japanese Manufacturing Companies both in Japan and abroad, and sponsored presentation meetings for foreign offices of the Japan Chamber of Commerce and Industry as well as foreign government agencies (15 cities in 10 countries in FY2008).

Major Seminars and Workshops during FY2008

- Overseas Investment Seminar “Recent Trends and Outlook of Japan’s FDI—Global Business and Japan–Russia Business in World Economy” (Moscow, March 2009)
- Seminar jointly held with the Institute for Economic and Social Research at Faculty of Economics, University of Indonesia (LPEM) “Green Management and Corporate Competitiveness—Tradeoff or Opportunities?” (Jakarta, November 2008)
- Seminar cosponsored by Thammasat University “The Future of Economic Integration in Asia: Challenges amid Global Financial Turmoil” (Bangkok, November 2008)
Networking Activities

Building Networks through Seminars

JBIC and IDB jointly held “Asia-Latin America and the Caribbean (LAC) Trade and Investment Forum” in October 2008. By participating in the Forum, delegates of LAC countries, who have strong economic ties with Japan, were able to recognize anew the good potential of rapidly growing Asian countries. At the same time, the Forum offered a good chance for Asian firms to understand there are business chances in LAC. The Forum is thus expected to help boost business interaction and friendly relations between the two regions.

JBIC co-organized an international conference on “The Future of Economic Integration in Asia: Challenges amid Global Financial Turmoil” with the Faculty of Economics, Thammasat University, in November 2008, in Bangkok. Experts from industry, academia and government had discussions on challenges facing Asian economies as they pursue economic integration, including underdeveloped infrastructure, institutions that are peculiar to individual countries and other barriers blocking transnational business operations, as well as impacts of global financial turmoil on the Asian region.

JBIC’s activities utilizing its network with foreign governments, multilateral institutions, corporations and researchers also include: holding investment seminars in Japan and abroad; providing data on research activities; and offering information on Islamic finance and project finance.

JBIC Seminar

JBIC held a JBIC Seminar in November 2008, by inviting mid-deranking officials of its counterpart institutions including foreign government agencies, central banks and financial institutions. The objective of this Seminar is to promote mutual understanding, and encourage participants to have deeper insight into JBIC’s roles and functions, as well as Japanese social, economic and industrial situations. The Seminar is thus expected to contribute to the formulation of frameworks and policies underpinning the individual governments’ development policies. JBIC has been sponsoring these Seminars since FY1976, with the total number of Seminar participants exceeding 500.
3—Public Information and Disclosure

JBIC is actively disseminating information on its operations and activities to a broad spectrum of audiences at home and overseas.

**Public Information Activities**

Various pamphlets, disclosure documents and other documents are available to the general public at the JBIC Information Center in the JBIC head office and at the International Finance Department, West Japan.

A public information magazine, *JBIC TODAY*, is published quarterly, reporting JBIC’s operations and latest activities. Various pamphlets on JBIC operations and activities are updated from time to time.

The Center also serves as the window for submitting a request for disclosure of information under the Act on Access to Information Held by Independent Administrative Institutions and a request for disclosure of personal information held by JBIC under the Act on Protection of Personal Information Retained by Independent Administrative Institutions.

Information on JBIC’s operations and activities, operational results and financial information is also available at the JBIC website, where the latest information is posted on JBIC’s financial products, various publications and environmental efforts, as well as information for investors.

**Disseminating Information at Home and Overseas**

In addition to the JBIC head office, the International Finance Department, West Japan and overseas offices are also active in public information activities.

The International Finance Department, West Japan, provides a wide range of information for businesses in western Japan to support their overseas business operations. Its activities include providing an advisory service on JBIC lending, and holding overseas investment seminars and lecture meetings to provide information on economic conditions and investment climates in various countries. These seminars and meetings are held in Nagoya and Fukuoka as well as other locations in the western Japan. The International Finance Department, West Japan, also provides information to the general public at various events promoting international cooperation. The overseas offices provide information on JBIC’s role, functions and current operations by holding seminars and publishing pamphlets in local languages, and through their own websites.

**Participating in Various Events**

In November 2008, JBIC participated in the Indonesia-Japan Expo 2008 held in Jakarta, Indonesia, in commemoration of the 50 year-anniversary of the establishment of diplomatic relations between Japan and Indonesia and primarily showcased its activities in Indonesia. JBIC also participated in domestic events, including Eco-Products 2008 in December 2008 and ENEX 2009 in February 2009 (held in Tokyo).

These activities may be seen at the JBIC website.

JBIC Website: http://www.jbic.go.jp/en/
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Since adopting the Doi Moi policy in 1986, Viet Nam has experienced a sharp increase in power demand in tandem with fast economic growth. Securing a stable supply of power is thus an urgent issue on the country’s development agenda. Against this backdrop, JBIC provided in March 2007 a buyer’s credit totaling up to ¥7.3 billion for Viet Nam Electricity (EVN) in cofinancing with Japanese private financial institutions to finance the construction of a coal-fired thermal power plant in Hai Phong City, northern Viet Nam.

JBIC signed in November 2008 an untied loan agreement totaling up to ¥11 billion with Vietracimex Lao Cai Electric Joint Stock Company, with a guarantee provided by the Government of Viet Nam. The loan was cofinanced with a private financial institution, with JBIC providing a guarantee for the cofinanced portion. This is the first untied loan that JBIC has extended to Viet Nam.

The loan will finance the construction and operation of a 60 MW (30 MW×2 units) run-of-the-river hydropower station located in the Lao Cai province, northern Viet Nam. This is a Clean Development Mechanism (CDM) candidate project, from which a Japanese company will acquire Certified Emission Reductions (CERs). This project will curb greenhouse gas (GHG) emissions and contribute to a stable supply of power in Viet Nam, while supporting the overseas business development of Japanese firms for helping achieve a low-carbon society.

According to the long-term power sector plan of Indonesia, the country’s power demand is projected to grow at an annual average rate of approximately 7.0% through 2016. It is thus foreseen that power supply will significantly fall short of demand. Against this backdrop, JBIC signed in December 2008 a loan agreement with P.T. Central Java Power (CJP), an Indonesian company in which Sumitomo Corporation has ownership interests, in project financing for the Tanjung Jati B Coal-Fired Power Plant Expansion Project. The overall loan volume totaled up to ¥160 billion.

In this project, CJP will construct an additional 1,320 MW power generating plant (660 MW×2 units) to expand the capacity of the currently operating Tanjung Jati B Coal-Fired Power Plant, which was also funded by JBIC and its cofinancing lenders, in Jepara, Central Java, and lease the plant for 20 years to P.T. Perusahaan Listrik Negara (PLN), a state-owned electricity company.

Since this project consists of expansion of an existing power plant, its ancillary infrastructure is already in place. Therefore, the power plant will be completed in a relatively short period and will contribute to increasing Indonesia’s power supply capacity, which will also lead to a better investment climate for Japanese firms operating in Indonesia.

1. A buyer’s credit is a direct loan JBIC provides to a foreign importer for financing its import of Japanese machinery and equipment.
2. The Clean Development Mechanism (CDM) allows industrial countries to undertake joint projects with developing countries so that the investing countries (industrial countries) may use GHG emission reduction credits generated from such projects to meet their own emission reduction targets.
3. Project finance is a financing scheme relying on cash flows generated by a project.
4. JBIC provided a cofinanced loan totaling about ¥144.4 billion to CJP in June 2003 in order to finance the power unit purchasing for Tanjung Jati B Coal-Fired Power Plant Project.
The Philippines

Supporting the Development of CDM Projects:
A ¥10 billion untied loan to the Development Bank of the Philippines

JBIC signed an untied loan agreement in the aggregate amount of up to ¥10 billion with the Development Bank of the Philippines (DBP) in August 2008. This loan is to provide funding, through DBP, an official financial institution, for CDM candidate projects in which Japanese companies show an interest in purchasing GHG emission reduction credits on the condition that they obtain a preferred negotiation status for purchasing them.

In recent years, there have been growing expectations among developing countries for investments that make use of emission reduction credits. However, the Philippines’ share in CDM projects registered at the CDM Executive Board remains less than 1%. JBIC has provided knowledge assistance for promoting the use of the Kyoto Mechanisms in the Philippines through workshops held in July 2007 for the staff of DBP and other financial institutions on how to develop CDM projects.

This loan was an outcome of these activities and the first financial support JBIC provided for the development of CDM projects in the Philippines.

By relying on the network of DBP, this loan makes it possible to finance relatively small projects. The key to the success of this loan is whether loan officers conducting appraisal of actual projects have expertise on developing CDM projects. It was based on this recognition that JBIC held training sessions in March 2009 for loan officers in DBP as part of knowledge assistance pertaining to its financing.

Japan and the Philippines signed an economic partnership agreement (EPA) on energy, the environment sector and the facilitation of trade and investment in September 2006. In this context, this loan is a concrete step taken in line with this policy.

India

Supporting Expansion of Japanese Auto Parts Business:
A direct loan to a local Japanese affiliate

The automobile sales in India, a country drawing attention as one of BRICs, has grown 2.3 times over the past 5 years, driven mainly by the expansion of its middle-class population. The sales jumped to the 2 million vehicles range in 2007. The world’s leading automobile makers are thus stepping up their investments in India. Japanese auto parts manufacturers are also intensifying efforts to newly construct or expand production bases in the country.

Against this backdrop, JBIC signed in September 2008 a loan agreement totaling up to US$20 million with Motherson Sumi Systems Limited (MSSL), a joint venture of Sumitomo Wiring Systems, Ltd., Sojitz Corporation and Motherson Group of India. The proceeds of the loan will be used by MSSL for financing the construction and expansion of production facilities for automobile wiring harnesses and other products in Noida in Uttar Pradesh, Bangalore in Karnataka, and Chennai and Pondicherry in Tamil Nadu.

In the Survey Report on Overseas Business Operations by Japanese Manufacturing Companies released by JBIC in FY2007, India overtook China for the first time to become the most promising destination for business operations in the next 10 years. On the other hand, inadequate infrastructure development and lack of transparency in legal procedures have been cited as an agenda. The direct loan to MSSL will mitigate India’s country risk and support Japanese company’s overseas business development.

1. BRICs refer to fast-growing countries of Brazil, Russia, India and China. These countries share a common attribute of having large domestic markets.
India, which has a population of more than 1.1 billion, has sustained economic growth in the range of 7 to 9% in recent years. With its nominal GDP having surpassed US$1 trillion, India is on the way to building its position as one of the major economic powers in the world. Against the backdrop of its brisk demand for imports, Japanese firms have been increasing exports to India, and they foresee this trend will continue in the coming years.

JBIC signed an export credit line agreement totaling US$100 million with ICICI Bank in March 2009. It will be utilized by ICICI Bank to finance importers in India and its neighboring countries when they import machinery, equipment and services from Japan.

Facilitating financing through this export credit line will lead to creating business opportunities for Japanese firms in India and is thereby expected to maintain and improve their international competitiveness. JBIC is committed to providing vigorous support for the overseas business development of Japanese firms by assuming credit risks of ICICI Bank and other Indian banks, as well as Indian firms, through provision of loans and guarantees.

Export Credit Line to ICICI Bank:
Supporting Japanese exports to India and neighboring countries

ICICI Bank and JBIC at the signing

1. An export credit line is a form of export credit in which JBIC makes a commitment of a certain amount of money as a loan to a foreign bank or other entities to finance exports of machinery, equipment and services from Japan.
With a sharply growing demand in emerging economies, there is increasing uncertainty in the prospects of global energy supply. Given this development, Australia, with its geological proximity to Japan and stable politics and economy, has become increasingly important for Japan as a resource supply country.

JBIC signed in June 2008 a loan agreement totaling up to US$1 billion with Woodside Finance Limited, a financial subsidiary of Australia’s largest oil and gas exploration company, Woodside Petroleum Limited (Woodside).

The loan finances a joint project of Woodside, The Kansai Electric Power Co., Inc. and Tokyo Gas Co., Ltd. to develop the Pluto and Xena gas fields off the coast of Karratha in Western Australia, transport gas through an undersea pipeline to a Liquefied Natural Gas (LNG) plant to be constructed in the Burrup Peninsula and produce and sell LNG. Kansai Electric and Tokyo Gas will purchase around 90% of 4.3 million metric tons of LNG produced by this project every year under a 15 year contract.

Woodside is an energy firm performing an important role for securing a stable supply of energy resources to Japan, as it has been operating the North West Shelf Venture that has annually supplied around 10 million metric tons of LNG to Japan for more than 20 years. This loan is expected to strengthen relations with Woodside and contribute to a more stable supply of energy resources to Japan.
Europe

Ukraine

A Bank-to-Bank Loan to the State Export-Import Bank of Ukraine:
Supporting the export of an automated guided vehicle system

In July 2008, JBIC financed a Japanese firm’s export of an automated guided vehicle system to Ukraine through a bank-to-bank loan (credit line) offered to the State Export-Import Bank of Ukraine (Ukreximbank).

After gaining independence from the Soviet Union in 1991, the Ukrainian economy has, in recent years, registered significant growth, driven primarily by increased exports of its iron and steel industry as well as recovery in the agricultural sector. Japanese businesses are thus laying their eyes on the country as their prospective export destination.

Against this backdrop, JBIC provided in November 2005 a bank-to-bank loan totaling up to US$28.5 million as a credit line to Ukreximbank in cofinancing with the Bank of Tokyo-Mitsubishi UFJ, Ltd. The credit line will support Japanese exports of machinery and equipment to Ukraine by providing medium- and long-term funds to Ukrainian firms through Ukreximbank, as they import machinery and equipment from Japanese exporters.

As a financial institution wholly owned by the Ukrainian government, Ukreximbank has been extensively financing trade transactions of Ukrainian firms, while serving as an agent bank for the government’s external borrowings. JBIC will continue to support Japanese exports to Ukraine through this credit line.

Russia

A Loan for the Sakhalin II (Phase 2) Project:
Securing a stable supply of energy resources to Japan and its energy security

Japan has heavy reliance on the Middle East for energy resources. Indonesia is also the largest supplier of LNG to Japan, however, the country is seeking to cut back its exports with its priority now on meeting domestic demand in the coming years, as it is facing growing domestic energy demand. There is thus a need for Japan to secure a stable supply source of energy resources. Against this backdrop, JBIC signed in June 2008 a loan agreement totaling up to US$3.7 billion with Sakhalin Energy Investment Company Ltd., the project executor, in project financing to finance the Sakhalin II (Phase 2) Project off the coast of the Sakhalin Island.

Mitsui & Co., Ltd. and Mitsubishi Corporation have held interests in this project for many years (combined total 22.5%) and engaged in large-scale energy resource development jointly with Gazprom (50% plus 1 share) and Shell (27.5% minus 1 share). The project is expected to produce 9.6 million tons of LNG annually, of which more than 50% (equivalent to approximately 8% of Japan’s total LNG imports) will be delivered to Japan. The project will also produce 150,000 barrels of crude oil per day (equivalent to some 4% of Japan’s total oil imports), of which a substantial percentage will be supplied to Japan. The first shipment of LNG was delivered to Japan in April 2009. Since Gazprom, a state-owned enterprise of Russia boasting the world’s largest natural gas reserves, is participating in this project, strengthening ties with a natural gas-producing country through financial support for this project is expected to contribute to securing energy resources to Japan well into the future.
It used to be that not as many European passenger cars were equipped with air-conditioning units as their U.S. and Japanese counterparts. In recent years, however, an increasing number of European cars have carried air-conditioning units. As a separate development, aluminum has been increasingly used for automobile frames. These factors have led to a sharp increase in demand for extruded aluminum tubes. In September 2002, Sumitomo Light Metal Industries, Ltd. established Sumikei Czech s.r.o. (SKCZ) in Czech Republic to supply extruded aluminum tubes to Japanese and European automobile air-conditioning unit manufacturers and constructed a plant in September 2002, in Benatkey in northern Czech Republic, with production starting from January 2004.

Since there is a prospect of further increase in demand for aluminum products for automobile air-conditioning units, the present SKCZ production facilities have fallen short of meeting increasing demand. The company thus decided to increase the capacity by constructing a second production line. In response to their request, JBIC extended a long-term loan for financing the construction.

In this project, extruded aluminum tubes produced by SKCZ will be sold to automobile air-conditioning unit manufacturers, including Japanese manufacturers moving to Europe. The loan is thus expected to contribute to securing overseas markets for Japanese firms.
Yemen

A Buyer’s Credit for an LNG Project:
JBIC’s first project financing in Yemen

Currently, Yemen’s economy depends largely on oil revenue, which accounts for about 70% of the country’s fiscal revenue. This LNG project is expected to serve as a significant alternative to oil as a source of earning foreign currencies for Yemen that can take advantage of its good geographical access to both Pacific and Atlantic LNG markets.

Against this backdrop, JBIC signed in May 2008 a buyer’s credit agreement totaling up to US$200 million with the Yemen LNG Company Ltd. (YLNG). This loan, structured as project financing, will support the project in which YLNG will build and operate a two-train LNG plant (production capacity: 6.7 million tons per annum) in Balhaf on the coast of the Gulf of Aden, 450 km from Sana’a, the capital of Yemen, and 320 km length of pipelines from the upstream oil fields. JBIC will finance YLNG mainly for the construction of an LNG plant, the contract for which was awarded to YEMGAS, a joint venture in which JGC Corporation participates.

The loan is expected to support Japanese business activities in Yemen and help develop a market for Japanese firms and increase their local presence through strengthening ties between JBIC and the Government of Yemen.

Turkey

Buyer’s Credits to the Enka Pazarlama Group:
Supporting Japanese machinery exports to Turkey

In the Joint Statement of Japan and the Republic of Turkey released in June 2008 during the official visit of Turkish President Abdullah Gül to Japan, the leaders of both countries expressed their continuous support for activities and undertakings of the private sector to make a further step forward in bilateral economic relations, including trade and direct investment. In July 2008, JBIC signed buyer’s credit agreements totaling up to ¥10 billion with Enka Pazarlama Ihracat Ithalat A.S. (Enka Pazarlama) and its subsidiary, Metra Akdeniz Dis Ticaret A.S.

These buyer’s credits followed the two credit lines totaling ¥14 billion offered to Enka Pazarlama in September 2005 and March 2007. They provide a maximum of ¥10 billion for the two companies engaging in imports and sales of construction equipment and industrial machinery to finance their imports from Japanese firms. This has supported the exports of industrial machinery by Japanese manufacturers.

Following the wishes of the Japanese and Turkish governments, JBIC will continue to support Japanese companies for expanding their business opportunities in Turkey.

An excavator imported from Japan
Qatar

Loan for Power and Desalination Project:
Supporting Japanese firms’ overseas IWPP1 project and helping strengthen ties with Japan’s important partner in securing natural resources

Qatar boasts not only the world’s third largest natural gas reserves; the country is also the fourth largest LNG supplier (12%) to Japan. Demand for electric power and water has been increasing in Qatar due to sharp population growth and rising industrial demands including in the petrochemical sector, and it is anticipated that their demand will increase over the coming years. It was under these circumstances that JBIC signed in August 2008, a loan agreement totaling up to US$1.375 million in project financing with Ras Girtas Power Company (RGPC), a Qatar corporation, to finance the Ras Laffan C Power and Desalination Project. This is, for JBIC, the first loan in project financing, cofinanced with Islamic financial institutions for Qatar.

In this project, RGPC, in which Mitsui & Co., Ltd., Shikoku Electric Power Co., Inc. and Chubu Electric Power Co., Inc. have equity stakes, will construct a natural gas-fired combined thermal power plant (capacity: 2,730 MW) and a water desalination plant (capacity: 63 million imperial gallons per day) in Ras Laffan Industrial City located in northeastern Qatar. The project employs a BOOT scheme,2 in which electricity and water generated under the project will be sold to Qatar General Electricity & Water Corporation (Kahramaa) for 25 years. The project is expected to play an important role as Qatar’s major supply source of electricity and water.

JBIC signed a memorandum of understanding (MOU) on comprehensive strategic partnership with Qatar Petroleum in November 2006, as part of efforts to strengthen ties with Qatar. This loan, which was realized following a number of consultations based on the MOU, will contribute to the development of the power and water sector infrastructure in Qatar, which is urgently called for to ensure Qatar’s stable economic growth. It will also deepen the multi-layered cooperative relationship between Japan and Qatar by supporting this IWPP project in which Japanese firms have participated.

Inauguration Ceremony of Tawelah B Power and Desalination Project in UAE

JBIC signed in April 2005, a loan agreement for the Tawelah B Power and Desalination Project with the Tawelah Asia Power Company (TAPCO), a company incorporated in Abu Dhabi, the United Arab Emirates (UAE) in which Marubeni Corporation, JGC Corporation, Abu Dhabi Water and Electricity Authority and others have equity stakes. The loan totaling an aggregate amount of US$2.2 billion was committed by 15 financial institutions, including the Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd. and Sumitomo Mitsui Banking Corporation.

An inauguration ceremony of the project was held in February 2009, near the project site by inviting senior officials of the UAE government and related parties. Executive Director Fumio Hoshi made a congratulatory address on behalf of JBIC.

1. IWPP (Independent Water and Power Producer): An independent water and power producer builds and operates power generation and water desalination plants on its own and sells the electricity and water produced from them.
2. BOOT (Build, Own, Operate, and Transfer) scheme: A financing scheme in which a private company builds, owns and operates the project facility and then transfers ownership to the public sector after project completion.
Egypt

Oil production in Egypt has been declining since the first half of the 1990s. International Energy Agency (IEA) projected that the country could shift towards being a net oil importer around 2015. By contrast, its natural gas output has been increasing at a fast pace in recent years, turning it into a net exporter of natural gas in 2004. Currently, Egypt ranks as the 17th largest natural gas producer in the world, according to the BP Statistical Review of World Energy 2008. In this context, the Egyptian government aims to expand natural gas production and exports. However, a shortage of drilling rigs and other equipment indispensable for gas development has been a bottleneck in the implementation of the government policy.

It was against this backdrop that JBIC signed in September 2008, a loan agreement totaling up to US$500 million with Egyptian Offshore Drilling Company S.A.E. (EODC). The loan will finance a project where EODC, a project company set up jointly by Toyota Tsusho Corporation, the Egyptian Natural Gas Holding Company (EGAS) and others, procures equipment necessary for developing offshore gas fields in Egyptian waters, and offers it in the long term for use in gas development. The project is expected to make a significant contribution to Egypt’s energy policy to expand production of natural gas for exports.

In September 2007, JBIC signed an MOU with Egyptian General Petroleum Corporation (EGPC) and EGAS on strengthening cooperative ties. JBIC intends to promote mutual consultations and further enhance business relations with them based on this MOU.

Support for Africa is drawing an increasing attention across the world, often coming up in discussions during the G8 Summit meetings and other conferences. In the meantime, Japanese industries are also paying growing attention to the development of resources and energy sources including rare metals in Africa, as well as business opportunities such as making investment in infrastructure projects with the private-sector participation.

During the Fourth Tokyo International Conference on African Development (TICAD IV) held in Yokohama in May 2008, the government of Japan announced financial support for Africa in the aggregate amount of US$2.5 billion over the next five years. In response, JBIC established the Africa Office in July 2008 to enhance assistance for Africa. This was followed by the establishment of the JBIC Facility for African Investment (FAI) in April 2009, in an effort to support Japanese companies seeking to develop their business in Africa. The FAI is expected to facilitate JBIC’s active engagement in making equity investments, providing guarantees for loans by private financial institutions and offering advisory service on the African continent.

Making partnerships with the local governments and multilateral institutions is vital for promoting support for Africa. Taking the opportunity of the TICAD IV, JBIC signed an MOU on business cooperation in investment promotion with each of the International Finance Corporation (IFC) and the Development Bank of Namibia. Further, JBIC and the United Nations Conference on Trade and Development (UNCTAD) jointly prepare a Blue Book.
Boasting robust economic growth, South Africa is a host country to many locally operating Japanese affiliate companies, and serves as an important production and export base for not only African region but European market as well. The Port of Durban in southern South Africa is located near Johannesburg, the country’s largest economic hub, and serves not only as a gateway to the country’s economy but also serves as a hub port in the entire southern African region since it is a transit point of freight traffic connecting to neighboring countries including Botswana, etc. In particular, the port has become an important export and import base for Japanese affiliates operating in this region. However, cargo-handling volumes at the Port of Durban have been reaching its capacity in recent years. Currently unscheduled cases occur where ships have to anchor off the port, waiting for their turn to enter the port. As a result, local Japanese affiliates are forced to increase their inventories of imported parts and extend storage time for their export products.

Under these circumstances, JBIC signed in March 2009 an untied loan agreement totaling up to ¥35 billion with Transnet, a 100% South African state-owned freight rail, ports and pipeline company. The loan will support the project aiming to expand the port’s cargo-handling capacity and to relieve its congestion, thereby improving business environment for Japanese overseas operations, in response to their request. JBIC signed a Declaration of Intent (DOI) in December 2006 on a comprehensive strategic partnership with the Government of the Republic of South Africa. Under this DOI, JBIC provided loans to Eskom Holding Limited and Development Bank of Southern Africa. As part of efforts to support South Africa in addressing its important policy agenda, this loan is expected to contribute to enhancing economic ties between Japan and South Africa.

South Africa

Loan for Port Expansion Project:
Improving regional business environment for Japanese affiliate companies

on Best Practices for Investment Promotion and Facilitation, a set of policy proposals aimed at improving the country’s investment climate. The latest example is the Blue Book for Nigeria, the 6th country in Africa. JBIC and UNCTAD started the preparation work in 2008, held a workshop on how to improve Nigeria’s investment climate in March 2009, inviting Nigerian government officials and locally-operating Japanese firms. (JBIC and UNCTAD presented the Blue Book to President Yar’Adua in August 2009). JBIC also sponsored the “Project Finance Seminar” in Algeria in May 2008, as part of activities to disseminate know-how on project finance as well as to support the human resource development.

JBIC is actively committed to supporting Japanese trade and investment activities in Africa, and to improving the business climate for the locally operating private sector through infrastructure development.
The Panama Canal is the vital shipping route connecting the East Coast of North America with Japan and Asia, and it is a crucial pathway for Japanese international shipping. In fact, ships originating from and destined for Japanese ports accounted for 14% of all traffic in 2007, making Japan the third largest user of the canal. JBIC signed a loan agreement in December 2008 totaling up to US$800 million with the Autoridad del Canal de Panamá (ACP: Panama Canal Authority) in the Republic of Panama for the Panama Canal expansion project. The loan amount was provided in cofinancing with the private banks (The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation).

The completion of the project is expected in 2014, a year to commemorate the 100th anniversary of the opening of the Panama Canal. Expansion will increase the canal’s capacity and enable the transit of larger, wider and longer post-Panamax vessels. Larger ships currently making a detour to other shipping lanes will be able to navigate the canal, reducing the waiting time caused by congestion. As a result, Japanese shippers and exporters may benefit from lower shipping costs due to shorter shipping times.

Of the US$5.25 billion cost of the expansion project, a total of US$2.3 billion will be financed by loans. The other multilateral and development agencies from which the ACP will receive loans are: the Inter-American Development Bank (IDB), International Finance Corporation (IFC), European Investment Bank (EIB) and Corporación Andina de Fomento (CAF; Andean Development Corporation). JBIC will support this project in cooperation with these multilateral institutions, which will contribute to maintaining and improving the international competitiveness of Japanese industries and securing a stable supply of natural resources to Japan.
Brazil

Loan for Cargo Railway Network Development Project:
Supporting infrastructure development for maintaining and improving international competitiveness of Japanese industries and for securing stable supply of natural resources

The southeastern region (states of Sao Paulo, Minas Gerais and Rio de Janeiro) is Brazil’s largest industrial and mining area, accounting for some 65% of the country’s gross domestic product and 80% of iron ore production. Railway network run by MRS Logística S.A. (MRS), a cargo railway company operating in this region, is indispensable for economic activity in this region, as it is the only means of transport for the iron ore and steel products produced by its main industries.

JPIC signed in December 2008 an untied loan agreement totaling up to US$250 million with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) to finance the Cargo Railway Network Development Project in Brazil. The project is aimed at expanding and modernizing MRS’s cargo railway network. JPIC provides financial support for capital investment to be undertaken in this project through BNDES, Brazil’s policy-based financial institution.

Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS), a steelmaker in which Japanese firms have equity stakes, is also relying on this railway network for transporting iron ore and steel products. Furthermore, as this railway network constitutes part of the important infrastructure for exporting iron ore to Japan, its expansion and modernization will also contribute to a stable supply of iron ore to Japan.

Developing logistics infrastructure was designated as one of the highest priority sectors by the Wise-men Group on the Japan-Brazil Strategic Economic Partnership during its meeting in July 2007. This project is thus a symbolic deal for promoting economic cooperation between the two countries in the Japan-Brazil Exchange Year (2008).

Loan for Steel Mill Project:
Helping Japanese steelmakers to strengthen their international competitiveness and develop overseas business operations

Amid ongoing global realignment of the steel industry, USIMINAS, one of the largest steel makers in Latin America and a Brazilian affiliate (equity method) of Nippon Steel Corporation, has launched an investment plan totaling US$14.1 billion in a five-year period starting from 2008 to meet strong domestic demand for steel, with its sights set on overseas business expansion in the future, especially focusing on the Atlantic rim region. According to this plan, its annual crude steel production capacity is expected to expand from the present 9.2 million tons to a maximum of 17.2 million tons.

JPIC signed in September 2008 a loan agreement totaling up to US$550 million with Companhia Siderúrgica Paulista (COSIPA), a wholly-owned subsidiary of USIMINAS. The loan will finance the project in which hot strip mill facilities will be newly installed in Cubatão in southern São Paulo.

This project is to be undertaken as part of the USIMINAS investment plan. Hot rolled steel sheets produced by this project will be sold as high-end products intended for energy industry and automobile industry, not only in Brazil where Japanese companies are operating business but also in the Atlantic rim region including the U.S. and European markets. The JPIC loan will contribute to a stable supply of high-quality steel sheets, as well as to maintaining and improving international competitiveness of locally operating Japanese firms.
# Operational and Administrative Policies

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4. Risk Management ..................................................................... 44
In FY2009, JBIC will conduct its operations, guided by the following three policy themes, to live up to the expectations of the public, while taking account of domestic and international economic and financial conditions, evolving policies of the Japanese government, Japanese business activities and economic and social conditions in developing countries.

(1) Promoting overseas development and acquisition of strategically important natural resources to Japan
(2) Maintaining and improving the international competitiveness of Japanese industries
(3) Responding to disruptions in financial order in the international economy

In conducting operations, JBIC will continue to play its role as a policy-based financing institution by complementing and encouraging the activities of private-sector financial institutions and thereby ensuring effective financing in light of domestic economic and financial conditions. Its operations will be conducted in response to various policy initiatives and strategies launched by the government. In addition, JBIC will respond flexibly to the changing business environment and client needs that are hard to predict or be incorporated in the planning beforehand. In particular, to cope with the financial turmoil that developed on a global scale in the second half of FY2008, JBIC has committed to taking all possible measures in accordance with policy decisions made by the Government of Japan in order to meet swiftly the funding needs of Japanese exporters, overseas affiliates of domestic firms and developing countries. An effort will also be made to increase the transparency, effectiveness and efficiency of operations by appropriately managing various risks associated with lending and investment activities, by mainstreaming environmental and social considerations and by constantly making improvements for more client-oriented operations.

The planned financing volume for FY2009, incorporating additional funding approved in the supplementary fiscal budget, amounts to ¥3,053 billion.

**Compliance**

JFC has the board of auditors that consists of four auditors including outside auditors.

In addition to auditors reviewing the execution of duties of executive officers of JFC, the Audit Department, which reports directly to the Governor & CEO of JFC as an independent unit from other departments with responsibility for internal audit, conducts periodic internal auditing of JBIC and other operational headquarters to ensure fair and appropriate operations in compliance with the relevant laws and regulations.

As a policy-based financing institution that operates internationally to advance Japan’s external economic policy, JBIC places compliance high on its agenda. JBIC recognizes an obligation to deliver concrete results to meet social and international expectations. Moreover, JBIC seeks to enhance the quality of operations by holding a clear vision and integrity. From this perspective, JBIC will not limit itself to achieving compliance with the relevant laws and regulations but actively strive toward compliance in a broader sense that includes socially accepted moral values as well as expectations from the international community.

JBIC will continue to foster compliance among the management and staff through training sessions on compliance issues being held for the management and staff as part of the compliance program prepared by the Compliance Committee, which consists of board members and heads of relevant departments.

For appropriate management of information, including personal information, JBIC drew up and made public its privacy policy (see p. 114). Additionally, various efforts were made to increase the awareness of information management, including training sessions for the management and staff.
JBIC discloses to the public operational and financial information to increase the understanding of its current activities as follows.

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report</td>
<td>• Available at all offices</td>
</tr>
<tr>
<td></td>
<td>• Available on the JBIC Website</td>
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<tr>
<td>Environmental and Social Activities Report</td>
<td>• Available at all offices</td>
</tr>
<tr>
<td></td>
<td>• Available on the JBIC Website</td>
</tr>
<tr>
<td>The Role and Function of JBIC</td>
<td>• Available at all offices</td>
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<tr>
<td></td>
<td>• Available on the JBIC Website</td>
</tr>
<tr>
<td>JBIC Website</td>
<td>• On the Internet (<a href="http://www.jbic.go.jp/en/">http://www.jbic.go.jp/en/</a>)</td>
</tr>
</tbody>
</table>
Risk Management

In general, the operations of financial institutions involve various risks, including credit risk, market risk (interest rate and exchange rate risks, etc.), liquidity risk and operational risks. As the international wing of JFC, 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, it is essential to have appropriate risk management as a financial institution. In line with the international trend of placing increasing weight on risk management as underpinnings of operations of financial institutions, JBIC is improving its internal risk management system.

1— 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 operations as it primarily engages in lending activities. Credit risks facing JBIC may be classified into sovereign risk, which involves financing foreign governments; corporate risk, which involves financing business firms; and country risk, which involves financing foreign firms (a risk added to pure corporate risk as it arises from the country where the debtor resides). Given the very nature of financial support provided for promoting overseas development of and acquisition of interests in strategically important resources to Japan and for maintaining and improving the international competitiveness of Japanese industries, JBIC frequently extends loans to foreign governments, government agencies and companies. Therefore, sovereign and country risk make up a considerable part of the credit risk that accompanies JBIC operations.

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 the management. In providing credit for foreign governments and companies, JBIC makes most use 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 the industrial countries. Using all these channels, JBIC evaluates sovereign and country risk based on a broad range of information collected on borrowing governments, government agencies and political and economic conditions in their countries. In providing credit for domestic and foreign companies, there is a need to evaluate their creditworthiness and the appropriateness of the collateral they offer. In particular, for credit provision related to overseas projects, credit evaluation involves checking and examining the certainty of conducting transactions to be financed, feasibility studies of the projects and the industry in which the borrower operates.

Internal Credit Rating

JBIC has established an internal credit rating system as part of the bank-wide operating procedures. It covers, in principle, all the borrowers. Internal credit ratings are the cornerstone of credit risk management, being used for conducting individual credit appraisals and quantifying credit risks. Internal credit rating is revised when appropriate based on the bank’s risk profile.

Internal Assessment of Asset Portfolio

Japanese private financial institutions undertake the internal assessment of asset portfolios in accordance with the Financial Inspection Manual prepared by Japan’s Financial Services Agency. JBIC is similarly undertaking the internal assessment of its loan portfolio, based on the Financial Inspection Manual and in consultation with an auditing firm so that the characteristics of its loan assets will be accurately reflected on its assessment. In this process, the first-stage assessment is conducted by the relevant financing departments, while the second-stage assessment is conducted by the Credit Department and the Country Credit Department, which is then
inspected by the Audit Department. The results of internal assessment conducted on the portfolio are not only used internally for the continuous reviews of the loan portfolio but are also reflected in the disclosure of asset quality to enhance the transparency of JBIC’s financial position.

- **Quantifying Credit Risk**
  In addition to individual credit risk management, JBIC is working on quantifying credit risks with a view to evaluating the risk of the overall loan portfolio. To quantify credit risks, it is important to take 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. Also to be taken into account is mechanisms for securing assets, such as the Paris Club, a unique framework for debt management by official creditor countries. The credit risk quantification model incorporating these factors is measuring credit risks and utilized for internal control.

---

2 - **Market Risk**

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

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

- **Interest Rate Risk**
  Interest rate risk for foreign currency-denominated loans is hedged through interest rate swaps. Thereby, both foreign currency-denominated loans and their funding are made in floating rates. On the other hand, yen-denominated loans are mostly made in fixed interest rates. Their interest rate risk is limited, however, since the maturities of loans and their corresponding funding are more or less matched. In addition, JBIC calculates and analyzes careful projections of its future asset/liability structure and profits and losses.

- **Derivatives Transactions**
  (1) Basic Policy for Derivatives Transactions
  JBIC engages in derivatives transactions exclusively for the purpose of hedging exchange rate and interest rate risks.

  (2) Transactions
  Derivatives transactions of JBIC include interest rate and currency swaps and forward exchange contracts.
  The table below gives a summary of these transactions.

---

### [Credit Risk of Derivatives, etc.]

(As of March 31, 2009; billions of yen)

<table>
<thead>
<tr>
<th>Contract Amounts / Notional Amounts</th>
<th>Credit Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate Swaps</td>
<td>2,476.7</td>
</tr>
<tr>
<td>Currency Swaps</td>
<td>3,603.4</td>
</tr>
<tr>
<td>Forward Exchange Contracts</td>
<td>1.0</td>
</tr>
<tr>
<td>Other Derivatives</td>
<td>—</td>
</tr>
<tr>
<td>Credit Risk Reductions through Netting</td>
<td>(94.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,081.2</strong></td>
</tr>
</tbody>
</table>

*(Note) Credit risk is computed based on international standards.*

(3) **Risks Involved in Derivatives Transactions**

Derivatives transactions involve the following risks.

- **Counterparty Credit Risk**
  The potential loss from the failure of a counterparty to perform its obligations in accordance with 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 markets.

(4) **Measures to Address These Risks**

- **Counterparty Credit Risk**
  JBIC constantly monitors the market value of a derivative in making transaction with each counterparty, credit risk exposure to it and its creditworthiness. Such information is then used to assess the appropriateness of making transaction with it.

- **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 are, in principle, offset each other.

---

1. 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.
3—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 than in 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) and government-guaranteed bond issues in international capital markets and FILP agency bond issues in the domestic capital market.

4—Operational Risks

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, people and systems or from external events.

Apart from administrative and computer system risks, JBIC recognizes that its operations involve various direct and indirect risks. JBIC will proactively identify, assess and manage such risks.

- Administrative Risk

Administrative risk is the risk of a financial institution incurring a loss from the neglect by officers and employees to conduct administrative work properly, accidents caused by them and violation of laws and regulations, etc. conducted by them 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. In addition, the Audit Department, independent from other departments and reporting directly to the Governor & CEO, conducts internal auditing of JBIC.

- 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. With greater reliance on information systems, there is an increasing need to make JBIC operations smoother and more effective by exchanging information with Japanese firms as well as foreign governments through information networks. It is thus important to give greater weight to ensuring information security through the increased awareness of JBIC management and staff with respect to internal information management and by putting in place measures to prevent unauthorized access to JBIC’s information systems by external parties through information networks. As part of an effort to ensure information security, JBIC drew up the Information Security Policy and created the Information Security Committee, consisting of a board member and heads of the relevant departments.
Pursuing More Transparent and Efficient Operations

Business Management Plan

JFC has formulated management policies and the business management plan for a period of FY2009-2011 under the corporate philosophy formulated at its inception in October 2008. Based on this plan, JBIC will make the following efforts.

Business Management Plan (FY2009-2011)

◆ Following the national policy, JFC will provide flexible policy-based financing, while complementing the activities of private-sector financial institutions.
◆ JFC will adopt a corporate governance framework in striving to conduct highly transparent and efficient business operations and is committed to becoming an autonomous organization continuously evaluating and improving its activities.

(1) Supply funds stably for policy-based financing

JBIC will provide appropriate and timely financing for: developing and acquiring interests in strategically important resources to Japan; maintaining and improving the international competitiveness of Japanese industries; supporting the development of Asian financial and capital markets; and implementing the projects that will contribute to addressing global environmental problems.

(2) Respond promptly to specific and priority policies, including crisis response and emergency economic measures, and supply funds flexibly

JBIC will conduct speedy and effective operations as it responds to emergence of crises, including disruption to financial order in the international economy. In particular, JBIC will conduct well-focused operations in line with decisions made by the Japanese government.

(3) Provide enhanced service and information

JBIC will make efforts to identify client needs and expand services. By setting up collaborative arrangements with other operational units of JFC, JBIC will refer clients to other units and provide beneficial information to clients served by other units.

(4) Complement financial institutions in the private sector

JBIC will share its proprietary information and knowledge with the private sector and thereby collaborate with private financial institutions for complementing their operations.

The Evaluation System

JFC has set up an Evaluation Committee, which consists of external advisers, to monitor and evaluate whether operations are performed efficiently in line with the policy objectives that follow decisions made by the Japanese government. The Committee monitors and evaluates overall JFC operations, including those conducted by JBIC, while evaluating the performance of executives responsible for business operations.

In principle, the findings of operational evaluation will be made public. Under this evaluation system, JBIC will make further improvements in its operations through the Plan-Do-Check-Action cycle (PDCA cycle) where operational direction and objectives are set (Plan); operations are conducted to achieve the objectives (Do); their performance is measured (Check); and the results are fed back into future operations (Action).

The membership of the Evaluation Committee consists of "evaluation members" who are external advisers and external executives, and "expert members" who are external experts having specialized knowledge on JFC operations. The "evaluation members" and "expert members" are shown below.

Evaluation Members

(As of October 1, 2008; in alphabetical order)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position, Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sachiko Hayakawa</td>
<td>Former Director, Shiseido Communication Center, External board member, Japan Finance Corporation</td>
</tr>
<tr>
<td>Kiyoe Kado</td>
<td>Professor, College of Law and Politics, Rikkyo University</td>
</tr>
<tr>
<td>Tsunehisa Katsumata</td>
<td>Chairman, Tokyo Electric Power Company, Inc.</td>
</tr>
<tr>
<td>Kazuo Mori</td>
<td>Senior Staff Writer/Editorial Writer, Nikkei Inc.</td>
</tr>
<tr>
<td>Kunio Nakamura</td>
<td>Chairman of the Board, Panasonic Corporation External Board member, Japan Finance Corporation</td>
</tr>
<tr>
<td>Masahiko Sakata</td>
<td>Attorney at Law, Previous director-general of Cabinet Legislation Bureau</td>
</tr>
<tr>
<td>Naoyuki Yoshino</td>
<td>Professor, Faculty of Economics, Keio University</td>
</tr>
</tbody>
</table>

* Chairman ** Deputy Chairman

Expert Members

(As of October 1, 2008; in alphabetical order)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position, Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yoshio Higuchi</td>
<td>Professor, Faculty of Business and Commerce, Keio University</td>
</tr>
<tr>
<td>Toshio Katsukawa</td>
<td>Associate Professor, Graduate School of Bioresources, Mie University</td>
</tr>
<tr>
<td>Masao Nakata</td>
<td>Associate Professor, Graduate School of Economics, Kyushu University</td>
</tr>
<tr>
<td>Tadanobu Nemoto</td>
<td>Professor, Faculty of Commerce, Chuo University</td>
</tr>
<tr>
<td>Shin-ichi Shogenji</td>
<td>Dean, Graduate School of Agricultural and Life Sciences, University of Tokyo</td>
</tr>
<tr>
<td>Yozo Takagi</td>
<td>Chairman &amp; Representative of Godai Auditors</td>
</tr>
<tr>
<td>Shujiro Urata</td>
<td>Professor, Graduate School of Asia-Pacific Studies, Waseda University</td>
</tr>
</tbody>
</table>
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Purpose and Scope of Operations

Purpose
As the international wing of the Japan Finance Corporation (JFC) that contributes to the sound development of the Japanese and international economy and society and to the improvement of the quality of national life, JBIC conducts operations in the following fields.

- Promoting overseas development and acquisition of strategically important natural resources to Japan
- Maintaining and improving the international competitiveness of Japanese industries
- Responding to disruptions in financial order in the international economy

JBIC is taking a multi-faceted approach to promoting the development of developing countries as well as Japan by effectively combining its financial instruments to meet increasingly diverse financing needs.
JBIC finances its activities by drawing on various funding sources, including borrowings from the Fiscal Investment and Loan Program (FILP), government-guaranteed bond issues, FILP agency bond issues and government contributions to its capital.

JBIC’s budget of revenues and expenditures is submitted to the Diet for its approval as part of the national budget.
Policy-based Financing
As a policy-based financing institution, JBIC has a mandate to advance Japan’s external economic policy for the sound development of the Japanese and international economy and society and to the improvement of the quality of national life. Under the supervision of the Minister of Finance, JBIC conducts sound and efficient operations in accordance with the JFC Law, as well as other related laws and regulations, and based on its fiscal budget passed by the Diet. Of the supervisory powers of the Minister of Finance, those associated with risk management involved in operations may be delegated to the Commissioner of the Financial Services Agency, as in the case of other policy-based financing institutions.

Complementing Activities of Private Financial Institutions
Under the JFC Law, JBIC is to complement activities of private financial institutions.

Ensuring Financial Soundness
JBIC pursues sound and efficient financial operations. In conducting its financial operations, JBIC adheres to the principles of “certainty of repayment” and “sufficient revenues to cover expenditures.”

Risk Management
JBIC makes internal assessment of its asset portfolio in accordance with the Financial Inspection Manual prepared by the Financial Services Agency and in consultation with an auditing firm. In addition, JBIC is making efforts to perform risk management appropriate to a policy-based financing institution, including measures to strengthen compliance (see p. 44).

Evaluating Operational Performance
JFC has set up the Evaluation Committee, which consists of external experts, to review and evaluate whether operations are performed efficiently in line with the policy objectives that follow decisions made by the Japanese government. The Committee reviews and evaluates the overall JFC operations, including those conducted by JBIC. In principle, the findings of operational evaluation will be made public (see p. 47).
In conducting operations to contribute to the sound development of the Japanese and international economy and society and to the improvement of the quality of national life, JBIC is making comprehensive use of its various financial instruments, while conducting negotiations and policy dialogue with host country governments and providing cofinancing with multilateral and private financial institutions.
JBIC contributes to the sound development of the Japanese and international economy and society and to the improvement of the quality of national life. To fulfill this mission, JBIC utilizes a wide range of financial instruments in the following three fields: “Promoting overseas development and acquisition of strategically important natural resources to Japan”; “Maintaining and improving the international competitiveness of Japanese industries”; and “Responding to disruptions in financial order in the international economy.”

JBIC finances its operations through various sources, including borrowings from the FILP, government-guaranteed bond issues in international capital markets and internal funds, including loan repayments. JBIC places emphasis on financial soundness. The JFC Law sets out the principles of “certainty of repayment” and “sufficient revenues to cover expenditures.”

1— Contributing to the Sound Development of the Japanese and International Economy and Society

2— Principal Financial Instruments

(1) Export Loans

Export loans support Japanese plant and technology exports to developing countries. They take the form of buyer’s credits (B/Cs) to foreign importers in developing countries and bank-to-bank loans (B/Ls) to financial institutions in developing countries.

Because plant facilities, such as power generation units and communications equipment, embody various advanced technologies and technical features, their exports will serve to enhance the technological base of Japanese industries. Furthermore, in view of the fact that the domestic plant industry encompasses a large number of firms, including small and medium-sized enterprises (SMEs) producing parts and components, plant export financing will support a broad spectrum of these firms.

For developing countries, imported plants will bring such economic benefits as industrial infrastructure development, increased employment opportunities and the acquisition of skills through technical assistance in plant operations, thereby promoting sustainable economic development.

However, the provision of long-term financing for developing countries involves country risk, which arises from changes in domestic political and economic situations, and high risks of interest rate and currency fluctuations. These risks are often too large to be dealt with by private financial institutions. It is for this reason that JBIC steps in as an official financial institution to ensure a well-functioning international economy. Other industrial countries also have similar official financial institutions to support large-scale plant exports. Examples include the Export-Import Bank of the United States (US EXIM), the Export Credits Guarantee Department (ECGD) of the United Kingdom, Kreditanstalt für Wiederaufbau (KfW) of Germany, Compagnie Française d’Assurance pour le Commerce Extérieur (COFACE) of France and Export Development Corporation (EDC) of Canada.
(2) Import Loans
Import loans support imports of strategically important goods, including natural resources. They are extended to Japanese importers or foreign exporters.

As Japan is poorly endowed with natural resources, stable imports of natural resources over the long term are one of the key factors underpinning domestic economic activity. Import loans finance the development and import of energy resources, including oil and natural gas, and mineral resources, including iron ore.

(3) Overseas Investment Loans
Overseas investment loans support Japanese direct investments in developing countries. They are extended to Japanese business investors, joint ventures where Japanese firms have equity interests and governments or financial institutions in developing countries that make equity investments in or extend loans to such joint ventures. (Overseas investment loans extended directly to Japanese business investors are limited to projects aimed at developing or acquiring interests in overseas resources that are strategically important for Japan or projects undertaken by SMEs.)

Increasing globalization has given rise to a business environment where numerous Japanese businesses have found it imperative to conduct operations overseas. Overseas investments by Japanese firms will lead to an advanced domestic industrial structure and a more efficient international division of labor. For investors, however, foreign direct investment involves risks that they do not ordinarily take into consideration in domestic investments, including an abrupt shift in economic policy, fiscal collapse and economic turmoil. In addition to financing, JBIC provides information and advice on investment climates in other countries primarily for SMEs. As a governmental financial institution, JBIC also seeks to mitigate such risks through dialogue with host country governments and government agencies.
(4) Untied Loans
Untied loans are loans not conditional on procurement of equipment and materials from Japan. They have served to:
(1) maintain and expand trade and direct investment from Japan;
(2) secure stable supplies of energy and mineral resources to Japan;
(3) promote business activities of Japanese firms; and
(4) maintain international financial order.
Untied loans may be divided into two types: project loans and policy adjustment loans. Project loans are used to finance projects for developing economic infrastructure, including power, telecommunications and transportation facilities, and for developing natural resources. Policy adjustment loans support economic management, including structural adjustment in the overall economy and in individual sectors. A project loan may take the form of a two-step loan, which supports the promotion of exports and the development of supporting industries in a developing country through its official financial institution. As untied loans are often provided in cofinancing with such multilateral financial institutions as the World Bank, the Asian Development Bank (ADB), the Inter-American Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD), JBIC has developed close cooperative relations with these institutions. Furthermore, drawing on its stronger ties with developing countries fostered by the provision of untied loans, JBIC provides indirect support for Japanese firms’ business activities in developing countries by helping solve disputes that arise between developing country authorities and Japanese firms.
In providing untied loans, the focus is placed on:
(1) resource development projects (including related infrastructure projects) and the projects that will serve to strengthen relations with resource-producing countries in order to secure stable supplies of natural resources;
(2) infrastructure projects and projects for developing supporting industries in order to improve the business environment for Japanese firms conducting business operations in developing countries; and
(3) projects serving to achieve Japan’s greenhouse gas (GHG) emission reduction target under the Kyoto Protocol.

(5) Acquisition of Loan Assets and Public and Corporate Bonds
When JBIC provides export loans, import loans, overseas investment loans and untied loans, JBIC can also provide credits, in addition to providing loans and guarantees, by purchasing loan assets and acquiring public and corporate bonds issued by Japanese firms for funding. The objective of such operations is to promote private financial institutions’ loans in international finance and Japanese firms’ funding in international capital markets.

1. The scope of assets and securities acquired includes public bonds, corporate bonds, debt securities and trust beneficiary rights.
(6) Guarantees
JBIC provides guarantees for loans extended to developing countries by private financial institutions and bonds issued by governments and other entities in developing countries.

Guarantees for Imports of Manufactured Products
JBIC has a guarantee facility for the borrowings made by Japanese firms to finance the import of aircraft and other manufactured products that are important for Japan.

Guarantees for Corporate Bonds Issued by Japanese Affiliates
JBIC supports Japanese affiliates operating overseas by providing guarantees for the bonds they issue in local capital markets.

Guarantees for Overseas Syndicated Loans and Public-Sector Bonds
Loans to developing countries involve, among others, currency conversion risk, transfer risk, and country risk. Guarantees that JBIC issues to cover such risks will enable Japanese private financial institutions to provide medium and long-term financing for developing countries, supporting developing countries to bring in private capital and facilitating private firms expanding international finance activities.
(7) Bridge Loans
Bridge loans provide short-term financing for governments of developing countries to meet their foreign currency needs for external transactions when they face balance-of-payment difficulties.

(8) Equity Participation
Equity participation is a capital contribution to joint ventures set up by Japanese firms to undertake overseas projects and funds where Japanese firms perform a significant role.

JBIC also make equity participation to joint ventures set up by international financial institutions or other multilateral institutions which have concrete positive effect on the overseas business development of Japanese firms or which respond to disruption of international finance.
<table>
<thead>
<tr>
<th>Date</th>
<th>The Export-Import Bank of Japan-related events</th>
<th>Date</th>
<th>The Overseas Economic Cooperation Fund (OECF)-related events</th>
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<tbody>
<tr>
<td>Dec. 1950</td>
<td>&quot;Japan Export Bank Law&quot; enacted</td>
<td>Date</td>
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<tr>
<td>Apr. 1952</td>
<td>The bank changed name to &quot;The Export-Import Bank of Japan&quot;</td>
<td>Mar. 1961</td>
<td>&quot;The Overseas Economic Cooperation Fund, Japan (OECF) was established, and took over Southeast Asia Development Cooperation Fund.</td>
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<td>Sep. 1999</td>
<td>Cabinet Order related to the execution of the Japan Bank for International Cooperation Law published on official register</td>
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<tr>
<td></td>
<td></td>
<td>Apr. 1999</td>
<td>The Japan Bank for International Cooperation Law promulgated</td>
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<td>Sep. 1999</td>
<td>Cabinet Order related to the execution of the Japan Bank for International Cooperation Law published on official register</td>
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<td>JBIC-related events</td>
<td>Date</td>
<td>Japan Finance Corporation (JFC)-related events</td>
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<tr>
<td>Oct. 1999</td>
<td>JBIC established (takes over operations of Export-Import Bank of Japan and those of OECF)</td>
<td>Oct. 2008</td>
<td>JFC established under the Japan Finance Corporation Law</td>
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<tr>
<td>Dec. 2005</td>
<td>Cabinet decision on Important Policy for Administrative Reform</td>
<td>Nov. 2006</td>
<td>Partial Amendment to the Law concerning the Incorporated Administrative Japan International Cooperation Agency promulgated</td>
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<td>Jun. 2006</td>
<td>System Design regarding the Reform of Policy-based Finance adopted by the council for the Reform of policy-based Finance</td>
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<td>Nov. 2006</td>
<td>Partial Amendment to the Law concerning the Incorporated Administrative Japan International Cooperation Agency promulgated</td>
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<td>Sep. 2007</td>
<td>The Law on Special Measures Concerning Effective Realignment of the U.S. Forces in Japan enacted</td>
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<td>Japan Finance Corporation (JFC)-related events</td>
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<td>Position</td>
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<tr>
<td>Governor &amp; CEO</td>
<td>Shosaku Yasui</td>
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<tr>
<td>Deputy Governor</td>
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<tr>
<td>President &amp; CEO, JBIC</td>
<td>Hiroshi Watanabe</td>
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<tr>
<td>Senior Managing Director</td>
<td>Ryuhei Katsuno</td>
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<tr>
<td>Executive Director</td>
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<td>Outside Executive Director</td>
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<td>Outside Executive Director</td>
<td>Sachiko Hayakawa</td>
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<tr>
<td>Auditor</td>
<td>Katsufumi Nomura</td>
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<td>Auditor</td>
<td>Yoichiro Iwakiri</td>
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<tr>
<td>Outside Auditor</td>
<td>Toshi Ikeda</td>
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<tr>
<td>Outside Auditor</td>
<td>Nobuko Takahashi</td>
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</tbody>
</table>

(As of June 30, 2009)
Organization

<table>
<thead>
<tr>
<th>Department/Office</th>
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<tbody>
<tr>
<td>Special Advisors</td>
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<tr>
<td>Corporate Planning Department</td>
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<tr>
<td>Risk Management Department</td>
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<tr>
<td>Treasury Department</td>
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<tr>
<td>Policy and Strategy Department for Financial Operations</td>
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<tr>
<td>Asia and Oceania Finance Department</td>
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<td>Europe, Middle East and Africa Finance Department</td>
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<td>Energy and Natural Resources Finance Department</td>
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<td>Corporate Finance Department</td>
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<td>Investment Banking Department</td>
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<td>Operations and Transaction Department</td>
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<td>Credit Department</td>
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<td>Country Credit Department</td>
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<tr>
<td>Legal Department</td>
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<tr>
<td>Environment Finance Engineering Department</td>
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<tr>
<td>International Finance Department, West Japan</td>
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<td>Representative Offices, etc.</td>
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<tr>
<td>Human Resources Management Office</td>
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<tr>
<td>International Research Office</td>
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<tr>
<td>Administration and General Services Office</td>
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<tr>
<td><strong>Central Asia and the Caucasus, the Middle East, Africa and Europe</strong></td>
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<tr>
<td><strong>Asia (excluding Central Asia and the Caucasus) and Oceania</strong></td>
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<td><strong>North America and Latin America and the Caribbean</strong></td>
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<td><strong>Advisory and Consulting Office for SME</strong></td>
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<td><strong>Environmental Assessment Office</strong></td>
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</tbody>
</table>

(As of March 31, 2009)

Overseas Network

(As of March 31, 2009)

- REPRESENTATIVE OFFICE IN BEIJING
  2102, Tower C Office Building, YINTAI Center, No. 2 Jinguoimenwai Avenue, Chaoyang District, Beijing 100022, P.R.C.
  TEL: 86-10-6505-8989
  FAX: 86-10-6505-3829

- REPRESENTATIVE OFFICE IN HONG KONG
  Suite 3111-3112, Level 31, One Pacific Place, 88 Queensway, Hong Kong
  TEL: 852-2869-8505~7
  FAX: 852-2869-8712

- REPRESENTATIVE OFFICE IN BANGKOK
  14th Floor, Nantawan Bldg., 161 Rajdamri Road, Bangkok 10330, Thailand
  TEL: 66-2-252-5050
  FAX: 66-2-252-5514

- REPRESENTATIVE OFFICE IN HANOI
  3rd Floor, Sun City, 13 Hai Ba Trung Street, Hoan Kiem District, Hanoi, Viet Nam
  TEL: 84-4-3824-8934~6
  FAX: 84-4-3824-8937

- REPRESENTATIVE OFFICE IN JAKARTA
  Summitmias II 5th Floor, Jl. Jenderal Sudirman, Kav. 61-62, Jakarta Selatan, Indonesia
  TEL: 62-21-5220693
  FAX: 62-21-5200975

- REPRESENTATIVE OFFICE IN MANILA
  11/F, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, Philippines
  TEL: 63-2-856-7711~4
  FAX: 63-2-856-7716

- REPRESENTATIVE OFFICE IN SINGAPORE
  9 Raffles Place, #53-01 Republic Plaza, Singapore 048619
  TEL: 65-6557-2806
  FAX: 65-6557-2807

- REPRESENTATIVE OFFICE IN NEW DELHI
  1st floor, The Metropolitan Hotel, New Delhi, Bangla Sahib Road, New Delhi 110001, India
  TEL: 91-11-4352-2900
  FAX: 91-11-4352-2950

- SYDNEY OFFICE
  Suite 2501, Level 25, Gateway, 1 Macquarie Place, Sydney, N.S.W. 2000, Australia
  TEL: 61-2-9241-1388
  FAX: 61-2-9231-1053

- REPRESENTATIVE OFFICE IN MOSCOW
  123610 Moscow, Krasnopresnenskaya Nab. 12, World Trade Center, Office No. 905, Russian Federation
  TEL: 7-495-258-1832, 1835,1836
  FAX: 7-495-258-1858

- REPRESENTATIVE OFFICE IN FRANKFURT
  Taunustor 2, 60311 Frankfurt am Main, Germany
  TEL: 49-69-2385770
  FAX: 49-69-23857710

- REPRESENTATIVE OFFICE IN LONDON
  4th Floor, River Plate House, 7-11 Finsbury Circus, London EC2M 7EX, U.K.
  TEL: 44-20-7638-0175
  FAX: 44-20-7638-2401

- REPRESENTATIVE OFFICE IN PARIS
  21, Boulevard de la Madeleine, 75038 Paris Cedex 01, France
  TEL: 33-1-4703-6190
  FAX: 33-1-4703-3236

- REPRESENTATIVE OFFICE IN DUBAI
  9th floor, West, The Gate Dubai International Financial Center, P.O. Box 121300, Dubai, U.A.E.
  TEL: 971-4-363-7091
  FAX: 971-4-363-7090

- REPRESENTATIVE OFFICE IN NEW YORK
  712 Fifth Avenue, 26th Floor, New York, NY 10019, U.S.A.
  TEL: 1-212-888-9500
  FAX: 1-212-888-9503

- TORONTO LIASON OFFICE
  130 King Street West, Exchange Tower, P.O. Box 493, Suite 3660, Toronto, ON M5X 1E5, Canada
  TEL: 1-416-865-1700
  FAX: 1-416-865-0124

- REPRESENTATIVE OFFICE IN WASHINGTON, D.C.
  1627 Eye Street N.W., Suite 500, Washington, D.C., 20006, U.S.A.
  TEL: 1-202-785-1785
  FAX: 1-202-785-1787

- REPRESENTATIVE OFFICE IN BUENOS AIRES
  Av. Del Libertador No. 498, Piso19, 1001 Capital Federal, Buenos Aires, Argentina
  TEL: 54-11-4394-1789, 1803
  FAX: 54-11-4394-1763

- REPRESENTATIVE OFFICE IN MEXICO CITY
  TEL: 52-55-5525-6790
  FAX: 52-55-5525-3473

- REPRESENTATIVE OFFICE IN RIO DE JANEIRO
  Praia de Botafogo, 228-8018 (Setor A), Botafogo, CEP 22359-900, Rio de Janeiro, RJ, Brazil
  TEL: 55-21-2554-2305
  FAX: 55-21-2554-8798