

Profile of JBIC

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1• Message from the Governor



As we publish the 2013 Annual Report, I would like to express my heartfelt appreciation for your continued understanding and support for our activities.

The global economy remained sluggish during the early-to-middle part of FY2012 amid the sovereign debt crisis in Europe, the fiscal problem in the United States, and the slowdown in emerging economies. It then began to show signs of gradual recovery due in large part to the mild recovery of the U.S. economy and the end of the slowdown phase of emerging economies in the second half of FY2012. The international economic climate surrounding Japan, however, continues to pose many challenges for the country. Global competition for natural resources remains fierce amid the ever-growing global population. It is vital for Japan to secure stable access to energy and mineral resources as this is directly linked to people's lives. In the manufacturing sector as well as the infrastructure sector, which is seeing growing demand worldwide, Japan is facing increasing competition around the world in developed and developing countries alike. Additionally, achieving economic development in harmony with global environmental sustainability has now come to be seen as a common global issue. Thus, there is an increasing need not only for environmental and social considerations in individual projects, but also for projects conducive to environmental conservation and improvement, including, among others, those seeking to cope with global warming. Moreover, as the world economy is becoming increasingly integrated, global financial and economic crises could have a more substantial impact on the Japanese economy than ever before.

Amid these various changes currently underway in the global economic environment, JBIC set off on a new start on April 1, 2012 as a policy-based financial institution wholly owned by the Japanese government, pursuant to the Japan Bank for International Cooperation Act (JBIC Act). The JBIC Act provides that we at JBIC shall conduct operations in the following four fields, while complementing the financial transactions of private-sector financial institutions: (1) promoting the overseas development and securement of resources which are important for Japan; (2) maintaining and improving the international competitiveness of Japanese industries; (3) promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming; and (4) preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption. Contributing in this way to the sound development of Japan as well as the international economy and society is the ultimate mission of JBIC under the JBIC Act. In these four fields, we have been working actively to conduct loan, guarantee and equity participation operations.

During FY2012, we focused on, among other activities, promoting the development and securement of energy and natural resources. For example, we supported the development of natural gas and LNG projects in Australia, the acquisition of interests in copper mines in Chile, and the import of crude oil from the United Arab Emirates with our financial instruments. We also focused on facilitating the M&A of foreign firms by Japanese companies and supporting exports and stable overseas operations by Japanese mid-tier enterprises as well as small and medium enterprises.

During FY2012, we also helped to maintain and improve the international competitiveness of Japanese companies. For overseas infrastructure development projects, our support was extended to projects such as an intercity express railway project in the U.K. and a renewable energy power generation project in Canada—each of which involved a Japanese company playing a pivotal role in the project as a major participant. We also assisted in a coal-fired power plant project in Morocco, as well as the export of equipment and services from Japan for an oil refinery modernization project in Kazakhstan. Furthermore, we assisted Myanmar in returning to the international financial market by extending bridge loans to the Government of Myanmar to help clear the arrears of past loans from the Asian Development Bank and the World Bank Group (International Development Association). As a result of these and other financing operations, the total amount of commitments we made during FY2012 in loans, guarantees, and equity participations reached JPY 4,240.9 billion. This was an all-time high since the establishment of the Japan Export-Import Bank, the predecessor of JBIC.

We, the management and staff of JBIC will strive to execute our work efficiently as a unified body and live up to the expectations placed on us, while taking care to devote ourselves to complementing private-sector financial institutions and ensure financial soundness.

It is my sincere wish that our endeavors will earn your understanding and enduring support.

August 2013

Hiroshi Okuda
Governor
Japan Bank for International Cooperation
(JBIC)

2. Profile

As a policy-based financial institution, JBIC has the objective of contributing to the sound development of Japan and the international economy and society, while having the objective of supplementing the financial transactions implemented by private-sector financial institutions.

■ Profile

Name	Japan Bank for International Cooperation (JBIC)
Office	4-1, Ohtemachi 1-chome Chiyoda-ku, Tokyo 100-8144, Japan
Capital	¥1,360.0 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations*	¥10,685.3 billion
Outstanding Guarantees*	¥2,400.6 billion

*As of March 31, 2013

■ Corporate Slogan

日本の力を、世界のために。
Supporting Your Global Challenges

■ The Purpose of JBIC

JBIC is a policy-based financial institution wholly owned by the Japanese government, which has the objective of contributing to the sound development of Japan and the international economy and society, by conducting financial operation in the following four fields:

- Promoting the overseas development and securement of resources which are important for Japan
- Maintaining and improving the international competitiveness of Japanese industries
- Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming
- Preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption

■ JBIC Corporate Philosophy

The objective of JBIC, as set forth in its statutory law, is to "contribute to the sound development of Japan and the international economy and society" by executing a variety of financial functions. To pursue this objective, we have set out the following corporate philosophy, which espouses three core values: "Hands-on Policy," "Customer-1st Approach" and "Forward-looking Action."

Positioned at the crossroads of global business opportunities,
JBIC is opening new venues to the future for the Japanese and global economy.

Hands-on Policy:

Pioneering new value by participating at the forefront of overseas project development, and by engaging proactively in projects from the early stages

Customer-1st Approach:

Offering customers one-of-a-kind solutions by adopting their perspectives and integrating their views into policy development

Forward-looking Action:

Contributing to the sustainable development of Japan and the world as a whole by deploying highly professional skills, with a view to realizing a secure and affluent future society

■ Operational Principles

JBIC, as a policy-based financial institution and in accordance with the following principles, conducts speedy and well-focused operations based on policy needs in response to economic and financial situations in Japan and abroad.

1. Supplementing the financial transactions implemented by private-sector financial institutions

To effectively perform the functions required for policy-based financing, JBIC shall take account of situations where private-sector financial institutions are placed in their international finance activities and supplement their operations.

2. Ensuring financial soundness and certainty of repayment

Pursuant to the JBIC Act, JBIC shall make efforts to maintain the financial soundness of its operations, and when making financial decisions, to conduct adequate screening regarding the outlook for the recovery of funds.

3. Maintaining and improving international creditworthiness and confidence

In order to conduct adequate operations and effective overseas funding operations, JBIC shall maintain and improve the international creditworthiness and confidence gained by JBIC over the years.

4. Conducting business operations by drawing on its expertise and initiatives

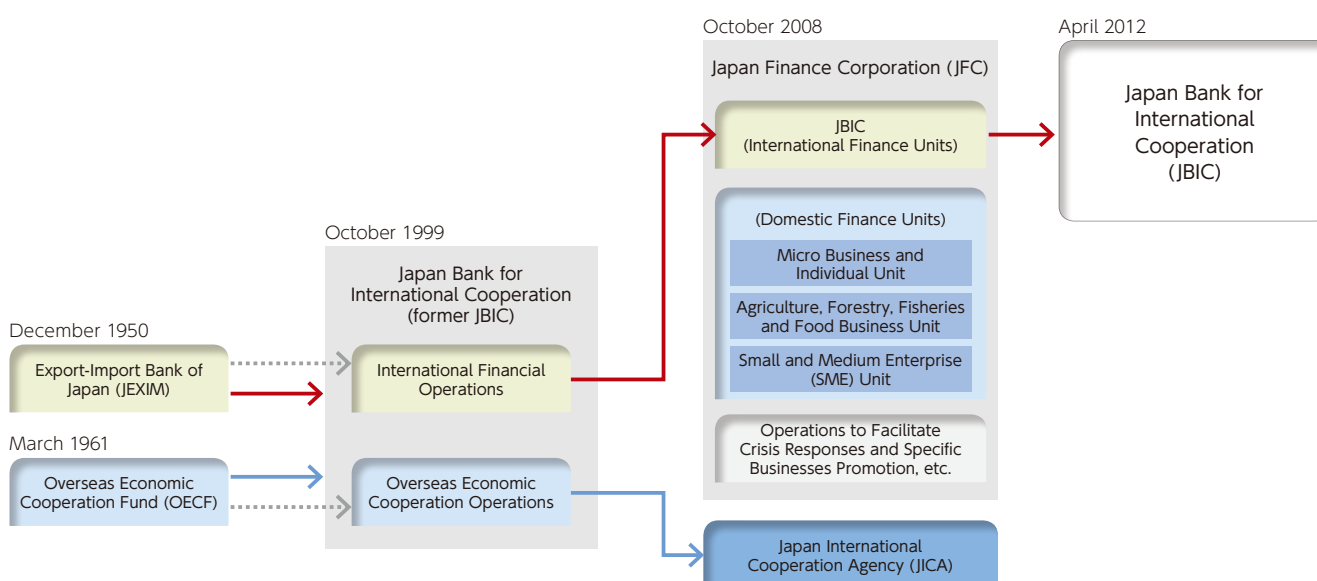
JBIC shall conduct operations by drawing on its own expertise and initiatives on international finance.

■ JBIC Code of Conduct

- Act consistently in the public interest. Contribute to Japan and the international community by pursuing our Mission.
- Prioritize client satisfaction. Deliberate, decide and act from the client's perspective.
- Accept responsibility as a professional. Perform every task based on your own initiative.
- Undertake challenges daringly. Create new value without fear of failure.
- Work quickly and cost-effectively. Enhance your work quality with an eye to efficiency.
- Focus on teamwork. Share unified objectives with your colleagues to achieve significant successes.
- Maintain high ethical standards and a law-abiding spirit. Observe our moral code as a JBIC member at all times.

■ History

Japan Bank for International Cooperation (JBIC) was established on April 1, 2012 in accordance with the Japan Bank for International Cooperation Act (JBIC Act), which promulgated and came into effect on May 2, 2011.



3. JBIC's Medium-Term Business Plan (FY2012-2014)

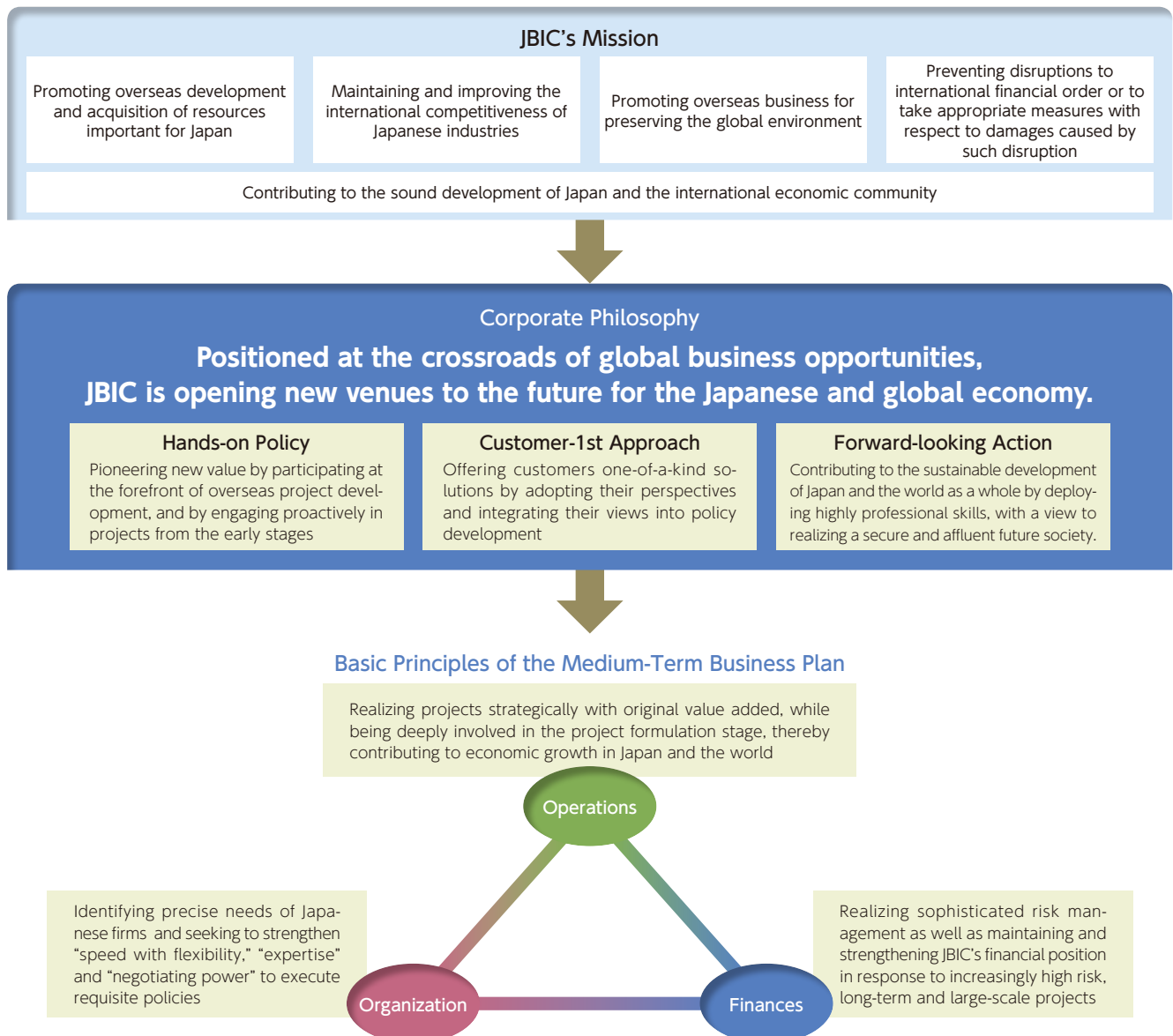
Basic Principles, Backdrop and Overview

JBIC's current Medium-Term Business Plan (FY2012-2014) aims to promote efficient and results-oriented business operations in line with the Japanese government's policies and to accomplish proper accountability. To this end, it explicated high priority business and management issues to be addressed by JBIC over the medium term, and set forth strategies and action plans to tackle these issues. JBIC also sets the Annual Business Plan for each fiscal year to set specific targets JBIC should strive to pursue this year with the action plans set in the Medium-Term Business Plan.

JBIC sets the basic principles of the Medium-Term Business

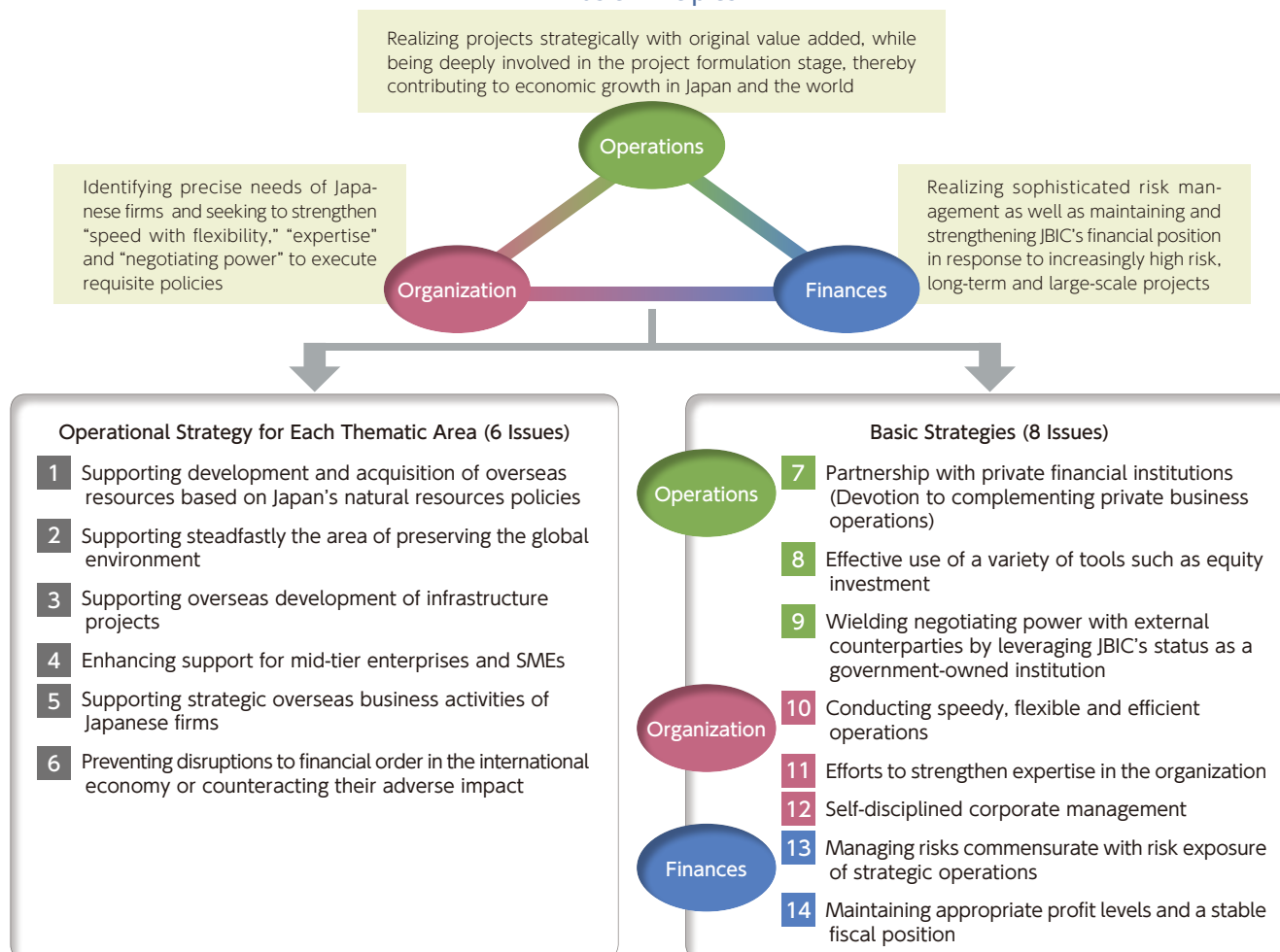
Plan of Operational Strategy for 6 Thematic Areas and Basic Principles to 8 Basic Strategies, based on following JBIC mission and policy; 1) Realizing projects strategically with original value added, while being deeply involved in the project formulation stage, thereby contributing to economic growth in Japan and the world, 2) Identifying precise needs of Japanese firms and seeking to strengthen "speed with flexibility," "expertise" and "negotiating power" to execute requisite policies, 3) Realizing sophisticated risk management as well as maintaining and strengthening JBIC's financial position in response to increasingly high risk, long-term and large-scale projects.

JBIC's Mission, Corporate Philosophy and the Basic Principles of the Medium-Term Business Plan



Overview of the Medium-Term Business Plan FY2012-2014

Basic Principles



Basic Principles (on Operations) and Their Backdrop

Basic Principles

Operations

Realizing projects strategically with original value added, while being deeply involved in the project formulation stage, thereby contributing to economic growth in Japan and the world

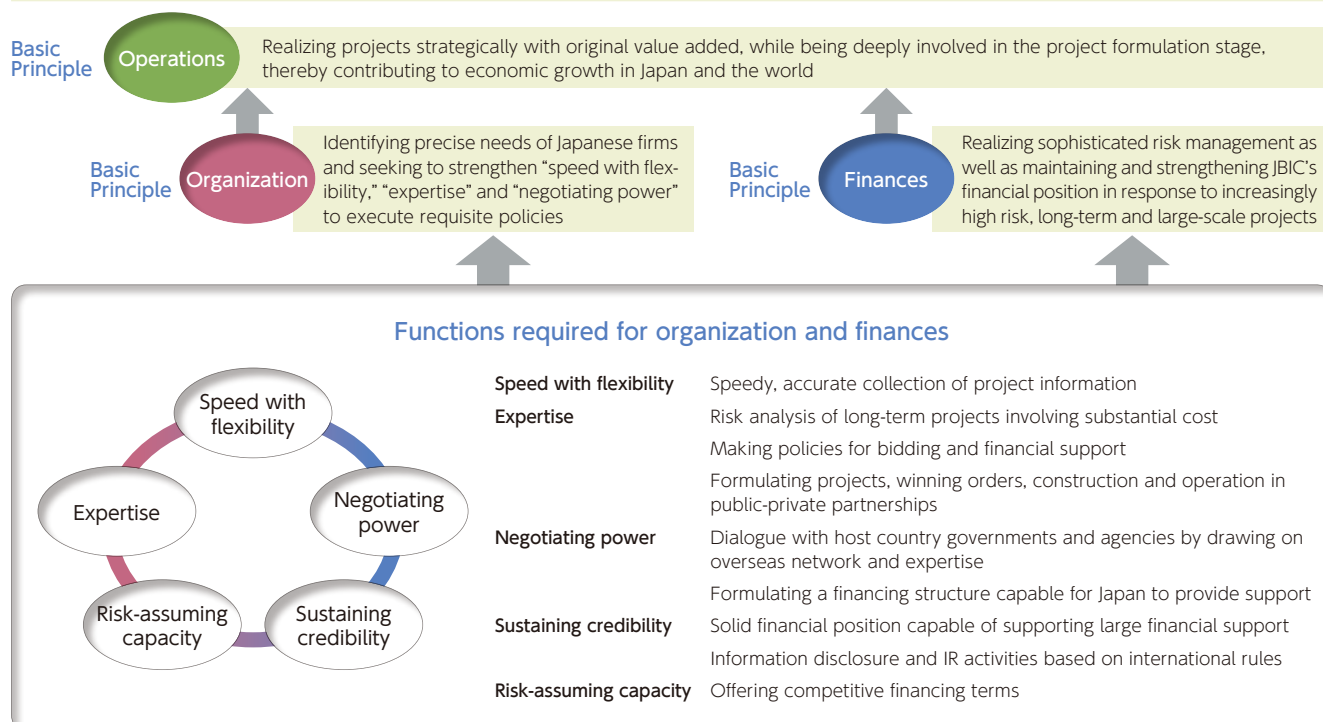
Government Efforts: Examples



JBIC's Efforts



Basic Principles (on Organization and Finances) and Their Backdrop



The Medium-Term Business Plan contains the following content.

Basic Principles	Set out principles guiding JBIC operations over the medium term to effectively execute the mission mandated on JBIC, given its status as a policy-based financing institution.
Key Strategies	Designate strategic issues necessary to conduct operations in accordance with the Basic Principles. These consist of the Basic Strategies, which set out matters concerning operations, organization and finances, and Operational Strategies for Thematic Areas, which set out an operational strategy for each thematic area.
Agendas and Action Plans	Assigned over the medium term for each of the Key Strategies.
Performance Indicators	Evaluate the extent to which the objective of each action plan has been achieved as well as monitor and evaluate the progress being made for each action plan.

There are four types of performance indicators used in the Medium-Term Business Plan as shown below. Objectives are set in the Annual Business Plan for each fiscal year, and the Management Advisory and Evaluation Committee will evaluate the performance at the end of each fiscal year by assessing the extent to which the initially-set objectives have been achieved.

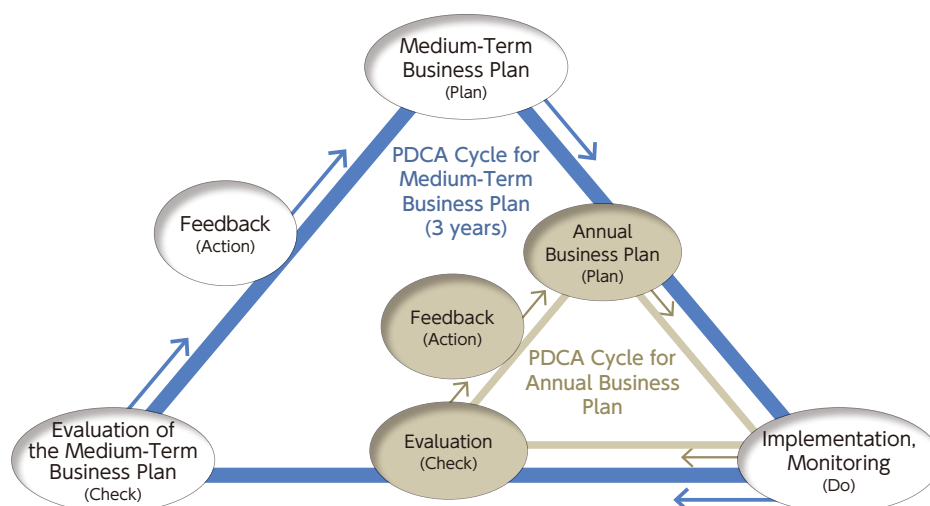
Indicator	Definition	Initial Assignment	End Period Evaluation
Quantitative Indicators	Set initially quantitative objectives for the end of the planned year and evaluate the extent to which they are achieved at the end of the planned period.	Set quantitative objectives.	Tabulate the actually achieved figures and evaluate them quantitatively.*
Monitoring Indicators	Add up performance figures at the end of the planned period and monitor their chronological changes.		Tabulate the actually achieved figures and monitor them.
Qualitative Indicators	Set initially exemplified qualitative objectives for the end of the planned period and evaluate the results actually achieved at the end of the planned period.	Set exemplified qualitative objectives.	Tabulate actually achieved results and evaluate them qualitatively.
Milestone Indicators	For issues that require steady progress in action over the medium to long term (about 3 years), set initially concrete actions (milestones**) to take each year and evaluate the extent to which they achieve the milestone (if necessary, a milestone may be modified at the beginning of the next year).	Set initially in the planned 3-year period milestones** (for each year). Review at the initial point in the subsequent years.	Evaluate the results based on the already set milestones.*

* Quantitative Milestone indicators may also be evaluated from a qualitative aspect.

** Quantitative figures may be incorporated in milestones.

JBIC is committed to performing its mission and roles appropriately as a policy-based financing institution by implementing the PDCA cycle in the Medium-Term Business Plan and the Annual Business Plan.

PDCA Cycle of Medium-Term Business Plan and Annual Business Plan



Strategies, Agendas (Action Plans) and Performance Indicators

The agendas (action plans) and performance indicators for the Operational Strategies for Each Thematic Areas (six strategies) and Basic Strategies (eight strategies) are as below.

■ Operational Strategy for Each Thematic Area

1 Supporting Development and Acquisition of Overseas Resources Based on Japan's Natural Resources Policies

Agenda and Action Plan	Performance Indicator	Type
Supporting development/acquisition of resources in the upstream sector and a stable supply of resources based on the Japanese government policy of taking advantage of yen appreciation and the changed environment in the wake of the Great East Japan Earthquake	Number of loan, guarantee and investment commitments for the projects/transactions contributing to acquisition of interests in resources, taking their delivery and obtaining their sales concessions	Quantitative
	Among the above commitments, the number of those contributing to securing a stable supply of energy resources	Quantitative
	Among the immediately above commitments, their amounts of oil, natural gas, copper and iron ores, and coal obtained by new acquisition and delivery	Monitoring
	Efforts (including support for related infrastructure) to reduce the procurement cost of natural gas for Japan	Qualitative

2 Supporting Steadfastly the Area of Preserving the Global Environment

Agenda and Action Plan	Performance Indicator	Type
Realizing steadfastly such environmental projects as renewable energy, energy efficiency improvement and highly efficient power generation	Number of loan, guarantee and investment commitments for such environmental projects as renewable energy, energy efficiency improvement and highly efficient power generation	Quantitative
	Projected reductions in greenhouse gas emissions in new projects to which loan, guarantee and investment commitments were made	Monitoring

3 Supporting Overseas Development of Infrastructure Projects

Agenda and Action Plan	Performance Indicator	Type
Actively supporting overseas development of infrastructure projects by Japanese firms	Number of loan, guarantee and investment commitments supporting overseas development of infrastructure projects	Quantitative
Strengthening efforts to support the formulation of highly strategic projects	Implementing support for the formulation of highly strategic projects	Qualitative

4 Enhancing Support for Mid-Tier Enterprises and SMEs

Agenda and Action Plan	Performance Indicator	Type
Pressing forward efforts for active support	Number of loan, guarantee and investment commitments for mid-tier enterprises and SMEs	Quantitative
	Number of mid-tier enterprises and SMEs supported by the above commitments	Monitoring
Increase opportunities to disseminate information such as seminars and consulting sessions	Number of seminars and consulting sessions organized for mid-tier enterprises and SMEs	Quantitative

5 Supporting Strategic Overseas Business Activities of Japanese Firms

Agenda and Action Plan	Performance Indicator	Type
Supporting Japanese firms' strategy to capture overseas market shares and the maintenance and strengthening of their supply chains	Number of loan, guarantee and investment commitments for overseas investment projects by Japanese firms or projects for supporting associated operations with such projects (Show breakdown by developed country for monitoring purposes)	Quantitative
	Number of loan, guarantee and investment commitments for export transactions by Japanese firms (Show breakdown by developed country for monitoring purposes)	Quantitative
Supporting M&A activities based on the government policy of taking advantage of yen appreciation	Number of loan, guarantee and investment commitments for M&A deals	Quantitative
	The total amount of M&A deals above	Monitoring

6 Preventing Disruptions to Financial Order in the International Economy or Counteracting Their Adverse Impact

Agenda and Action Plan	Performance Indicator	Type
Preventing disruptions to financial order in the international economy or counteracting their adverse impact with speed, flexibility and effectiveness	Number of countries for which monitoring was done with respect to macroeconomic conditions	Quantitative
	Number of loan, guarantee and investment commitments for preventing disruptions to financial order in the international economy or counteracting their adverse impact	Monitoring

Basic Strategies**Operations****7 Partnership with Private Financial Institutions (Devotion to Complementing Private Business Operations)**

Agenda and Action Plan	Performance Indicator	Type
Pressing forward strategic partnerships with private financial institutions, including appropriate cofinancing	The share of cofinancing commitments in the number of loan commitments (excluding matching* loans and loans to banks)	Quantitative
	Private sector funds mobilized in the projects/transactions to which JBIC made loan, guarantee and investment commitments	Monitoring
	Number of private banks with which JBIC entered into a partnership	Quantitative

* Application of the same credit terms offered by the participating or non-participating countries under the OECD Arrangement on Guidelines for Officially Supported Export Credits

8 Effective Use of a Variety of Tools Such as Equity Investment

Agenda and Action Plan	Performance Indicator	Type
Active use of equity investment	Number of investment commitments for equity investment (participation) projects	Quantitative
Effective use of guarantees and other financial instruments	Record of effective use of guarantees and other financial instruments	Qualitative
Pressing forward efforts to finance with local currencies	Number of local currencies with which loan, guarantee and investment commitments were made (outstanding)	Monitoring
Pressing forward PF and SF* projects	Number of commitments to PF and SF projects	Quantitative

* Project finance and structured finance

9 Wielding Negotiating Power with External Counterparties by Leveraging JBIC's Status as a Government-owned Institution

Agenda and Action Plan	Performance Indicator	Type
Strengthening relations with foreign governments and government agencies, increasing collaboration with multilateral institutions and foreign official institutions, and wielding JBIC's negotiating power with external counterparties	Efforts to strengthen relations with major countries (their governments and government agencies)	Qualitative
	Cases where JBIC wielded its negotiating power among the number of loan, guarantee and investment commitments with which cross-border loans were extended	Quantitative

Basic Strategies Organization

10 Conducting Speedy, Flexible and Efficient Operations

Agenda and Action Plan	Performance Indicator	Type
Enhancing strategic and flexible allocation of given management resources	Customer satisfaction survey (level of satisfaction with the time taken for approving loans and other financial instruments)	Quantitative
	Employee consciousness survey (awareness of equalizing work load among employers)	Monitoring
Efficient corporate management with work flow improvement and other means	Progress in key BPR* measures	Milestone
	Average overtime work hours per employee	Monitoring
Upgrading IT infrastructure	Progress in IT investment, including improvement in the common infrastructure and the establishment of a backup center	Milestone

* Business Process Re-engineering

11 Efforts to strengthen expertise in the organization

Agenda and Action Plan	Performance Indicator	Type
Recruiting and fostering human resources capable of providing high value-added services	Number of training sessions for providing advanced financing and appraisal methods (including the number of participants for monitoring purposes)	Quantitative
	The percentage of the staff who have experience in an overseas posting or who were loaned to overseas institutions (during the past 5 years)	Quantitative
Strengthening the strategic collection and dissemination of requisite information	Domestic and foreign entities with which an exchange of views continues to take place through operational cooperation or assignment, excluding clients (cumulative total)	Quantitative

12 Self-disciplined corporate management

Agenda and Action Plan	Performance Indicator	Type
Corporate management that meets the needs of clients	Customer satisfaction survey (overall level of satisfaction)	Quantitative
	Customer satisfaction survey (level of satisfaction on the time taken for loan approval)	Quantitative
	The average appraisal period for PF projects	Monitoring
Promoting disclosure and public relations activity	Number of times the JBIC website and other mediums are accessed	Monitoring
Mainstreaming compliance efforts	Number of internal training sessions on compliance	Quantitative

Basic Strategies Finances

13 Managing Risks Commensurate with Risk Exposure of Strategic Operations

Agenda and Action Plan	Performance Indicator	Type
A more improved and advanced framework for appropriately assessing and managing major risks associated with conducting strategic operations	Loan assets to be disclosed under the Financial Revitalization Act	Monitoring
	The ratio of provisions made for the above assets	Monitoring
	Number of meetings held by the Risk Advisory Committee	Monitoring

14 Maintaining appropriate profit levels and a stable fiscal position

Agenda and Action Plan	Performance Indicator	Type
Securing appropriate levels of profits and losses	Overall profit margin*	Monitoring
	The ratio of administrative cost	Monitoring
Maintaining financial stability	Capital Adequacy Ratio (BIS basis)	Monitoring
Preparation for International Accounting Standard	State of examination with respect to introducing IFRS	Milestone

* Yields on Interest-earning Assets-Costs on Interest-bearing Liabilities

The performance will be evaluated at the end of each term by the Management Advisory and Evaluation Committee, which consists of external experts and outside directors, and the result will be published.

4. Outline of Operations in FY2012

Operational Highlights

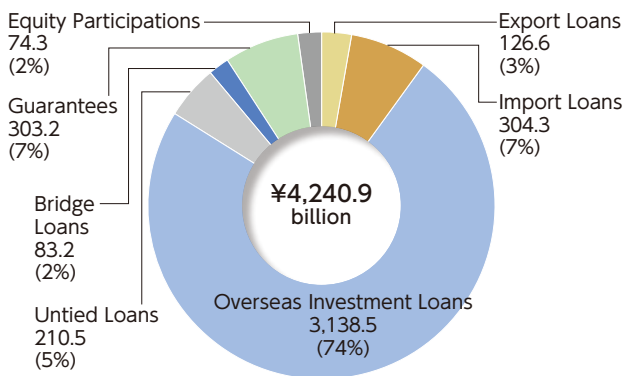
The total amount of commitments JBIC made during FY2012 in loans, guarantees, and equity participations was ¥4,240.9 billion, an all-time high.

JBIC's major operations in each sector for FY2012 are shown below:

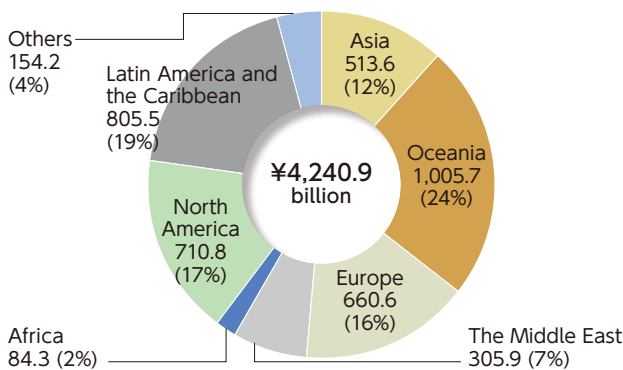
■ Energy and Natural Resources Sector

JBIC provided loans for the development and acquisition of interests for a number of projects in the energy sector in which Japanese companies were involved. These include

Commitments by Purpose of Financing (FY2012. Unit: billions of yen)



Commitments by Region (FY2012. Unit: billions of yen)



projects for developing unconventional energy resources in North America,—coal-bed methane (CBM)¹ and shale gas in Canada, shale oil and tight oil² in the U.S.—liquefied natural gas (LNG) projects in Australia and Papua New Guinea, and coal mine projects in Australia and Canada. JBIC also provided loans to support the import of LNG and oil.

In the mineral resources sector, JBIC provided loans for the development of, and acquisition of interests in, an iron ore mine in Australia and a copper mine in Chile. Regarding rare metals, JBIC supported a nickel/cobalt mixed sulfide production project in the Philippines, a molybdenum smelting project in Chile, and a niobium development and production project in Brazil.

■ International Infrastructure Sector

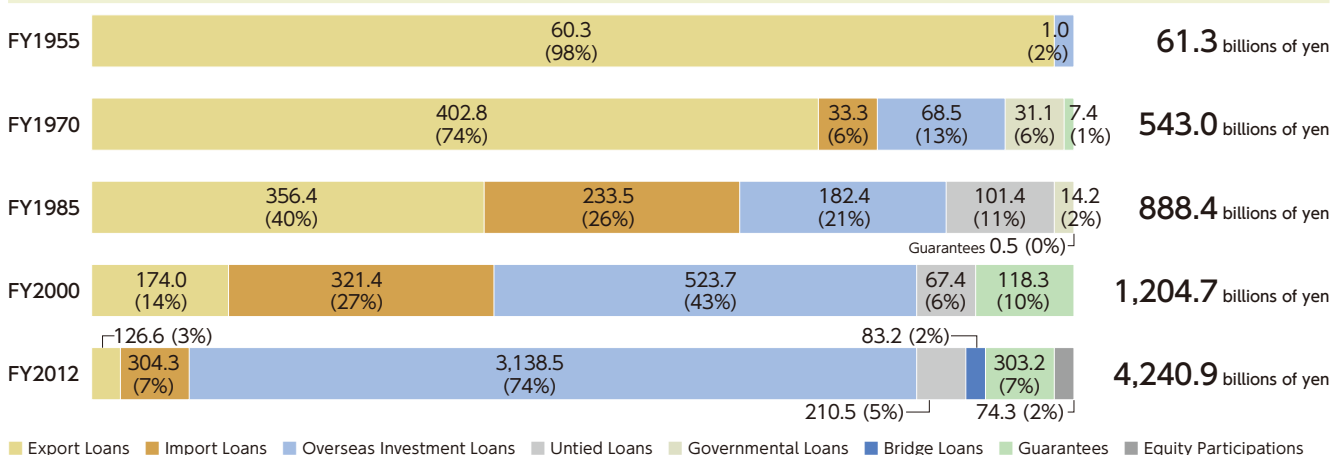
In the power sector, JBIC supported a gas-fired combined cycle power plant project in Thailand—in which Japanese companies participated as an exporter or project owner—as well as coal-fired power plant projects in Morocco and Chile. JBIC also supported the export of transmission and substation equipment to Indonesia. JBIC's support in the transportation sector covered an intercity express railway project in the U.K.—in which Japanese companies participated—and the export of railway cars to Venezuela. In the telecommunications sector, support was provided for the export of a portion of the submarine optical fiber cable system that will connect Singapore with Japan. In the water sector, JBIC supported both the export of equipment for a seawater desalination plant in Singapore and a project for producing and selling water treatment facilities in China.

In other activities, JBIC subscribed to the new shares issued by the Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC) in India, the core project executing

1. Coal-bed methane (CBM) is methane extracted from and near coal-beds. It is drawing attention along with shale gas as "unconventional" natural gas.
2. Unlike conventional oil that is extracted from wells naturally stored in the stratum, tight oil exists widely through tight strata such as sandstone, limestone and shale formations, and the methods used for its extraction are similar to those used in shale oil and gas extraction (horizontal drilling, hydraulic fracturing, etc.).

Changing Composition of Loans, Equity Participations and Guarantees (Commitments)

(Unit: billions of yen)



agency responsible for advancement of the Delhi Mumbai Industrial Corridor (DMIC) Project³. JBIC also decided to invest in three infrastructure funds, which target North America and Europe, Southeast Asia, and India, respectively.

■ Supporting Japanese Companies in Exportation of Their Products, and Manufacturing and Sales Business Abroad

JBIC supported the export of machinery and equipment including: oil refinery-related equipment to Kazakhstan; textile manufacturing machinery to Angola; a picking line-tandem cold mill and petrochemical plant-related equipment to India; and equipment for an ethylene production plant in Turkey, as well as equipment needed for the infrastructure mentioned above. JBIC also supported the export of ships including: bulk carriers to Turkey, the Bahamas, and Hong Kong; as well as Ramform vessels to the Bahamas. In addition, JBIC extended credit lines, designed to support Japanese exports, to local financial institutions in Malaysia, India, Turkey, Russia, and South Africa.

In addition to such export assistance, JBIC also supported Japanese companies in manufacturing and sales of their products overseas in a wide range of industries, including automobiles, electrical equipment, electronics, machinery, and metals. JBIC also assisted Japanese companies in merging and acquiring foreign firms in various areas, including commercial motors, air-conditioners, food, medical equipment, insurance, and aircraft leasing.

■ Supporting Overseas Business Operations of Japanese SMEs

JBIC provided loans for Japanese SMEs to assist them with their business operations overseas, particularly in Asia. JBIC also extended investment credit lines, which are designed to support Japanese SMEs in expanding their business operations overseas, to three Japanese banks: The Senshu Ikeda Bank, Ltd; Resona Bank, Limited; and Sumitomo Mitsui Banking Corporation. Furthermore, JBIC acquired an equity stake in a private

equity fund that is aimed at supporting Japanese companies in expanding their business operations into the ASEAN region, managed by a Singapore subsidiary of Mizuho Bank, Ltd.

■ Promoting Renewable Energy and Conserving the Global Environment

JBIC supported a renewable energy power generation project in Canada in which a Japanese company participated by way of project financing⁴ denominated in Canadian dollars. In Brazil, JBIC supported a co-generation project at a refinery and a flaring gas reduction project at multiple offshore oil concessions to reduce greenhouse gas (GHG) emissions. Moreover, JBIC extended export credit lines⁵ to several local financial institutions in India and Turkey to finance the export from Japan of renewable energy-related equipment and energy-saving equipment.

■ Preventing Disruptions to International Financial Order or Taking Appropriate Measures with Respect to Damages Caused by Such Disruptions

In order to address the potential adverse impacts of continued international financial market volatility on the Indonesian economy, JBIC offered a Contingent Facility to the Government of Indonesia as a precautionary measure to enhance its crisis preparedness, in parallel financing with the World Bank, the Asian Development Bank (ADB), and the Government of Australia. JBIC also extended bridge loans to the Government of Myanmar to clear the arrears of past loans from the ADB and the International Development Association (IDA). The objective was to help the country return to the international financial market.

3. The Delhi Mumbai Industrial Corridor (DMIC) Project is a Japan-India joint development project which aims to build a freight rail line to connect Delhi and Mumbai and develop infrastructure along the line such as industrial estates, logistics parks, power plants, roads, ports, residential areas and commercial facilities mainly by mobilizing private investments.

4. 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 in such sectors as power generation and oil, gas or other natural resource development.

5. An export credit line is a form of export credit in which JBIC commits to the maximum amount of credit to be extended to foreign banks or other entities to finance exports of machinery, equipment and services from Japan.

Operational Results

Total disbursements made by JBIC in FY2012 stood at ¥2,599.8 billion.

■ Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2009		FY2010		FY2011		FY2012	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Export Loans	108.0	43.8	113.0	73.6	120.0	73.9	200.0	143.1
Import Loans and Overseas Investment Loans	1,010.0	2,382.8	1,080.0	1,113.9	1,113.5	913.0	1,879.0	2,307.4
Untied Loans	82.0	186.7	207.0	85.4	100.0	103.2	100.0	132.0
Equity Participations	20.0	13.6	45.5	26.8	200.0	7.3	100.0	17.2
Securitization	30.0	—	30.0	19.0	19.0	—	19.0	—
Total	1,250.0	2,627.0	1,475.5	1,318.8	1,552.5	1,097.6	2,298.0	2,599.8

Financial Results

■ Principles of Accounting

(1) Separation of Account

JBIC conducted JBIC operations and Financial Operations for Facilitating Realignment of United States Forces in Japan (USFJ) on separate accounts pursuant to Article 18.2 of the USFJ Realignment Special Measures Act. This practice was discontinued during FY2012. (See "Discontinuation of the Financial Operations for Facilitating Realignment of USFJ" on page 16.)

(2) Preparation of Financial Statements

Pursuant to the Companies Act and Article 26 of the Japan Bank for International Cooperation Act (JBIC Act), JBIC prepares financial statements 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 Auditors, to the Diet.

■ Statement of Operations and Balance Sheet

(1) Statement of Operations

In FY2012, interest income amounted to ¥167.9 billion, with ordinary income reaching ¥217.2 billion. These figures are largely

attributable to JBIC's financial support in relation to overseas M&A activities by Japanese companies and to overseas development and acquisition of strategically important resources. Interest expenses amounted to ¥119.5 billion, with ordinary expenses registering ¥153.7 billion. As a result, ordinary profit stood at ¥63.5 billion. After taking account of extraordinary income, net earnings for FY2012 amounted to ¥63.5 billion.

(2) Balance Sheet

Total assets increased to ¥14,430.2 billion from FY2011. This was largely attributable to an increase in loans in foreign currencies. Total liabilities decreased to ¥12,083.5 billion from FY2011. This was attributable to two factors. One is an increase of ¥1,979.1 billion in borrowed money from the beginning of the year to ¥7,234.5 billion due in large part to new borrowings from the Foreign Exchange Fund Special Account. The other factor is a decrease of ¥162.7 billion in bonds payable during the same period to ¥2,215.9 billion, mainly because redemptions exceeded issuance. Total net assets reached ¥2,346.7 billion, which included ¥63.3 billion in net earnings and ¥69.0 billion in capital contributions, both in the Account for JBIC Operations.

The First Term for the New JBIC (FY2012)

■ Statement of Operations

(April 1, 2012–March 31, 2013; millions of yen)

	Amount
Ordinary Income	217,291
Interest Income	167,947
Fees and Commissions	23,288
Other Ordinary Income	9,171
Receipts from the National Budget	256
Other Income	16,627
Ordinary Expenses	153,708
Interest Expenses	119,510
Fees and Commissions Payments	1,427
Other Ordinary Expenses	597
General and Administrative Expenses	17,551
Other Expenses	14,620
Ordinary Profit	63,583
Extraordinary Income	1
Net Income	63,585

■ Balance Sheet

(As of March 31, 2013; millions of yen)

	Amount		Amount
Assets		Liabilities and Net Assets	
Cash and Due from Banks	837,986	Borrowed Money	7,234,598
Receivables under Resale Agreements <small>Note 5</small>	284,902	Bonds Payable <small>Note 7</small>	2,215,962
Securities <small>Note 4</small>	122,181	Other Liabilities	216,171
Loans and Bills Discounted <small>Note 6</small>	10,555,128	Provision for Bonuses	445
Other Assets	338,679	Provision for Directors' Bonuses	5
Property, Plant and Equipment <small>Note 8</small>	28,206	Provision for Retirement Benefits	15,595
Intangible Assets	1,352	Provision for Directors' Retirement Benefits	29
Customers' Liabilities for Acceptances and Guarantees	2,400,699	Acceptances and Guarantees	2,400,699
Allowance for Loan Losses	(138,891)	Total Liabilities	12,083,506
		Capital Stock	1,360,000
		Retained Earnings	851,685
		Total Shareholders' Equity	2,211,685
		Valuation Difference on Available-for-sale Securities	2,221
		Deferred Gains or Losses on Hedges	132,831
		Valuation and Translation Adjustments	135,053
		Total Net Assets	2,346,738
Total Assets	14,430,245	Total Liabilities and Net Assets	14,430,245

* See pages 102–104 for details of Notes 4 to 8

Funding Sources

JBIC finances its operations through various sources, including borrowings from the FILP Fiscal Loan, Government-guaranteed Foreign Bond issuance, FILP Agency Bond issuance, capital contributions from the government, and borrowings from the Foreign Exchange Fund Special Account.

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

Borrowings from the FILP Fiscal Loan, Government-guar-

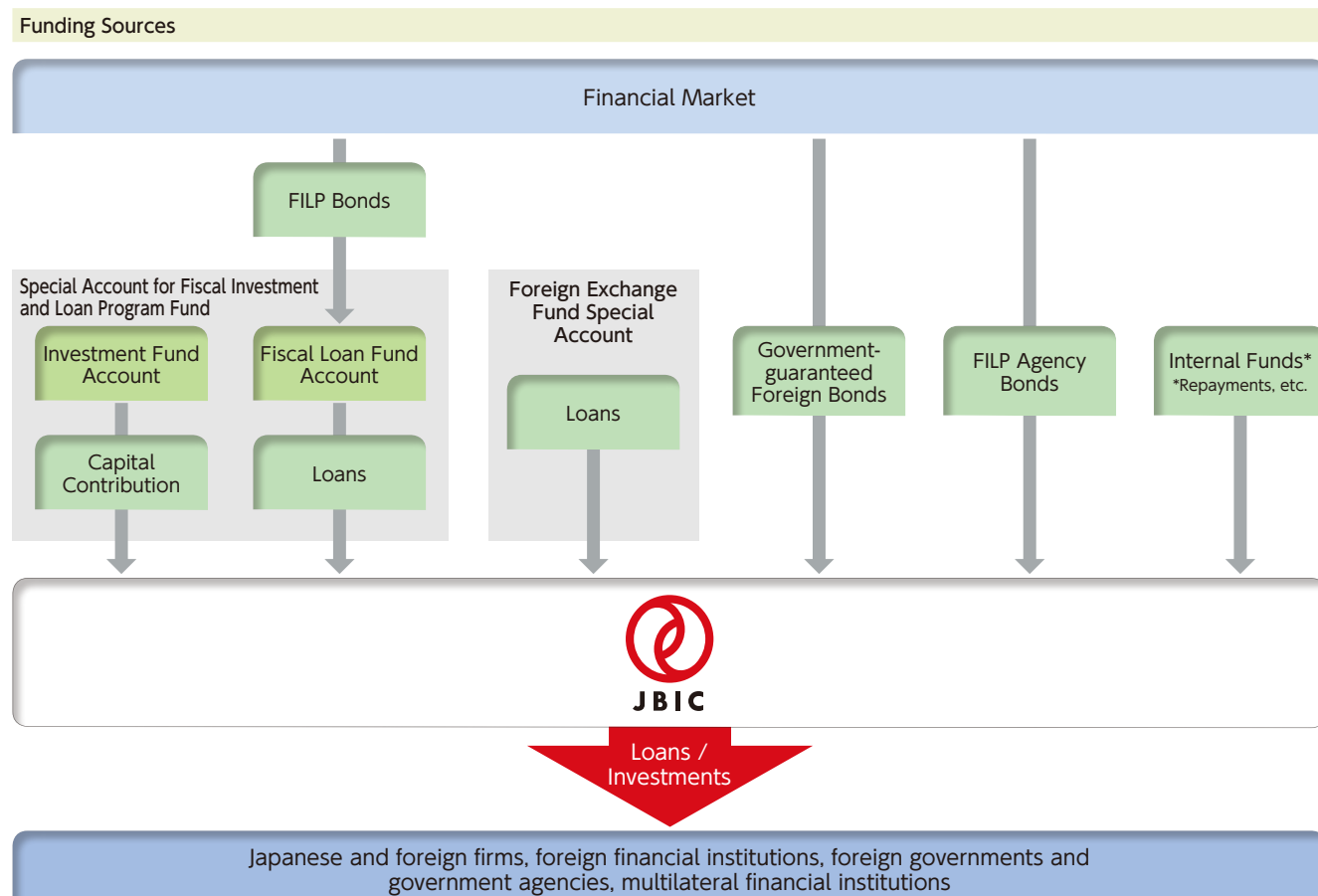
anteed Foreign Bond issuance, capital contributions from the government, and borrowings from the Foreign Exchange Fund Special Account constitute part of the national budget (either as an item in the General Account budget or the Special Account budget). Therefore, they are submitted, together with the operating budget of JBIC, to the Diet for approval. Recent funding results and plans for FY2013 are shown in the table below.

■ Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Planned
Capital Contribution from the General Account	—	—	—	—	—
Capital Contribution from FILP Industrial Investment	20.0	35.5	200.0	69.0	—
Borrowing from FILP Fiscal Loan	906.6	690.9	201.0	400.0	600.0
Borrowing from Foreign Exchange Fund Special Account	987.4	323.5	230.4	1,744.9	1,223.1
Government-guaranteed Foreign Bonds*	626.3	463.3	423.2	205.3	660.0
FILP Agency Bonds*	70.0	50.0	50.0	—	20.0
Other Sources of Funds, Including Repayments	16.7	(244.4)	(6.9)	180.6	(192.1)
Total	2,627.0	1,318.8	1,097.6	2,599.8	2,311.0

* Figures for bonds are indicated in face value.



■ Government-guaranteed Bonds

JBIC raises part of its funds through government-guaranteed bond issuance in international capital markets. Outstanding government-guaranteed bonds at the end of FY2012 amount to ¥1,528.0 billion at face value, which accounts for 16.2% of the total outstanding borrowings and bonds. JBIC provides foreign currency loans when necessary for effective financing operations. Financial resources funded by government-guaranteed bond issuance in international capital markets are applied to such financial operations.

As Japanese companies have been recently stepping up overseas business operations, there are rising expectations for JBIC to provide local currency-denominated financial support. To meet such financial needs appropriately, JBIC issued government-guaranteed foreign bonds in Canadian dollars in March 2013.

In the FY2013 budget, JBIC plans to issue government-guaranteed bonds in the total amount of up to ¥660.0 billion.

JBIC's government-guaranteed bonds receive the same ratings as the Government of Japan from the rating agencies (Aa3 from Moody's and AA- from Standard & Poor's as of the end of July 2013). Since they are treated as assets for which the Bank for International Settlements (BIS) assigns zero risk weight in calculating the capital adequacy ratio for depository institutions, these bonds provide a quality investment opportunity for investors in international capital markets.

■ FILP Agency Bonds

In compliance with the government policy to reform the FILP, JBIC has issued bonds without government guarantee (FILP agency bonds) in the domestic capital market since FY2001, thereby raising funds based on its own creditworthiness. In the FY2013 budget, JBIC plans to issue FILP agency bonds totaling up to ¥20.0 billion.

JBIC's FILP agency bonds receive the same ratings as the Government of Japan (as of the end of July 2013) as shown below. They are treated as assets for which BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Rating & Investment Information, Inc (R&I):**AA+**
 Japan Credit Rating Agency, Ltd. (JCR):**AAA**
 Moody's:**Aa3**
 Standard & Poor's:**AA-**

Discontinuation of the Financial Operations for Facilitating Realignment of USFJ

JBIC continued to conduct financial operations for facilitating realignment of United States Forces in Japan (USFJ) in the special account for this purpose under the USFJ Realignment Special Measures Act. These operations were designed to finance projects necessary to facilitate the relocation of USFJ to the U.S. with equity investments, loans, and other facilities.

However, JBIC decided to discontinue these operations following the announcement of the Joint Statement of the Japan-U.S. Security Consultative Committee on April 27, 2012. In this statement, the two governments affirmed that Japan's financial commitment is to be the direct cash contribution as stipulated in Article 1 of the Agreement between the Government of Japan and the Government of the United States of America Concerning the Implementation of the Relocation of III Marine Expeditionary Force Personnel and Their Dependents from Okinawa to Guam. They also affirmed that other forms of Japanese financial support to Guam relocation would not be utilized. While taking into account the wishes of the Government of Japan, JBIC discontinued its financial operations for facilitating realignment of USFJ by the end of September 2012. By the end of November 2012, JBIC eliminated the special account for these operations after turning the residual assets over to the national treasury.

During FY2012, no lending was made in this account.

The Environment Surrounding JBIC and Its Challenges

2

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3	Industry Finance Group	26

1. Energy, Natural Resources and Environment Finance Group

■ Increasingly Intense Scramble for Acquiring Resources

For Japan, a country scarcely endowed with natural resources, it is imperative to secure stable supplies of overseas energy and mineral resources in order to maintain and make progress in economic activity. JBIC has been providing financial support to Japanese companies in developing, acquiring interests in and importing overseas natural resources, thereby contributing to securing its stable supply to Japan.

Global competition for acquiring energy and mineral resources remains tough, posing a challenge to Japan in obtaining stable and affordable energy and mineral resources.

■ Rising Risk on the Demand and Supply Sides

Growing demand for energy in emerging market countries has exerted significant impacts on the global demand-supply balance of energy. In particular, energy consumption in the Asia and Oceania regions, which includes China, India and Southeast Asia, shows much higher growth rates than other regions.

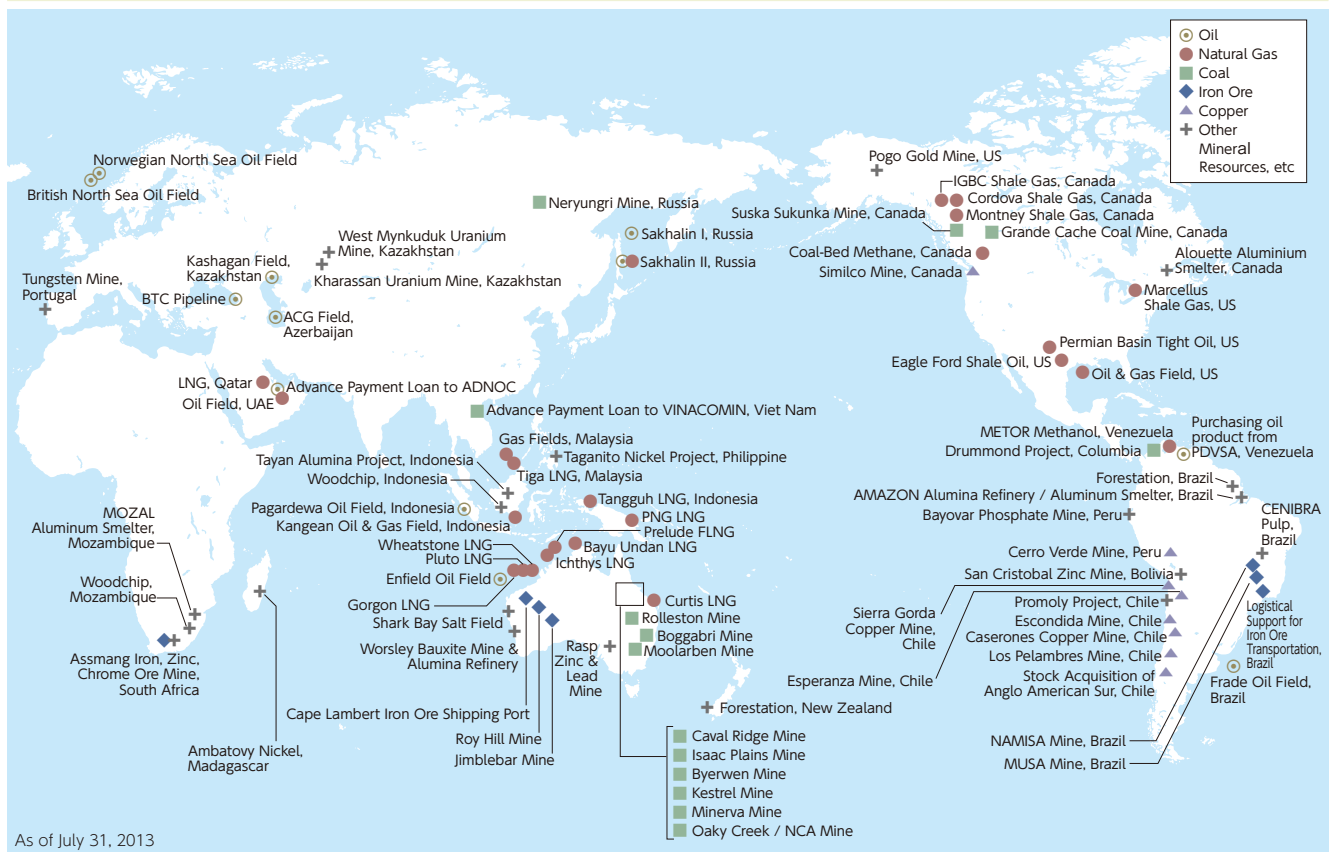
Crude oil poses a significant geopolitical risk factor in view of the fact that roughly 50% of its reserves are concentrated in the Middle East. Japan's dependence on this region for crude oil declined at one time, but has now increased to more than 80% of its imports. This is attributable to rising demand for oil in Asian countries. As these countries have channeled the previously exported oil to meet oil demand in their domestic

markets, their oil exports to Japan have decreased.

The situation in which Japan procures liquefied natural gas (LNG) has been changing at a fast pace in recent years. Until about the year 2000, Japan had a predominant share of global LNG transactions, but its share has diminished to roughly 30% today. As China and India have been rapidly increasing imports of LNG, it is expected that the demand would sharply climb in the future. In Japan, which has found it very difficult to supply electricity from nuclear power stations after the Great East Japan Earthquake, LNG is increasing its presence as a major source of energy, as natural gas produces less greenhouse gas (GHG) emissions relative to oil. In accordance with the situation above, supplier countries are changing as well. Indonesia and Malaysia, both of which are traditional suppliers of LNG to Japan, have continued to post remarkable growth. These two countries have had to cut back LNG exports to Japan as they have seen a decline in production and a sustained increase in domestic demand for the resource.

In the mineral resource sector, demand has been growing in emerging market countries. In addition, oligopoly has significantly disturbed the demand-supply balance. For example, in the iron ore industry the top three companies account for more than half of world seaborne trade in iron ore, and the top four coal companies have created an oligopoly in the world market. There is a growing need to cope with the uneven distribution of individual types of ore minerals and quality

Major Projects Over the Last 10 Years (Amount of loan for natural resource projects (signed): Approx US\$74 Billion)



deteriorations of the minerals of resource-rich countries.

In this way, various risks are increasing both on the demand and supply sides. This means that Japanese companies have a need to diversify their overseas investments. JBIC will conduct operations by focusing more than ever on strengthening relations with resource-endowed countries and suppliers.

■ Efforts for Stable Procurement of Natural Gas

JBIC, especially, is striving to obtain natural gas by designating it as one of JBIC's top priorities. After what happened at the Fukushima Dai-ichi Nuclear Plant, the stable supply of electric power has become an urgent issue for Japanese people's lives and economic activities. There are rising expectations for the support of a stable and affordable supply of natural gas as a major source of energy in the present.

Responding to these expectations, JBIC is actively supporting the acquisition of interests and development of LNG-related projects as well as the import of LNG. In FY2012, JBIC supported the Wheatstone LNG Project in Australia through equity participation and a loan. JBIC also offered project financing¹ to the Ichthys LNG Project in Australia, the first major LNG operatorship project for a Japanese company.

Amid these developments, JBIC is also supporting an acquisition of interests in "unconventional" natural gas, such as shale gas and coal-bed methane (CBM)². In FY2012, JBIC supported the funding of Japanese companies for acquiring interests in shale gas and CBM fields in Canada for the development and production of natural gas. JBIC also financed a project aimed to procure LNG tankers as part of JBIC's comprehensive support for the value chain of natural gas.

Furthermore, JBIC is making efforts to strengthen cooperative ties with natural gas-producing countries and major natural gas developers in order to encourage Japanese businesses to develop natural gas overseas. In June 2011, JBIC signed a memorandum of understanding (MOU) with BPMIGAS, a government agency in Indonesia, overseeing and controlling upstream oil and gas business activities, for the purpose of building a business model to encourage further expansion of Indonesia's total natural gas supply capacity and to promote gas-related business opportunities for Japanese companies. During FY2012, JBIC signed a cooperation agreement separately with the BG Group, a British gas major, and Woodside, Australia's largest independent oil and gas company.

■ Spreading Risk with Diversification

To secure a stable supply of resources, it is important to disperse risks with diversification.

Firstly, geographical diversification needs to be considered. As described above, Japan is heavily dependent on the Middle East for oil. Thus, it should consider urgently exploring oil supply sources from outside the Middle East and diversify them within the Middle East region. Regarding LNG, JBIC has made loans to the Sakhalin II Project and LNG projects in



A project in Canada in which a Japanese company participates in acquiring interests and development of shale gas

Papua New Guinea and elsewhere, thereby contributing to the diversification of Japan's LNG supply sources. JBIC will also proactively engage in the formulation of LNG projects in North America, Africa and other untapped regions.

JBIC has taken steps in the coal sector as well. In March 2012, JBIC provided a loan for the thermal coal development project in Colombia from which Japan has imported hardly any coal. Furthermore, JBIC has also diversified the targeting countries by approaching Mozambique and Mongolia, which are expected to potentially become new major suppliers. In these countries, an important goal is to meet their needs with proposals that draw on Japanese technology and track records.

Secondly, we should make use of "unconventional" resources that have remained untapped to date. In this area, development is underway for CBM in such countries as Australia, as well as shale gas and shale oil in the United States and other countries. For shale gas, JBIC has already provided loans to projects in the U.S. and Canada. In FY2012, JBIC offered a loan to a shale oil project in the U.S.

Thirdly, the diversification of production technology needs to be considered. In recent years, projects are being planned that take advantage of floating LNG (FLNG) technology³ whereby produced natural gas is processed into liquid

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

2. Coal-bed methane (CBM) is methane extracted from and near coal-beds. It is drawing attention, along with shale gas, as "unconventional" natural gas.

3. FLNG is a new gas development technology whereby natural gas from an offshore gas field is processed into liquid and stored on a large vessel, which is equipped with an LNG plant, then directly offloaded to an LNG carrier for shipment. Among its advantages over building onshore liquefaction plants is a lower environmental impact as there is no need to lay gas pipelines from the gas field to an onshore facility, nor to develop the coastal area. Moreover, as the floating LNG facility with the liquefaction plant can be moved, it is also seen as having tremendous potential for the development of small and medium scale offshore gas fields whose development to date has not been economically feasible.



A copper mine project in Chile involving participation of a Japanese company

offshore. During FY2012, JBIC offered a loan to support a Japanese business participating in an FLNG project in Australia.

■ Strengthening Multilayered Relations with Resource-Endowed Countries

It is also important to strengthen the multilayered and strategic relations of the resource-endowed countries and resource suppliers with which Japan has built good, stable relations.

In recent years, oil-producing countries in the Middle East have pushed forward a diversification of industries and infrastructure development in their countries based on abundant revenues generated by high oil prices. They have looked to overseas governments and companies for support in transplanting technologies for these purposes. In this context, economic relations between the Middle East and Japan have shifted from a traditional, simple relationship between oil consumers and suppliers to “multilayered” ties through the support of industrial diversification from energy-related and infrastructure-development project cooperation, as well as joint investments in third countries.

For example, in Saudi Arabia in March 2006, JBIC provided a project financing loan to one of the world's largest petrochemical plants being planned by a state-owned enterprise, Saudi Arabian Oil Company (Saudi Aramco), to support job creation and industrial promotion from the production of high value-added products. For the LNG project in Qatar, JBIC has supported a number of key links in forming the LNG supply chain since the early stages of its development in the 1980s, such as natural gas field development, LNG plant construction and loading port development. In FY2012, JBIC offered a guarantee for the first yen-denominated foreign bonds (Samurai bonds⁴) issued by Qatar Petroleum (QP), thereby strengthening relations with QP even further. Qatar is a major supplier of LNG to Japan, accounting for 18% of Japan's imports as

of FY2012. At the same time, Japan is the largest importer of LNG from Qatar. This is a good example of securing a stable, long-term supply of LNG to Japan, while contributing to strengthening the relationship between the two countries through continuous cooperation in the world LNG supply chain.

Australia also accounts for about a 20% share of LNG, 60% of coal and 70% of iron ore procured by Japan. Given its geographical proximity, political stability and abundance of various resources, Australia is one of the countries increasingly important to Japan as a resource supply source. JBIC has built favorable relationships with its resource developers through continued financing over the years. As described above, JBIC has supported unconventional LNG projects where CBM is used as a raw material, and in the acquisition of interests in coal mines by Japanese companies. Furthermore, JBIC cultivated relations with state governments in FY2011 by signing MOUs on comprehensive strategic partnerships with the Western Australian Government and Queensland Government. These MOUs provide for, among other things, an exchange of information on investments Japanese businesses could make, with periodic consultations being held. Thus, they are expected to lead the laying of the groundwork for Japanese business development.

In other activities, JBIC signed an MOU with the Ministry of Finance of Mongolia in March 2012 to enhance financial cooperation, including provision of export credit lines⁵, with Mongolia where mineral resources, such as coal and copper, are abundant. In accordance with the MOU, the two parties are now expediting the consultation process toward

4. Samurai bonds are yen-denominated bonds issued by foreign issuers such as foreign governments and foreign companies in the Japanese bond market.

5. An export credit line is a form of export credit in which JBIC commits to the maximum amount of credit to be extended to foreign banks or other entities to finance exports of machinery, equipment and services from Japan.

the offering of such export credit lines. During FY2012, JBIC signed an MOU for a comprehensive strategic partnership with Kazatomprom, a joint stock company wholly owned by the Kazakhstan government. This MOU is aimed at identifying future candidate projects eligible for JBIC finance, and jointly developing rare earth and metals.

For Turkey, which has become increasingly important in recent years with its geopolitical location that borders with Middle Eastern, NIS (New Independent States) and Eastern European countries, JBIC in March 2012 guaranteed its privately placed Samurai bond issue to support the country's effort to diversify funding sources.

In addition, although Japan and China tend to be in a competitive relationship in the area of natural resources, JBIC has been building up relations with the Export-Import Bank of China and other Chinese policy-based financial institutions, as it considers securing a channel for an exchange of information with respect to individual projects and policy trends while also exploring the possibility of cofinancing projects.

■ Toward Comprehensive Development of Natural Resources

Japan has long been one of the leading buyers of various natural resources in the world. Japan's relative position as a demand side has recently declined, however, as China and other emerging market countries are proceeding to engage in global competition to acquire resources against the backdrop of vigorously increasing demand.

Under these circumstances, in order to have secure and stable access to various resources, JBIC should not only support acquisition of interests and long-term delivery contracts by Japanese companies but also like an approach to Middle Eastern oil countries, propose comprehensive resource development, which encompasses the development of infrastructure including railways, roads, ports, electric power systems and rapidly advancing industries, in accordance with the needs of individual countries. Although this is only indirectly linked to resource development, if Japanese companies provide technologies for highly efficient coal-fired power generation and reduction in environmental impact, this could contribute to power development and environmental measures in resource-endowed countries, and could furthermore help to create a favorable position for acquiring interests in resources and price negotiation for Japan.

JBIC will continue to provide financial support in various sectors and thematic areas, including support for infrastructure development in resource-endowed countries, helping to secure a stable supply of resources that are indispensable for the sound development of the Japanese economy.

■ Efforts toward GREEN Operations

During FY2012, JBIC provided loans to ICICI Bank Limited,



A renewable energy project in India

Denizbank A.S., Türkiye Kalkınma Bankası A.S., RHB Bank Berhad, Petróleo Brasileiro S.A. (PETROBRAS), and Banco de Bogotá S.A. to support renewable energy and energy-efficiency improvement projects in India, Turkey, Malaysia, and the Latin American and Caribbean regions in an effort for GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations (🔗 see p. 59 for details of this initiative). These loans are expected to contribute to the reduction in greenhouse gas (GHG) emissions, and help the diffusion of Japan's advanced environmental technologies in these countries and regions.

(🔗 For selected cases of environment-related operations by JBIC, see pp. 49–50.)

■ JBIC's Efforts for Renewable Energy

As efforts are being made in other countries as well to promote the use of renewable energy, business opportunities are expanding for Japanese companies. JBIC is taking steps to support these opportunities, including project financing for renewable-energy power generation projects in Canada in which Japanese companies participate (🔗 see p. 49).

JBIC has offered export credit lines for ICICI Bank Limited of India and four local banks in Turkey (Türkiye İ Bankası A.S., Yapi ve Kredi Bankası A.S., T. Garanti Bankası A.S. and Denizbank A.S.) for the purchase of Japanese renewable energy machinery and equipment, notably those for geothermal, wind and solar power generation, thereby supporting exports from Japan.

2. Infrastructure Finance Group

The global infrastructure market continues to expand notably in emerging market countries, driven by rapid urbanization, among other factors. Tapping into this huge infrastructure demand to drive growth in Japan is called for in two recently-released policy documents, both endorsed by the Cabinet in June 2013: (i) the Japan Revitalization Strategy ("JAPAN is BACK"), and (ii) Basic Policies for Economic and Fiscal Management and Reform, formerly known as "Honebuto no Hoshin." The first document, representing the growth strategy based on the "three-arrows" strategy or "Abenomics," sets out a clear goal of increasing real gross national income (GNI). Working for infrastructure projects overseas is one of the key policies in the growth strategy as it would help Japan to increase GNI through three major factors: (i) increased exports, (ii) more profits from business investment overseas, and (iii) improved procurement terms for energy and natural resources through the development of infrastructure related to natural resources.

JBIC will continue to proactively support Japanese companies participating in infrastructure projects overseas by taking advantage of the experience in the engagement of such projects in a range of sectors, including electric power systems, railways, seaports, roads, and water supply systems, as well as the trusting relationships JBIC has built with host countries over the years. In this way, JBIC will conduct operations in accordance with Japanese government's policies and contribute to the stabilization of the global economy and the development of the Japanese economy.

■ Growing Infrastructure Demand Overseas and Japan's "Infrastructure Systems Export"

It is expected that demand for infrastructure overseas will continue to grow. Overseas infrastructure demand is projected to increase at an annual rate of around 2.2%, more than 5%, and about 4% for the power, seaports, and ICT sectors, respectively.¹ Such demand can be met by providing integrated "infrastructure systems" that involve not only exporting equipment from Japanese companies with advanced technological capabilities but also providing expertise that various companies and local governments have in the designing, construction, operation, and maintenance of infrastructure. Receiving orders for such systems will help meet the



A British high-speed railway project in which a Japanese company participated

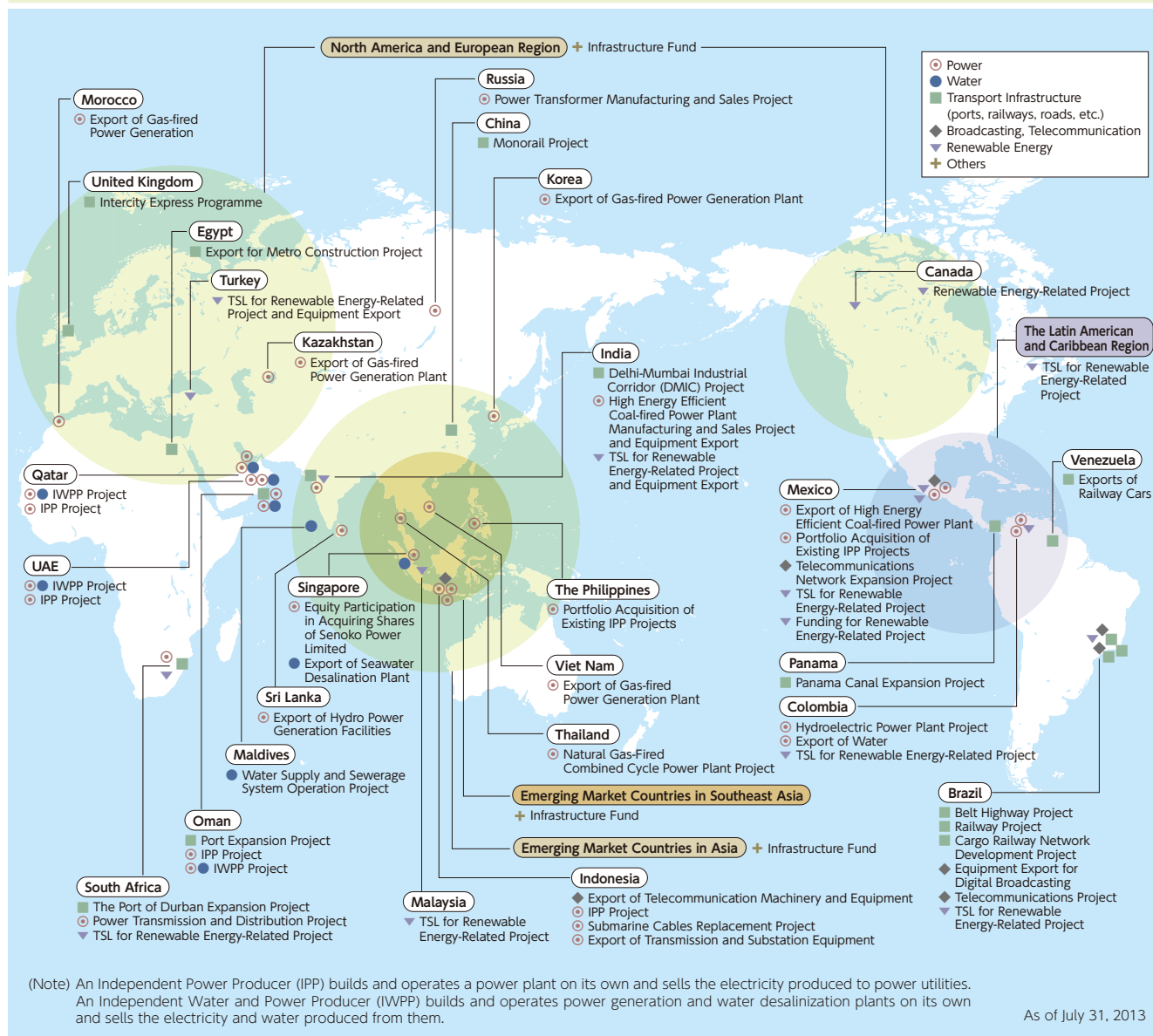
goal of increasing GNI from both physical and non-physical aspects (exports on one hand and project management and investment on the other).

Exporting an infrastructure system produces not only direct benefits resulting from receipt of the order but also indirect benefits in the form of a new foothold for Japanese companies and a strengthened supply chain. On the downside, however, it entails many challenges. For one thing, it is one of the sectors exposed to the fiercest global competition. For another, it involves many difficulties that may not be addressed by the private sector alone. These include huge business risks such as long payback time, as well as the need to negotiate with host country governments. In view of these challenges, the Japanese government is pushing ahead with public-private partnerships. For example, the Infrastructure Systems Export Strategy, adopted at the Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation in May 2013, as well as the Japan Revitalization Strategy mentioned earlier, set out a clear goal of tripling the total value of orders for infrastructure systems received by Japanese companies to some ¥30 trillion by 2020. These two strategies call for sales pitches by the Prime Minister and other ministers.

The Infrastructure Systems Export Strategy divides emerging market countries targeted for overseas infrastructure development into three groups: (i) China and ASEAN; (ii) Southwest Asia, Middle East, Russia and CIS, and Latin America

1. The Infrastructure Systems Export Strategy, adopted at the Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation on May 17, 2013.

JBIC's Financing for Infrastructure Projects



and the Caribbean; and (iii) Africa. Giving top priority to China and ASEAN, the strategy states that Japan will focus on broad-based development assistance (development assistance that transcends national borders) for strengthening connectivity within the ASEAN region and between the region on the one hand and India and Bangladesh on the other. This highlights the need for infrastructure development in Myanmar, a country that faces the Indian Ocean and serves as a strategic node that connects ASEAN with India. In this context, JBIC is committed to supporting the Myanmar government in clearing the arrears of past loans, a problem, which stands in the way of extending new loans to the country. JBIC took the first step in January 2013 when it offered bridge loans (short-term bridging loans) to the Myanmar government in order to assist it in clearing the arrears of loans from the Asian Development

Bank and the World Bank.

Three Challenges Japanese Companies Face in Infrastructure Projects Overseas

In implementing infrastructure projects overseas, Japanese companies face three major challenges: (i) weak price competitiveness, (ii) a shortage of versatile operators, and (iii) the lack of schemes designed to ensure project feasibility on the part of emerging and developing countries.

The first challenge is reflected in international comparisons in the total value of plant orders received from overseas. The figure for Japan fell about 9% in FY2012 from a year earlier. Those for China and Korea, on the other hand, rose slightly or remained flat over the same period. Roughly speaking, China's value is six times as much as Japan's, while Korea's figure is



The export of equipment by a Japanese company for a power generation project in Morocco

three times as much.² To boost the price competitiveness of Japanese companies, it may be one of solutions not to stick to the “All Japan” principle of mobilizing only Japanese entities but to adopt the “Japan Initiative” strategy. Under this strategy, the core part of a plant will be managed by Japanese companies with a technological competitive edge while the other parts will be managed in cooperation with partners from other countries, in order to achieve the best mix of Japanese and foreign products.

The second challenge is most evident in water and railroad sectors, in which the knowledge and expertise accumulated from experience in operations within Japan are distributed among different enterprises, including public corporations, due in large part to the existing institutional arrangements. Few Japanese companies have a track record of integrated business operations ranging from “upstream” operations, such as the development of master plans, to “downstream” operations, such as the operation and maintenance of facilities and the collection of charges and fares. For these reasons, Japanese companies are not always able to adequately meet the needs of host countries that call for integrated infrastructure systems. In sectors where Japanese companies lack expertise in integrated business operations, it may be viable to promote

international alliances or buyouts of foreign businesses that will help them accumulate expertise.

The third challenge is best represented by infrastructure projects in emerging and developing countries that are designed so that project owners have to bear excessive risks. These risks include weak provisions in power purchase agreements regarding the duties on the part of the host country governments and/or their agencies, as well as inadequate minimum income guarantees in transport projects. It happens sometime that, in projects that involve supervision and/or involvement by more than one competent authority and those that cover more than one local government, it would be difficult for the central government to ensure coordination among different parties and supervise projects. In the eyes of prospective private contractors, this state of affairs bears witness to less feasible project schemes, hindering private investment. An effective approach to ensuring adequately feasible project schemes in emerging market countries is for the public and private sectors in Japan to work together to fully communicate and cooperate with actual and potential

2. Japan Machinery Center for Trade and Investment, *2012 Nendo Kaigai Puranto Enjinieringu (PE) Seiyaku Jisseki Chosa Hokoku (report on concluded contracts for plant engineering overseas for FY2012)*, July 2012.

partners in these countries. Such public-private partnerships can make it possible for involvement in activities of the host country government and/or local business corporations as early as the project formulation phase through the establishment of a business aimed at promoting project formulation or within the framework of regular dialogue with the host country government. This will allow the Japanese side to offer appropriate support to the host country government in such aspects as the content of major project contracts and the framework for implementing and supervising projects. It will also allow for the adoption of life cycle costs and other bidding criteria that are favorable to Japanese companies. These actions will in turn improve the prospects for projects that build on the strengths of Japanese companies in meeting local needs.

■ Supporting “Infrastructure Systems Export” to Overcome Challenges Facing Japanese Companies

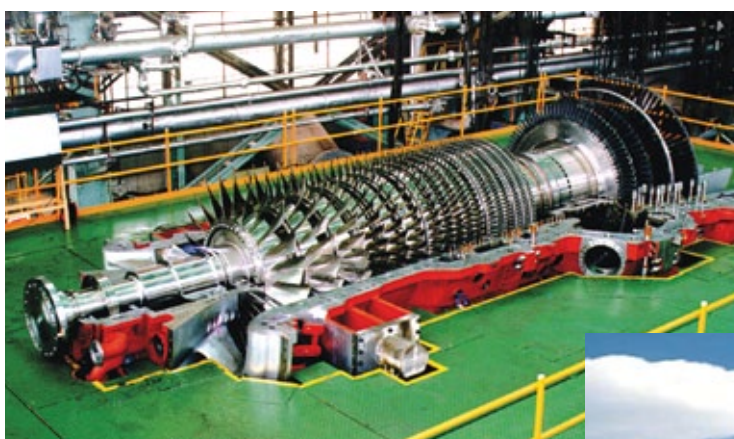
Expectations are rising for JBIC to play an important role as part of government efforts to boost the exports of infrastructure systems. JBIC is striving to help Japanese companies overcome challenges they face.

JBIC's efforts to ensure project feasibility through public-private partnerships—notably through the establishment of a business aimed at promoting project formulation or within

the framework of regular dialogue with the host country government—are best represented by two schemes. One is equity participation in the Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC), whose duties include, among other tasks, preparing development master plans for the areas situated between Delhi and Mumbai and conducting feasibility studies for individual projects there. The other is the Financial Policy Dialogue between JBIC and the government of Indonesia and other countries.

JBIC is considering applying these two schemes to other countries. (For the second scheme, JBIC has already put in place a similar framework for dialogue with the governments of Mexico and Viet Nam.) As part of efforts to ensure the feasibility of infrastructure projects with a long payout time and whose revenues are received in local currency, JBIC offers loans in local currencies in order to reduce exchange risks for Japanese project owners associated with foreign currency borrowing and thus support long-term operations (▶ see p. 65).

As an entity that coordinates the needs of public and private sectors, JBIC will continue to support Japanese companies in a variety of aspects so that the growing demand for infrastructure overseas will create and increase business opportunities for them.



A Thai project for a natural gas-fired combined cycle power plant in which a Japanese company participated (above and right)



2 3• Industry Finance Group

■ Overview of the Japanese Economy

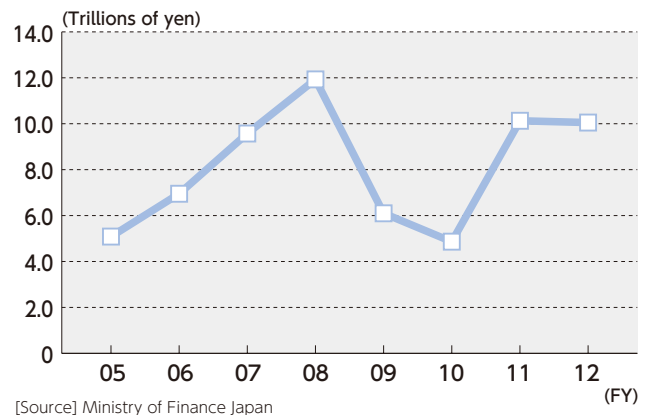
While the impact of the Great East Japan Earthquake in March 2011 lingered, the Japanese economy showed a mild recovery in the first half of FY2012. In the middle of FY2012, it began to weaken due to the slowing global economy and the appreciation of the yen. However, along with the influence of the global economy recovery, the leveling-off of exports and industrial production, and improved consumer and corporate sentiments suggest that the Japanese economy was gradually heading toward a pick-up in the second half of FY2012. The Japanese government has recently announced the Japan Revitalization Strategy. This strategy, decided by the Cabinet in June 2013, calls for, among other things, measures designed to support Japanese companies to export their products and even expand their operations overseas. By revitalizing Japanese companies, through the strategy, the Japanese government aims to put the Japanese economy on a growth track.

■ Overview of Overseas Business Operations by Japanese Companies

■ Overview of FDI by Japanese Companies

Foreign Direct Investment (FDI) by Japanese companies fell in both FY2009 and FY2010 after peaking in FY2008 before the Lehman Shock. In FY2011, it rose to around ¥10.1 trillion, a 108.2% increase from FY2010. The figure largely remained flat in FY2012, or more precisely, it dipped 0.8% year-on-year, standing at about ¥10.0 trillion (see Figure 1).

Figure 1 Foreign Direct Investment by Japanese Companies



A closer look at the trends in FY2012 shows that FDI jumped 54.9% in the first quarter from the same period a year earlier. It dropped 33.9% and 8.5% year-on-year in the second and third quarters, respectively, amid growing uncertainty surrounding the U.S. economy and the slowdown of emerging economies, including China. In the fourth quarter, however, FDI rose 15.0% on a year-on-year basis as the Japanese and global economy showed a gradual recovery trend. This is a sign that FDI is picking up¹.

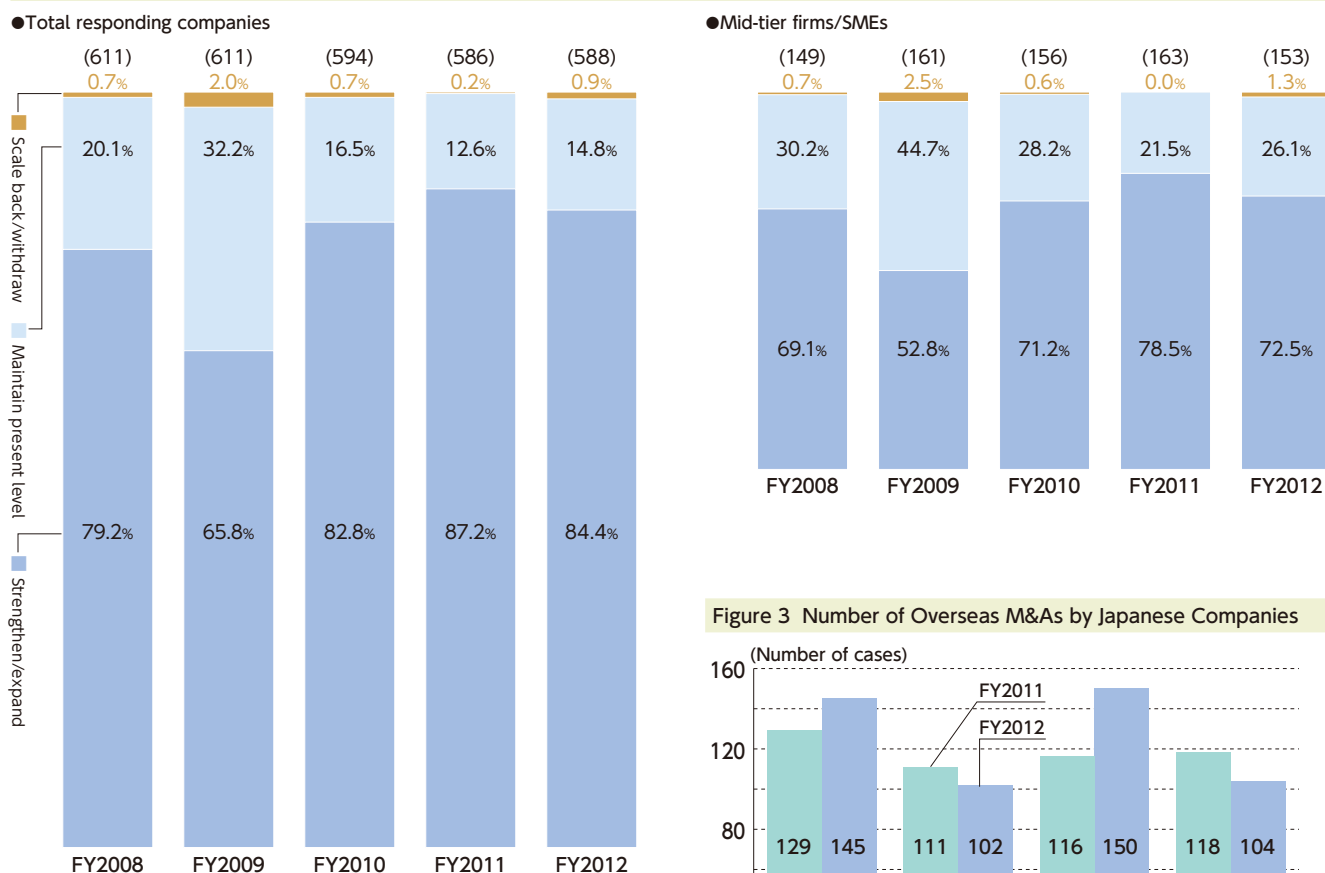
Japanese companies have remained committed to expand-

1. Ministry of Finance, "Outward/Inward Direct Investment."



A Japanese manufacturer and marketer of motorcycle parts and construction machinery in Indonesia (Banshu Electric Co., Ltd.)

Figure 2 Medium-term Prospects (next 3 yrs. or so) for Overseas Operations



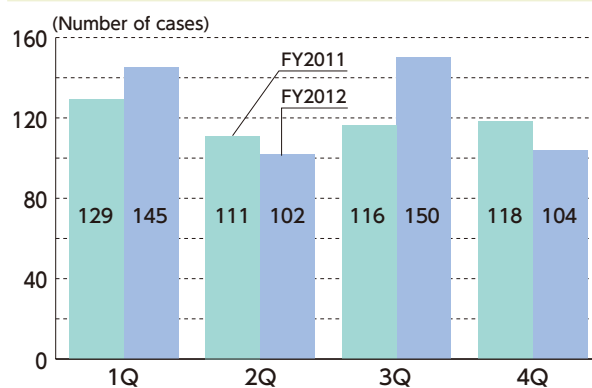
(Note) 1. "Overseas operations" is defined as production, sales, and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.

2. The numbers in the parentheses above the bar graphs indicate the numbers of responding companies to the question.

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

[Source] Results of the JBIC FY2012 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Figure 3 Number of Overseas M&As by Japanese Companies



[Source] RECOF DATA Corporation

ing their overseas operations over the mid-term. This view is substantiated by the FY2012 Survey (the 24th) Report on Overseas Business Operations by Japanese Manufacturing Companies, which JBIC conducted between July and October 2012. In this survey, to which 613 companies responded, 84.4% of the respondents said they would strengthen and/or expand their overseas businesses in response to the question regarding their medium-term business prospects. The figure was 72.5% as far as mid-tier enterprises, as well as small and medium enterprises (collectively "SMEs"), are concerned (Figure 2).

■ Overseas M&A by Japanese Companies

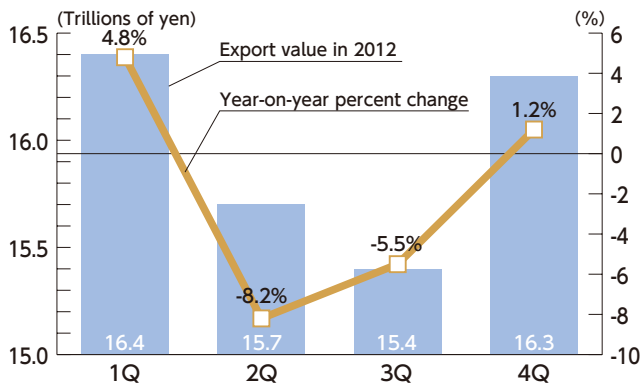
During FY2012, Japanese companies remained active in merging and acquiring foreign firms from FY2011. The number of M&A cases of foreign firms by Japanese companies in FY2012 amounted to 501, an increase of 27 from a year earlier, although the figure for the fourth quarter stood at 104, a decrease of 14 year-on-year, due in part to the depreciation of

the yen from Fall 2012 and a rise in the total buyout volume, resulting from the recovery of stock prices in the U.S. market (Figure 3). It is expected that the need for overseas M&A by Japanese companies will remain strong as they aim to tap into overseas market.

■ Exports

Total exports by Japanese companies, which slowed in the first half of FY2012, are now beginning to show signs of recovery. A closer look at the trends in FY2012 shows that, the figure amounted to ¥16,443.6 billion in the first quarter, up 4.8% from the same period a year earlier, partly because the impact of the flood disaster in Thailand subsided to some extent. Despite this sign of recovery, the figure fell in the two consecutive quarters that followed due to the faltering Japanese and global economy and the appreciation of the yen. It stood at ¥15,714.5 billion or down 8.2% year-on-year in the second quarter, and ¥15,429.7 billion or down 5.5% year-on-year in the third quarter. The decrease was attrib-

Figure 4 Value of Exports by Japanese Companies (FY2012)



[Source] Ministry of Finance Japan

uted particularly to a fall in exports both to Asian countries, experiencing an economic slowdown, and to the European region, where countries struggled with fiscal problems. In the fourth quarter, however, the figure reached ¥16,352.6 billion, up 1.2% on a year-on-year basis, due to recovery in the Japanese and global economy and the depreciation of the yen. It suggests that total exports by Japanese companies bottomed out (Figure 4).

■ Overall Commitments in Loan, Equity Participation, and Guarantee by the Industry Finance Group in FY2012

In view of the situation and industry trends already described, JBIC has supported Japanese companies in their business operations overseas through various aspects to maintain and improve the international competitiveness of Japanese industries. JBIC's Industry Finance Group had a total of 151 commitments concerning loan, equity participation, or guarantee in FY2012.

■ Supporting Foreign Investment by Japanese Companies

JBIC focuses on support for overseas investment by Japanese companies. JBIC provides these companies with equipment funding for their overseas businesses and funds for sales financing by taking advantage of schemes as necessary, including project financing and local currency-denominated financing. During FY2012, such loans went to projects conducted by manufacturers in chemical, automobile, electrical machinery, and other industries as well as engineering firms. A loan was also provided to support an FPSO (floating production, storage and offloading system) chartering project.

The "Rebirth of Japan: A Comprehensive Strategy" and the Japan Revitalization Strategy, both decided by the Cabinet in 2012 and 2013, respectively, call for the strengthening of local currency-denominated financial support to facilitate local currency funding for Japanese companies expanding their business operations overseas. In light of these policy developments and the needs of Japanese companies, in FY2012, JBIC



A Japanese manufacturer and marketer of films for disposable diapers in Indonesia (YAMATO GAWA SHIKO Co., Ltd.)

extended a Thai baht-denominated loan for the manufacturing and sales of auto parts, as well as a loan in Indonesia rupiah—the first of its kind by JBIC—for the manufacturing and sales of automobile and motorcycle parts.

■ Supporting Ship and Plant Exports

JBIC is also committed to supporting exports by Japanese companies. During FY2012, such support was provided for the export of ships such as bulk carriers, tankers, and seabed exploring ships, as well as for plant exports involving machine tools, compressors, and other equipment.

■ Supporting Overseas Business Operations by SMEs

The superior technological capabilities of Japanese SMEs are given high marks both at home and abroad. At the same time, developing countries themselves are focusing efforts on attracting investment from companies that have sophisticated technologies. However, Japanese SMEs often have only limited access to financing and information necessary for their business operations overseas. To boost traditional support for such operations, JBIC in FY2012 set up at its Head Office and West Japan Office a unit specializing in the support of overseas business development of SMEs. During FY2012, JBIC committed a total of 34 cases. In addition to financial support, such as loans, JBIC also offers information on a range of topics, including the foreign investment climate. During FY2012, JBIC signed a memorandum of understanding (MOU), separately with three local banks in the developing world, to support overseas business operations of SMEs through Japanese regional financial institutions under the "three government offices' joint policy²." A total of 46 Japanese regional financial institutions signed partnership agreements during FY2012 with local banks in developing countries based on such MOUs.

2. The "three government offices' joint policy" refers to the policy that was set forth in 2010 jointly by the Financial Services Agency, the Ministry of Finance, and the Ministry of Economy, Trade and Industry. This policy is aimed at supporting SMEs in the expansion of their business operations to Asia and elsewhere by developing and strengthening a framework for such support through coordination among Japanese financial institutions, the Japan External Trade Organization (JETRO), and JBIC.

These local banks include those with which JBIC had signed MOUs earlier.

▶ See pp. 66-67)

■ Taking Appropriate Actions in Response to the Government's Growth Strategy and the Needs of Japanese Companies

JBIC will continue to work to maintain and improve the international competitiveness of Japanese industries by taking actions that address challenges Japanese companies face in expanding their operations overseas and to conduct operations in accordance with the government's growth strategy known as the Japan Revitalization Strategy. This strategy calls for, among other things, encouraging Japanese companies to initiate and expand their business operations overseas with the aim to become global leading companies, as well as to promote the export of infrastructure systems for the purpose of tapping into foreign demand. Specific measures identified in the strategy include assisting Japanese companies, including SMEs, in merging and acquiring foreign companies, developing emerging markets selectively, and supporting overseas business development in new frontier sectors (health care,

agriculture, aerospace, disaster control, marine infrastructure, Ecocity, etc.). In line with the Japan Revitalization Strategy and other government strategies, JBIC will address the needs of Japanese companies by drawing on a range of financial instruments.



The export of a tank built by a Japanese shipbuilder

Examples of Business Outcomes in FY2012

3

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1• Examples of Business Outcomes by Region

Asia

Indonesia

Guarantee for Privately Placed Samurai Bonds Issued by the Government of Indonesia:

Supporting Diversification of the Indonesian Government's Funding Sources and Invigoration of the Samurai Bond Market

JBIC signed a set of agreements to provide a guarantee for yen-denominated foreign bonds (Samurai bonds¹) issued in Japan by the Government of Indonesia (GOI). This is the third Samurai bond issuance by GOI, and the continued support for this by JBIC will help GOI diversify its funding sources and contribute to the stable economic management of Indonesia. It will also further enhance the close bilateral ties between Japan and Indonesia.



Indonesia

Buyer's Credit for Exporting Transmission and Substation Equipment:

Supporting the Export of Power Infrastructure Equipment by Japanese Companies

JBIC signed a buyer's credit² agreement with GOI. GOI will allocate the loan funds to the state-owned power company PT. PLN (Persero) for purchasing power equipment from Marubeni Corporation for use in establishing power substations and laying underground cables in the Indonesian capital of Jakarta. By facilitating the introduction of highly reliable Japanese power supply infrastructure technologies, this buyer's credit will contribute to a more stable power supply in Jakarta.



Indonesia

Loan for Woodchip Manufacturing and Sales Project:

Supporting Japanese Companies to Secure Long-term Stable Woodchip Supply

JBIC signed a loan agreement with PT. Korintiga Hutani (KTH), an Indonesian subsidiary of Oji Holdings Corporation. This loan will finance a woodchip manufacturing and sales project by KTH using timber from plantation forests in Central Kalimantan, Indonesia. World woodchip supply and demand is expected to tighten over the medium to long term as demand for paper expands with economic growth in emerging market countries. This loan will help Japanese companies to secure a long-term and stable supply of woodchips from plantation forests.



1. Samurai bonds are yen-denominated bonds issued by foreign issuers such as foreign governments and foreign companies in the Japanese bond market.

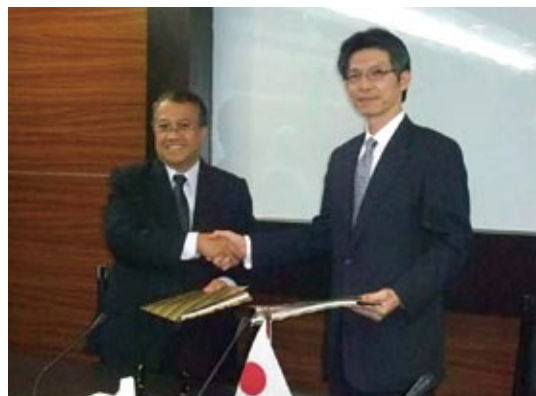
2. A buyer's credit is a loan JBIC directly extends to a foreign importer (buyer) to finance its import of machinery, equipment or services from a Japanese company.

Asia

Indonesia

Establishment of a Contingent Facility for the Government of Indonesia:**Preparation against Volatility in Global Financial Markets**

JBIC signed a loan agreement with GOI establishing a contingent facility. This contingent facility is designed to strengthen GOI's capacity to deal with volatility in global financial markets and support GOI measures for enhancing the stability and durability of the Indonesian economy in cooperation with the World Bank, the Asian Development Bank, and the Australian government. Enhancing Indonesia's credit standing in global financial markets and improving the stability of the Indonesian economy will contribute to the financial stability in Japan and the entire Asian region.



Myanmar

Bridge Loans to the Government of Myanmar:**Contributing to the Medium to Long Term Development of Myanmar through Support for Its Return to the Global Financial Market**

JBIC provided bridge loans to the Government of Myanmar so that it could clear its debt arrears owed to the Asian Development Bank (ADB), and International Development Association (IDA), one of the World Bank Group. After clearing the debt arrears, the Government of Myanmar received new loans from ADB and IDA for social and economic development. The normalization of Myanmar's relations with international organizations through these bridge loans is essential for Myanmar's return to the global financial market, and will contribute to the stability and growth of Myanmar and the neighboring area.



Thailand

Project Finance for a Natural Gas-Fired Combined Cycle Power Plant Project:**Supporting Japanese Participation in a Power Infrastructure Project**

JBIC signed a project finance³ loan agreement with Gulf JP UT Co., Ltd. (GUT), a Thai subsidiary of Electric Power Development Co., Ltd. for the Utai Natural Gas-Fired Combined Cycle Power Plant Project. Under this project, GUT will build and operate a natural gas-fired combined cycle power plant, and sell the generated electricity to the Electricity Generating Authority of Thailand. This is a significant project for local Japanese subsidiaries as it will provide them with a stable power supply, and in addition to advancing infrastructure development in Thailand, it will also make a broad-ranging contribution to the overseas business operations of Japanese companies.



3. 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 in such sectors as power generation and oil, gas or other natural resource development.

Asia

Thailand

Loan for Automobile Parts Manufacturing and Sales Project:**Providing Local Currency Loans to Support Japanese Company's Operations in Thailand**

JBIC signed a loan agreement with Juthawan Molitec (Thailand) Co., Ltd. (JWM), a Thai subsidiary of MOLITEC STEEL CO., LTD. MOLITEC STEEL manufactures parts for continuously variable transmissions at the JWM plant in Chonburi Province for sale in the domestic Thai market and in third countries, and this loan, in Thai baht, will enable the company to expand and upgrade its manufacturing facilities and equipment to meet the growing demand for automobiles in emerging market countries. The loan will also help the Japanese automobile parts industry to maintain and improve its international competitiveness.



ASEAN

Equity Participation in a Fund to Support Expansion of Japanese Companies into the ASEAN Region:**Supporting the Overseas Business Deployments of Japanese Companies Including Mid-tier Enterprises and Small and Medium Enterprises**

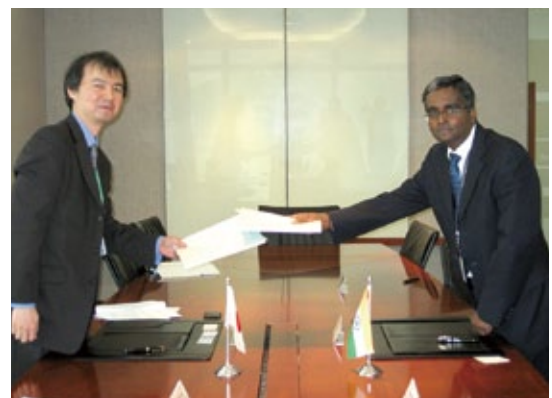
JBIC agreed to equity participation in the private equity fund Mizuho ASEAN PE Fund, managed by Mizuho Asia Partners Pte. Ltd. (Fund Manager), a wholly owned Singaporean subsidiary of Mizuho Bank, Ltd. The Fund is structured to provide finance to local companies in the ASEAN region as a means of supporting the expansion of mid-tier enterprises and small and medium Japanese enterprises (collectively, "SMEs") into the ASEAN region. To this end, the Fund Manager will use its networks in ASEAN to identify potential investments, while Mizuho Bank, Ltd. and JBIC will provide cooperation and support to Japanese companies including SMEs.



India

Credit Line for India's Largest Private Bank under the GREEN Operations:**Supporting Renewable Energy and Energy Efficiency Projects**

JBIC established a credit line for ICICI Bank Limited, India's largest private bank in total assets. The credit line is extended under the GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations to provide necessary funding for environment-related projects that can contribute to a reduction in greenhouse gas emissions in India, and is expected to give further momentum to the environmental policies adopted by the Indian government.



Asia

India

Buyer's Credit for Indian Company:**Supporting the Export of Petrochemical Plant-related Equipment by Japanese Companies**

JBIC signed a buyer's credit agreement with GAIL (India) Limited (GAIL). This loan will enable GAIL to procure plant-related equipment from Japanese companies so that it can increase production capacity at its petrochemical plants in India. It will also contribute to creating business opportunities for Japanese companies in the petrochemical sector in India, and help these companies to maintain and improve their international competitiveness.

Kazakhstan

Buyer's Credit for Oil Refinery Modernization Project:**Supporting the Export of Environment-friendly Plant Equipment by Japanese Companies**

JBIC signed a buyer's credit agreement with LLP Atyrau refinery (AR), a subsidiary of the Kazakhstan state-owned oil and gas company JSC NC KazMunayGas. AR is modernizing the Atyrau Oil Refinery to minimize its environmental load, and this loan will be used by the company to purchase plant equipment through Marubeni Corporation as a part of this modernization project. The loan will lead to the creation of business opportunities for Japanese companies in the oil refinery and petrochemical sectors in Kazakhstan, and through this, help Japanese industries maintain and improve their international competitiveness.



Oceania

Australia

Loan for Acquisition of Interests in and Development of an Iron Ore Mine Project:**Supporting Japanese Companies to Secure Mineral Resources and Participate in Large Scale Overseas Iron Ore Mine Development**

JBIC signed a loan agreement with Marubeni Iron Ore Australia Pty. Ltd. (MIOA), an Australian subsidiary of Marubeni Corporation. The loan will provide the necessary funds for MIOA to acquire interests in the Roy Hill Iron Ore Mine Project, operated by the Australian company Roy Hill Holdings Pty Ltd (RHH) with capital from Marubeni Corporation and other foreign companies, and undertake mine and mine-related infrastructure development. Roy Hill Mine produces high-grade iron ore, so there are high expectations among Japanese steel mills in particular that this project will eventually provide them with a stable supply of this high-grade iron ore.



Australia

Loan for Acquisition of Interests in and Development of a Floating LNG Project:**Supporting Japanese Company's Participation in a Floating LNG Project**

JBIC signed a loan agreement with INPEX CORPORATION (INPEX). This loan will provide the necessary funds for the Australian subsidiary of INPEX to acquire a part interest in the block containing Australia's Prelude gas field from the Australian subsidiary of Royal Dutch Shell, and to extract natural gas and process it into LNG using floating LNG technology⁴. By financing participation by INPEX in the world's leading floating LNG project, the loan will contribute to INPEX's acquisition of floating LNG-related know-how and expertise.



Australia

JBIC Signs an MOU on a Comprehensive Strategic Partnership with Woodside Petroleum Ltd. in Australia:**Supporting the Creation of Business Opportunities for Japanese Companies to Participate in Energy Projects by Establishing a Partnership with Australia's Largest Independent Oil and Gas Company**

JBIC has signed a memorandum of understanding (MOU) on a comprehensive strategic partnership with Woodside Petroleum Ltd. (Woodside), Australia's largest independent oil and gas company. Having long contributed to LNG supply to Japan, Woodside is a strategically important partner for Japan's energy resource strategy. Close exchanges of information and views between the two parties under this MOU are expected to create opportunities for Japanese companies to participate in energy projects, thus contributing to a stable LNG supply to Japan.



4. Floating LNG (FLNG) is a new gas development technology whereby natural gas from an offshore gas field is processed into liquid and stored on a large vessel, which is equipped with an LNG plant, then directly offloaded to an LNG carrier for shipment. Among its advantages over building onshore liquefaction plants is a lower environmental impact as there is no need to lay gas pipelines from the gas field to an onshore facility, nor to develop the coastal area. Moreover, as the floating LNG facility with the liquefaction plant can be moved, it is also seen as a potential tool for the development of small and medium scale offshore gas fields whose development to date has not been economically feasible.

Oceania

Australia

Loan for Acquisition of Coal Mine Interests:**Contributing to Japan's Securing Energy Resources and a Stable Energy Supply**

JBIC signed a loan agreement with Sumisho Coal Australia Pty Limited (SCAP), an Australian subsidiary of Sumitomo Corporation. This loan will provide the necessary funds for Sumitomo Corporation to acquire an interest in Australia's Isaac Plains Coal Mine through its Australian subsidiary. The coal extracted from the mine has mainly been supplied to Japanese steel mills on an ongoing basis, and the acquisition of the interest in the mine is expected to result in an increase in the volume of coking coal and thermal coal supplied to Japanese companies from the mine.



Europe

United Kingdom

Project Finance for an Intercity Express Programme:**First Project Finance Loan by JBIC in the Railway Sector**

JBIC signed a project finance loan agreement with the U.K. company Agility Trains West Limited, a consortium led by Hitachi, Ltd., to fund the Intercity Express Programme (Great Western Main Line). This is one of the major projects of the British government, and is expected to make a significant contribution to the long-term and stable provision of railway services in the U.K.



Ireland

Loan for Acquisition of an Overseas Aircraft Leasing Business:**Supporting Overseas M&A by Japanese Companies**

JBIC signed a loan agreement with the Irish company SMBC Aviation Capital Limited, Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL), and Sumitomo Corporation to provide funds for the joint acquisition by the three Japanese companies of SMFL, Sumitomo Mitsui Banking Corporation and Sumitomo Corporation of an aircraft leasing business operated under the Royal Bank of Scotland (RBS), a British bank. Through this acquisition, the three Japanese companies plan to tackle the expanding demand for commercial aircraft with the increasing volume of air travelers following the growth in emerging markets and the rise of low-cost carriers.



Norway

Buyer's Credit for Ship Export to Norwegian Company:**Supporting the Export of 3D Marine Seismic Data Acquisition Vessels Built at a Japanese Shipyard**

JBIC signed two buyer's credit agreements for ship export with PGS Titans AS (PGS TITANS), a wholly owned ship-holding subsidiary of the leading Norwegian seismic service provider, Petroleum Geo-Services ASA. The loans are provided for the purchase of two 3D marine seismic data acquisition vessels⁵ to be built at the Nagasaki Shipyard of Mitsubishi Heavy Industries, Ltd. With the continuing constraints on ship financing throughout the world, these loans will help the Japanese shipbuilding industry to maintain and improve its international competitiveness.



5. 3D marine seismic data acquisition vessels are equipped for 3D geological stratum analysis. The vessels receive pressure wave reflections from the ocean floor or sub-surface region through sensors in towed cables for 3D analysis of the geological structure of the ocean floor.

The Middle East

Qatar

JBIC Guarantees Privately Placed Samurai Bonds Issued by Qatar Petroleum:

Stimulating the Samurai Bond Market and Strengthening Multilayered Ties with a Resource-Supplying Country

JBIC has signed a set of agreements to provide a guarantee for the yen-denominated foreign bonds issued by Qatar Petroleum (QP) in the Japanese bond market (Samurai bonds). This arrangement is part of JBIC's efforts to support the issuance of Samurai bonds by foreign issuers in the Tokyo bond market and thereby revitalize the Samurai bond market. This is the first issue of Samurai bonds by the state-owned oil company of Qatar. The guarantee provided by JBIC will support QP's ability to diversify its funding sources. It will also further strengthen bilateral relations with Qatar, an important energy resource supplier for Japan.



Turkey

Credit Line for Türkiye Kalkınma Bankası A.S. under GREEN Operations:

Supporting Renewable Energy and Energy Efficiency Projects

JBIC established a credit line for Türkiye Kalkınma Bankası A.S. (TKB), a policy-based financial institution in Turkey. The credit line is extended under the GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations to provide necessary funding through TKB for environment-related projects in Turkey. The expanded cooperative relationship between the two banks reinforced by this credit line is expected to provide broader ranging support for infrastructure projects in Turkey in which Japanese companies participate.



United Arab Emirates

JBIC Signs a Loan Agreement with Abu Dhabi National Oil Company (ADNOC):

Securing Long-Term Supply of Crude Oil and Strengthening a Strategic Partnership with the UAE

JBIC has signed a loan agreement with Abu Dhabi National Oil Company (ADNOC), a state-run oil company wholly owned by the Emirate of Abu Dhabi, United Arab Emirates (UAE). ADNOC conducts oil and gas business in Abu Dhabi, which produces most of the oil and gas in the UAE. This agreement is designed to finance ADNOC to expand their oil and gas development. The loan will help to secure a stable supply of energy resources to Japan as well as to strengthen bilateral ties with the UAE, a strategically important country for Japan's resource strategy.



The Middle East

United Arab Emirates

Loan for Renewal of an Oil Field Interest in Abu Dhabi:**Supporting a Japanese Company in the Stable Holding of an Oilfield Interest**

JBIC signed a loan agreement with Abu Dhabi Oil Co., Ltd. to provide the necessary funds for Abu Dhabi Oil Co., Ltd. to renew its interest in the Mubarraaz and other oilfields in the Emirate of Abu Dhabi. All of the crude oil Abu Dhabi Oil Co., Ltd. produces in Abu Dhabi is shipped to Japan. Providing this loan to support the renewal of the oilfield interest held by Abu Dhabi Oil Co., Ltd. is expected to contribute to securing a long-term stable supply of independently developed crude oil, which, in turn, will contribute to Japan's energy security.



Africa

Morocco

Buyer's Credit for a Coal-Fired Power Generation Project:**JBIC's First Project Finance Support in Morocco**

JBIC signed a project finance based buyer's credit agreement with the Moroccan company Jorf Lasfar Energy Company 5 & 6 S.A. Under the project, a consortium in which MITSUI & CO., LTD. is participating provides the principal equipment for the coal-fired power plant expansion in the Jorf Lasfar district, and this loan will be used as a part of the construction cost for this power plant (the steam turbines are manufactured by Mitsubishi Heavy Industries, Ltd., and the boilers are manufactured by IHI Corporation). This loan will help to create business opportunities for Japanese companies in Morocco, where electricity demand is expected to increase in the years ahead.



Tunisia

Guarantee for Privately Placed Samurai Bonds Issued by the Central Bank of Tunisia:**JBIC's First Guarantee for Samurai Bonds Issued by an African Country**

JBIC provided a guarantee for yen-denominated foreign bonds (Samurai bonds) issued in Japan by the Central Bank of Tunisia. This guarantee is a part of the support provided to countries in the Middle East and North Africa under the Deauville Partnership⁶, and is also JBIC's first guarantee for Samurai bonds issued by a government of an African country. This guarantee will help the Tunisian government diversify its funding sources, and by stimulating the Samurai bond market and deepening bilateral relations with Tunisia. It is also expected to give added momentum to the business operations of Japanese companies.



6. The Deauville Partnership is a framework for supporting historical change in Middle East and North African nations agreed upon at the G8 Deauville Summit in May 2011.

Africa

Angola

Buyer's Credit for Exporting Textile Manufacturing Machinery:**Supporting Japanese Exports of Textile Manufacturing Machinery**

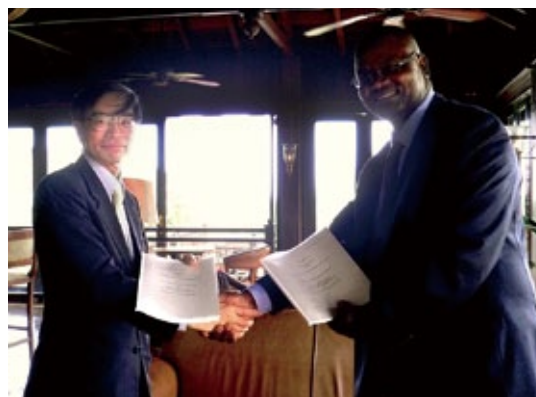
JBIC signed a buyer's credit agreement with the Government of the Republic of Angola. The loan will provide the necessary funds for the purchase of necessary textile manufacturing machinery (made by Toyota Industries Corporation, Murata Machinery, Ltd., etc.) from Marubeni Corporation under the project implemented by the Angolan Ministry of Industry for rebuilding state-run textile manufacturing plants in Angola. The Angolan government is currently pushing ahead with post-war reconstruction following the end of the prolonged civil war, and rebuilding the textile industry, which relies on imports for the majority of its textile products, as a key government platform. The loan will also help the Japanese textile industry to maintain and improve its international competitiveness.



African Region

Export Credit Line for The Development Bank of Southern Africa:**Supporting Japanese Exports to the African Region**

JBIC established an export credit line⁷ for The Development Bank of Southern Africa to provide funds for local companies in Southern Africa and other regions of Africa to purchase machinery and equipment from Japanese companies. Many Southern African countries have an abundance of resources, and their economic growth fueled by resources development continues to reinforce the need to develop the local infrastructure. Against this backdrop, Japanese companies are looking toward these countries for opportunities to export machinery and equipment, and therefore have rising expectations on the role that JBIC can play in this region.



7. An export credit line is a form of export credit in which JBIC commits to the maximum amount of credit to be extended to foreign banks or other entities to finance exports of machinery, equipment and services from Japan.

North America

Canada

Loan for Acquisition of Interests in and Development of Coal-Bed Methane:**Supporting Japanese Participation in a Coal-bed Methane Project**

JBIC signed a loan agreement with Toyota Tsusho Corporation. This loan will provide the necessary funds to Toyota Tsusho Corporation to enable its wholly owned Canadian subsidiary—Toyota Tsusho Wheatland Inc.—to acquire a part interest in the coal-bed methane (CBM)⁸ fields in Canada from Encana Corporation, Canada's largest natural gas producer, for CBM development. This loan will help to improve Japanese know-how on CBM development and raise the ratio of Japan's independently developed energy resources, which, in turn, is expected contribute to Japan's energy security.



Canada

Loan for Acquisition of Interests in and Development of Shale Gas:**Supporting Japanese Acquisition of Interests in and Development of Shale Gas**

JBIC signed a loan agreement with INPEX CORPORATION (INPEX). This loan will provide the necessary funds to INPEX to enable the Canadian company jointly established by INPEX and JGC CORPORATION to acquire a part interest in Canadian shale gas fields held by the Canadian oil and natural gas development company NEXEN Inc., and develop and produce shale gas. This loan will help to improve Japanese know-how on shale gas development and raise the ratio of Japan's independently developed energy resources.



United States

Loan for Acquiring Equity in an Oil and Gas Development Company:**Supporting Overseas Resources Development by Japanese Companies**

JBIC signed a loan agreement with JD Rockies Resources Limited (JDR), a wholly owned U.S. subsidiary of ITOCHU Corporation. The loan provides the necessary funds for ITOCHU Corporation to acquire equity in the U.S. oil and gas development company Samson Investment Company (Samson) through JDR. Samson produces the largest volume of oil and gas among unlisted oil and gas development companies in the U.S., and over the past several years, it has also been developing unconventional natural resources. This loan will also help to expand opportunities for Japanese companies to participate in unconventional natural resources development projects.



8. Coal-bed methane (CBM) is methane extracted from and near coal-beds. It is drawing attention along with shale gas as "unconventional" natural gas.

North America

United States

Loan for Acquisition of Interests in and Development of Tight Oil Reserves:**Supporting Japanese Participation in a Tight Oil Development Project**

JBIC signed a loan agreement with Sumitomo Corporation and its U.S. subsidiary Summit Discovery Resources III LLC (SDR III). This loan will provide the necessary funds for Sumitomo Corporation to acquire through SDR III a part interest in U.S. tight oil⁹ reserves held by the U.S. oil and gas development company Devon Energy Corporation, and to develop and produce tight oil. The know-how on tight oil development gained by Japanese companies through this project will lead to greater opportunities for Japanese participation in shale oil and gas development projects, and help to raise the ratio of Japan's independently developed oil resources through the holding of tight oil interests.



United States

Loan for Shale Oil Development:**Supporting Japanese Participation in a Shale Oil Development Project**

JBIC signed a loan agreement with JGC Exploration Eagle Ford LLC (JEEF), a wholly owned U.S. subsidiary of JGC Corporation. This loan will provide the necessary funds for JGC Corporation to develop and produce shale oil in the U.S. Eagle Ford shale oil fields, of which JGC Corporation holds a part interest through JEEF. In view of the projected rise in shale oil production in the years ahead, the know-how on shale oil development gained by Japanese companies through this loan will lead to greater opportunities for Japanese participation in overseas shale oil development projects.



9. Unlike conventional oil that is extracted from wells naturally stored in the stratum, tight oil exists widely through tight strata such as sandstone, limestone and shale formations, and the methods used for its extraction are similar to those used in shale oil and gas extraction (horizontal drilling, hydraulic fracturing, etc.).

Latin America and the Caribbean

Brazil

Loan for Forestation, Woodchip Manufacturing and Sales Project:**Supporting Japanese Companies to Secure Long-term Stable Woodchip Supply**

JBIC signed a loan agreement with Amapá Florestal e Celulose S.A. (AMCEL), a Brazilian company capitalized by Japanese companies. This loan provides the necessary funds for AMCEL to plant eucalyptus trees and manufacture and sell woodchips sourced from plantation forests in Brazil. World woodchip supply and demand is expected to tighten over the medium to long term as demand for paper expands with economic growth in emerging market countries, and this loan will help Japanese companies to secure a long-term and stable supply of woodchips from plantation forests.



Chile

Project Finance for a Coal-Fired Power Generation Project:**Supporting the First Power Infrastructure Project by a Japanese Company in Chile**

JBIC signed a project finance loan agreement with Empresa Electrica Cochrane SpA, a Chilean subsidiary of Mitsubishi Corporation, for the Cochrane Coal-Fired Power Project. Under this power infrastructure project, Mitsubishi Corporation, as an equity investor, will undertake all development processes, from construction to operation, jointly with the Chilean company AES Gerner S.A. This is the first power infrastructure project in Chile with capital participation by a Japanese company, and is expected to become a model for future infrastructure projects in Chile by Japanese companies.



Chile

Loan for a Project to Expand the World's Largest Copper Mine:**Supporting the Long-term, Stable Procurement of Copper Concentrate by Japanese Companies**

JBIC signed a loan agreement with Minera Escondida Limitada (MEL), a Chilean company capitalized by Mitsubishi Corporation, JX Nippon Mining & Metals Corporation, Mitsubishi Materials Corporation, BHP Billiton Group and Rio Tinto Group. The loan will provide the necessary funds for MEL to expand its Escondida Copper Mine, the world's largest copper mine, in Chile, and increase production of copper concentrate. The copper concentrate produced by MEL is crucial to Japanese companies due to its high quality, and this loan will contribute to the long-term, stable supply of copper concentrate to Japan.



Latin America and the Caribbean

Chile

Loan for Acquiring Equity in a Major Resources Subsidiary:**Contributing to Securing the Medium to Long Term Stable Supply of Copper Resources to Japan**

JBIC signed separate loan agreements with Mitsubishi Corporation, MITSUI & CO., LTD., and a wholly owned subsidiary of MITSUI & CO., LTD. The loans will provide the necessary funds for Mitsubishi Corporation and MITSUI & CO., LTD. to acquire equity in Anglo American Sur S.A., a wholly owned Chilean subsidiary of the major British mining company Anglo American plc. with a substantial portfolio of copper assets in Chile, and also to acquire offtake rights for copper concentrates etc. The stronger cooperative relationship and strategic ties with major mining companies resulting from this are also highly significant for Japan's securing a medium to long term supply of copper concentrates.



Mexico

Loan for Automobile Manufacturing and Sales Project in Mexico:**Supporting the Overseas Business Operations of the Japanese Automobile Industry**

JBIC signed a loan agreement with Mazda Motor Manufacturing de Mexico S.A. de C.V. (MMMdM), a Mexican subsidiary of Mazda Motor Corporation. This loan will provide the necessary funds to MMMdM for the manufacture and sale of automobiles in Mexico. Mazda Motor Corporation established MMMdM in Mexico as a production site to manufacture and assemble cars for the important North American and Central and South American markets with a view to strengthening its global production network and expanding its overseas operations to increase the local production ratio, and in providing support to Mazda Motor Corporation in its overseas business operations. This loan will help Japanese industries maintain and improve their international competitiveness.



Mexico

Loan for Automobile Steel Pipe Manufacturing and Sales Project:**Supporting the Overseas Business Deployment of the Japanese Steel Industry**

JBIC signed a loan agreement with Nippon Steel Pipe Mexico, S.A de C.V. (NPM), a Mexican company jointly established by Nippon Steel & Sumitomo Metal Corporation, SPT and SC Investment Co., Ltd. (a joint venture of Sumitomo Pipe and Tube Co., Ltd. and Sumitomo Corporation), and Metal One Corporation. The loan provides the necessary funds to NPM for the manufacture and sale of high grade steel pipes for automobiles in Mexico. In providing support for the overseas business deployment of these companies investing in NPM, this loan will help the Japanese steel industry maintain and improve its international competitiveness.



Latin America and the Caribbean

Mexico

Partial Acquisition of Publicly Placed Samurai Bonds Issued by the Mexican Government: Supporting Diversification of the Mexican Government's Funding Sources and Invigoration of the Samurai Bond Market

JBIC partially acquired the publicly placed yen-denominated foreign bonds (Samurai bonds) issued in Japan by the Mexican government. This acquisition will help to maintain and increase the presence of Mexican government bonds in the Tokyo market, and provide a broad range of investment opportunities to Japanese investors. JBIC holds an annual meeting for policy dialogue with the Mexican government aimed at promoting mutual cooperation and deepening bilateral economic relations, and at the second annual meeting held in fiscal 2012, the Mexican government expressed its appreciation to JBIC for this partial acquisition.



Venezuela

Buyer's Credit for Exporting Railway Cars: Supporting Japanese Exports of Railway Cars

JBIC signed a buyer's credit agreement with the Venezuelan government. The loan will provide the necessary funds for the Venezuelan state-run Instituto de Ferrocarriles del Estado (State Railways Institution) to purchase Japanese railway cars (built by NIPPON SHARYO, LTD. and TOSHIBA CORPORATION) from Marubeni Corporation to run from the capital Caracas to the neighboring city of Tuy Medio. This mass-transit public transport infrastructure project is expected to help alleviate urban traffic congestion and ease population pressures through the development of neighboring cities.



Other

North America and Europe

Equity Participation in a Fund Investing in Large Scale Infrastructure Projects Mainly in North America and Europe:

Supporting the Expansion of Infrastructure-related Investment Opportunities for Japanese Investors

JBIC agreed to equity participation in Japan Infrastructure Investment Partners L.P., a fund established to invest in large scale infrastructure projects in North America and Europe, and managed by a subsidiary of Mitsubishi Corporation. Through participation in the Global Strategic Investment Alliance¹⁰, the fund will invest in airports, railways, ports and harbors, power transmission and distribution, gas pipelines and other large scale infrastructure projects primarily in North America and Europe, and is expected to expand the infrastructure-related investment opportunities for Japanese corporate and institutional investors.



10. Global Strategic Investment Alliance is an alliance of multiple investors led by OMERS, a public-sector pension fund established in Ontario, Canada.

2. Examples of Business Outcomes Relating to Support for SMEs

JBIC supports SMEs in a wide range of industries with their overseas business deployment.

China

NAGAOKA INTERNATIONAL CORPORATION Manufacturing and Sales Business of Plant Facility Production

NAGAOKA INTERNATIONAL CORPORATION (NIC) has long possessed top-most technological capacity for screen internals, which are used as major equipment for the improvement, desulfurization and other processes in petrochemical plants and refineries. Nagaoka Hitachi Zosen Equipment (Dalian) Co., Ltd., its subsidiary in China, plans to produce

and sell plant facilities, including those for petrochemicals, refineries and the water related sector. JBIC provided a loan to NIC for investing in this subsidiary.



Indonesia

Momoi Fishing Net Mfg. Co., Ltd. Manufacturing and Sales Business of Fishing Nets

Momoi Fishing Net Mfg. Co., Ltd. undertakes all processes of fishing net manufacture, from sourcing raw materials to the final finished product, and is Japan's leading manufacturer of gill nets, the company's main product, using primarily monofilament². The company's Indonesian subsidiary P.T. Indoneptune Net Mfg., Co. manufactures and sells fishing nets,

and JBIC provided a loan to P.T. Indoneptune Net Mfg. Co. to acquire additional machinery and equipment.



China

TOYO METAL TREATING CORPORATION Heat Treated Metal Processing Business

TOYO METAL TREATING CORPORATION (TOYO METAL) is engaged in metal heat treat processing primarily for steel rods and other metal materials and metal parts used extensively in automobiles, construction machines, equipment for ships and machine tools. TOYO METAL TREATING (CHANGZHOU) CO., LTD., its subsidiary in China, conducts metal treatment for steel

rods (to be used for steering wheel systems and other products). JBIC provided loans to TOYO METAL for investing in this subsidiary and for parent-subsidiary lending.



Thailand

Japan Chemical Engineering & Machinery Co., Ltd. Plant Engineering Business

Japan Chemical Engineering & Machinery Co., Ltd. (JCEM) is the first developer of an alcohol distillation plant in Japan and has been expanding its scope of business from the manufacture and construction of various types of equipment for the chemical industry to engineering for environmentally-friendly cleaner plants. NIKKAKI (THAILAND) CO., LTD., its subsidiary

in Thailand, is engaged in engineering business of chemical, food and drink, and energy plant machineries and equipment. JBIC provided loans to JCEM for investing in this subsidiary and for parent-subsidiary lending.



Indonesia

DAIHO INDUSTRIAL Co., Ltd. Manufacturing and Sales Business of Plastic Products

DAIHO INDUSTRIAL Co., Ltd. manufactures and sells a broad range of plastic products, including parts for air-conditioner cabinets and other household electrical appliances, and engine covers and other molded plastic parts for motor vehicles, and is a leader in large injection molding and gas molding technologies¹. The Indonesian subsidiary PT. DAIHO INDONESIA

manufactures and sells plastic products for OA equipment. JBIC provided a loan to PT. DAIHO INDONESIA to build a new factory.



Thailand

TOKOKOSEN CORP. Manufacturing, Sales and Wholesale Business of Automobile Parts and Other Products

TOKOKOSEN CORP. (TOKOKOSEN) is a trading company specialized in trade with China. In recent years, it has been making active efforts to conduct the business that integrates manufacturing and trading. Its major business is manufacturing and selling garments, and fabric used for automobiles at its domestic and overseas production bases. Kosen Fibertec

(Thailand) Co., Ltd., its subsidiary in Thailand, manufactures, sells and wholesales automobile parts and other products. JBIC provided a loan to TOKOKOSEN to increase in the capital of this subsidiary.



1. In gas molding technology, gas is injected into the plastic to form a precise shape matching the mold.

2. Monofilament is a single filament fiber; the single fiber extruded from each nozzle in the spinning process forms a strand of line that is used for fishing lines or brushes.

Thailand

Daika Kogyo Co., Ltd.
Manufacturing and Sales Business of Plastic Film

Daika Kogyo Co., Ltd. has achieved stable product quality in its manufacture of a broad range of plastic film from food packaging to industrial material through its integrated production structure. The company's Thai subsidiary Daika Kogyo (Thailand) Co., Ltd. manufactures breathable film used as a back sheet for disposable diapers. JBIC provided a loan to Daika Kogyo Co., Ltd. to expand the manufacturing facilities and equipment at the local subsidiary.



India

Ryonan Electric Corporation
Manufacturing and Sales Business of Automobile Parts

Ryonan Electric Corporation manufactures and sells electrical component parts for motor vehicles, primarily wire harnesses, based on its own design for each vehicle model. The company's strength is in the outstanding quality of its products. The Indian subsidiary RYONAN ELECTRIC INDIA PVT. LTD. manufactures and sells electrical component parts for motor vehicles, including EPS brush holder assemblies³. JBIC co-financed with The Hyakujushi Bank, Ltd. the funds necessary for the Indian subsidiary's capital investment.



Viet Nam

TAISHODO CORPORATION
Manufacturing and Sales Business of Electronic Circuit Boards

TAISHODO CORPORATION undertakes all processes of electronic circuit board manufacture, from printed circuit board pattern design, through parts procurement to board mounting and testing, and is an industry leader in its technological expertise and quality control capabilities underpinned by its unique high-mix, low-volume, short-run production system. The Vietnamese subsidiary Taishodo Vietnam Co., Ltd. manufactures and sells electronic circuit boards. JBIC provided a loan to TAISHODO CORPORATION's Hong Kong subsidiary to finance the Vietnamese subsidiary for its factory expansion.



India

HIROSE Corporation
Manufacturing and Sales Business of Power Distribution Boards

HIROSE Corporation designs, manufactures and sells high-voltage power distribution boards and a wide range of control panels, and its strength is in its integrated business structure that also includes the installation and maintenance of those products. The company's Indian subsidiary ASAHI Switchgear Products Limited manufactures and sells power distribution boards. JBIC co-financed with The Hyakujushi Bank, Ltd. the funds necessary for the Indian subsidiary to establish a new plating and painting plant.



India

BELLSONICA CORPORATION
Manufacturing and Sales Business of Automobile Parts and Other Products

BELLSONICA CORPORATION (BELLSONICA) has strength in the integrated production process—ranging from product design to welding, painting and assembling, in addition to its high technological capabilities in manufacturing metal-stamped parts, which will constitute a major framework of automobiles. Bellsonica Auto Component India Private Limited, its subsidiary in India, manufactures and sells automobile parts. JBIC provided a loan to BELLSONICA for financing the expansion of the subsidiary's plant.



Mexico

SHOSHIBA MANUFACTURING COMPANY LTD.
Manufacturing and Sales Business of Automobile Parts and Other Products

SHOSHIBA MANUFACTURING COMPANY LTD. (SHOSHIBA) manufactures and sells press-molded safety parts such as airbag cases and seat frames. SHOSHIBA MEXICANA S.A. de C.V., its subsidiary in Mexico, manufactures and sells automobile parts and other products. JBIC provided loans to SHOSHIBA for investing in this subsidiary and for parent-subsidiary lending.



3. EPS (Electric Power Steering) brush holder assemblies are electric power steering component parts.

3 Examples of Business Outcomes Relating to the Environment

Supporting Environmental Conservation and Improvement Projects

Nowadays, achieving economic development compatible with environmental sustainability is recognized as a common challenge facing developed and developing countries alike. Given this self-realization, there are growing expectations across the world on implementing projects conducive to environmental conservation and improvement.

A wide range of efforts are underway all over the world in this sector, including energy efficiency improvement projects; renewable energy harnessing projects such as solar and wind power generation; highly efficient, high performance coal-fired thermal power generation and natural gas-fired combined cycle power projects that reduce carbon dioxide emissions; urban transport projects such as transit rails that mitigate traffic congestion and reduce air pollution; smart grid projects

that supply efficient power by using IT and eco-city projects that aim to realize environmentally sustainable cities.

Amid these developments, JBIC is devoting itself to supporting environment conservation and improvement projects, not to mention environmental and social considerations being made in individual projects. JBIC also launched GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations in April 2010 and has since been actively focusing its support on efforts to conserve the global environment, such as projects that are expected to significantly reduce greenhouse gas (GHG) emissions, while taking account of the global dissemination of Japan's internationally-acclaimed advanced environmental technologies (▶ see p. 59).

Supporting Renewable Energy and Waste-to-Energy Projects in Malaysia

JBIC established a credit line for RHB Bank Berhad (RHB), one of the leading commercial banks in Malaysia. The credit line is extended under the GREEN operations to provide necessary funding for biomass power generation and other renewable energy projects and waste-to-energy projects in Malaysia. Environment-related business opportunities are increasing in Malaysia with the introduction of subsidies for renewable energy programs, such as the feed-in tariff system. This credit line is expected not just to contribute to a reduction in GHG emissions, but also to provide Japanese companies with greater environment-related business opportunities in Malaysia.



Providing Local Currency Loans to Support Japanese Companies' Participation in Renewable Energy Power Generation

JBIC is providing a project finance loan for renewable energy projects in Canada in which a Japanese company invests. As developed countries in particular adopt policies that advance the use of renewable energy, business opportunities for Japanese companies as well will continue to expand. Under this project, a consortium will build and operate wind power stations and solar power stations in Ontario and British Columbia, Canada, and sell the generated power over the following 20 years. This project is a long-term investment with revenue received in the local currency, so JBIC is minimizing the risk inherent in foreign currency borrowings by extending finance in Canadian dollars. In this way, JBIC is providing support for long-term overseas projects by Japanese companies.



Supporting Renewable Energy Projects in Colombia

JBIC has established a credit line for Banco de Bogotá S.A. (Banco de Bogotá) in Colombia under the GREEN operations to provide necessary funding for environmental projects utilizing renewable energy in Colombia, including small-scale run-of-the-river hydroelectric generation and biomass power generation. The Colombian government is pursuing environmental policies that include numerical targets to cut its GHG emissions, and this credit line is expected to give further momentum to the introduction of renewable energy and contribute to the reduction of GHG emissions in Colombia. It is also expected to facilitate the spread of Japan's internationally recognized advanced environmental technologies in Colombia.



Partnerships and Knowledge Sharing in the Environmental Sector

As environment-related projects are expected to be implemented in many places across the world with the aim of realizing global environmental conservation and a low carbon economy, JBIC is supporting Japanese overseas business deployment as well as efforts being made by foreign governments, not only in financing but through information

sharing and knowledge dissemination by holding seminars and participating in relevant events, while forming close partnerships with foreign governments and government agencies, domestic prefectural and municipal governments, and other stakeholders.

Participation in the East Asia Low Carbon Growth Partnership Dialogue

JBIC, together with the World Bank and the Asian Development Bank, participated in the East Asia Low Carbon Growth Partnership Dialogue held in Tokyo in April 2012.

The Dialogue discussed a cooperative structure for promoting low carbon growth in East Asia with the aim of reconciling global environmental preservation with economic growth through the spread of energy-saving technologies in East Asian countries. Participants included government ministers responsible for environmental and energy-related policy from 18 member countries of the East Asia Summit (EAS). The Dialogue reached an agreement that government officials, research institutions, and the private sector will work together to build a network that can realize low carbon growth and societies that are much more resilient to climate change.



4. Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Government Organizations and International Organizations

JBIC is undertaking studies and research relating to overseas investments and international finance. In regular contact with overseas government organizations, foreign and domestic research institutions, and experts in various sectors, JBIC is engaged in gathering and analyzing a range of information and sharing knowledge.

■ Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC has been conducting the Survey on Overseas Business Operations by Japanese Manufacturing Companies, a questionnaire survey, every year since 1989, and the fiscal 2012 survey was the 24th. This annual survey attracts widespread



interest because of its distinctive character and continuity in identifying the current trends and future outlook of the overseas business operations of Japanese manufacturing companies.

JBIC compiles the results of the survey into a report, and makes this report and the information it contains widely available in booklet form, on the JBIC website, and also through seminars held in collaboration with chambers of commerce and regional banks throughout Japan. JBIC explained the results of the survey at the "Overseas Investment Seminar: Overseas Business Operations by Japanese Manufacturing Companies" held in Tokyo in December 2012, and also JBIC held explanatory meetings with overseas Japanese chambers of commerce and industry and foreign governments for communicating these results to their members. The findings of the survey were also used effectively in making policy proposals to foreign governments.

Survey results and seminars are widely reported on by newspapers and other media, and articles and commentaries covering the survey are provided to the various branches of the mass media.

■ Collaboration with Overseas Government Organizations and International Organizations

In May 2012, the Economic Forum of The Export-Import Bank of China, The Export-Import Bank of Korea and JBIC was held in Korea. The forum brought together economists from the economic research and sovereign risk assessment departments to discuss various issues facing the global economy and political and economic conditions in emerging and developing countries. The forum was the sixth held since the first in 2009, and was hosted by The Export-Import Bank of Korea. Participants discussed political and economic issues facing six countries in East Asia, the Middle East, Southeast Asia, and Latin America, and also the European financial crisis.



The Sixth Economic Forum of The Export-Import Bank of China, The Export-Import Bank of Korea and JBIC

The International Monetary Fund (IMF) and the World Bank Annual Meetings were held in Tokyo in October 2012, the first time since 1964. During the period of the Meetings, JBIC held the "JBIC Infrastructure Development Seminar" with the cooperation of the Ministry of Finance Japan, the World Bank, and the Japanese Bankers Association. Featuring keynote speakers and discussions among panelists of infrastructure experts from Japan and overseas, the seminar aimed at building common ground among the players concerned about the optimum form of collaboration between the government and private sectors and the division of responsibilities to meet growing infrastructure demand especially in emerging market countries. The seminar had an attendance of approximately 200 representatives from Japanese and foreign private companies, financial institutions and government agencies, and embassies in Tokyo, and generated considerable interest and awareness about infrastructure development through PPP (Public Private Partnership).



JBIC Infrastructure Development Seminar

Also in October 2012, JBIC together with the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) held the "BNDES- JBIC Seminar Commemorating 50 Years of Cooperation" in Tokyo. Like JBIC, BNDES is a governmental financial institution, and over these 50 years of cooperation, the two banks have developed a strong relationship in which JBIC has provided BNDES with funds amounting to a total of 3.5 billion U.S. dollars for 14 projects. Roughly 300 representatives from Japanese companies and Japanese investors were invited to

the seminar, and as well as reflecting on the half-century of cooperation between the two banks and Brazil's economic development, the seminar discussed the course of future cooperation aimed at promoting economic exchanges between the two countries.



BNDES-JBIC Seminar Commemorating 50 Years of Cooperation

In November 2012, JBIC participated in the Islamic Banking Summit Africa held in Djibouti. The summit featured a special address by the President of Djibouti and a key-note address by the Governor of the Central Bank of Djibouti, as well as presentations by senior officials of international organizations. The summit discussed a broad range of topics, including risk management, legal and accounting issues in Islamic financing, Islamic capital markets, and the Islamic insurance (takaful) market.

■ Collaboration with Universities, Research Institutions and Academic Societies

In response to an invitation from the Faculty of Economics of Universitas Indonesia, in May 2012 JBIC sent a member of staff to give a special lecture on development finance in Asia and infrastructure financing through PPP.

Also in May 2012, JBIC presented a report entitled "Risks in policy prescriptions for the European sovereign-debt crisis: Muddling through or trapped in a vicious circle?" at the "The Causes of the Eurozone Debt Crisis" international financing panel held as a part of the Japan Society of Monetary Economics 2012 Spring Annual Meeting Program.

In June 2012, JBIC cosponsored a seminar entitled "We Japanese should be able to do business better in India. Why not?" with the Graduate School of Management of Kyoto University. Speakers from a broad range of fields, including JBIC, which are conducting business in India, gave presentations and held a panel discussion on points for successful business operations in India. A second seminar was held in March 2013. In September 2012, JBIC also cosponsored the seminar "Project Finance in Overseas Project Management" with the Graduate School of Management of Kyoto University, and the Japan Institute for Overseas Investment (JOI). The seminar was attended by about 200 people, and featured

presentations and panel discussions on the importance of improving overseas project management capabilities, and the effective use of and recent trends in project finance using examples of actual infrastructure projects.



Seminar "Project Finance in Overseas Project Management"

JBIC held the following joint forums and seminars with the National Graduate Institute for Policy Studies (GRIPS).

In July 2012, JBIC and GRIPS held the seminar "Philippines' Policy Challenges Ahead: Public-Private Partnerships and Governance." The seminar invited a University of the Philippines professor who also formerly served as the Director General of National Economic and Development Authority to speak, and dealt with PPPs in the Philippines, where there is great business potential and appeal to Japanese companies, and still considerable scope for infrastructure development.

In November 2012, JBIC and GRIPS held the seminar "Myanmar's Political Landscape and Economic Prospects." Following a presentation by a noted Myanmarese political and economic researcher invited from the Institute of Southeast Asian Studies (ISEAS) in Singapore, Japanese researchers joined discussions focusing on Myanmar's economic outlook.

In January 2013, JBIC and GRIPS held the forum "Prospects for Indonesia's Sustainable Growth—Is This Time Different from the Pre-Asian Crisis Landscape?" Following a presentation on the prospects for Indonesia's sustainable growth by the former Governor of Bank Indonesia, central bank, a range of views were exchanged on the significant political and eco-



JBIC-GRIPS joint forum "Prospects for Indonesia's Sustainable Growth—Is This Time Different from the Pre-Asian Crisis Landscape?"

conomic transformation that has taken place in Indonesia since the Asian financial crisis.

In September 2012, JBIC co-hosted the “Second IMF-SCID Conference on Emerging Asia: Asia’s Rebalancing and Global Implications” with the IMF and the Stanford Center for International Development (SCID) of Stanford University. The two-day conference gave the numerous attending experts and economists from Japanese universities, Stanford University, and Asian countries including China, Malaysia, the Philippines, Singapore and Thailand, the opportunity for discussion on a broad range of critical topics for the future of the Asian and global economy.

In November 2012, JBIC gave a presentation entitled “Prospects of Indonesia and Thailand: Political and Economic Conflict in Middle-Income Countries” at the public lecture on Asia co-hosted by the International Centre for the Study of East Asian Development (ICSEAD) and the City of Kitakyushu. ICSEAD is a research institution established with the aim of conducting research on economics and social issues in East Asia and contributing to international and regional society.

In December 2012, JBIC participated in the “International Conference: The Changing Paradigm of India-Japan Relations” hosted by the Indian policy think-tank Indian Council for Research on International Economic Relations (ICRIER). Held in New Delhi, the two-day conference was broken down into five sessions covering a broad range of themes. Guest speakers included experts from the industrial, academic and government sectors from Japan and India.

■ Collaboration with Private-sector Financial Institutions

JBIC is holding discussions and exchanging information with private-sector financial institutions concerning the political and economic situation in countries important to Japan, their future prospects, and also risk analysis and assessment relating to those countries.

In fiscal 2012 JBIC held workshops on the following themes with officials responsible for sovereign risk screening in private-sector financial institutions.

In July 2012, JBIC held the forum “Philippines’ Policy Challenges Ahead: Public-Private Partnerships and Governance.” A professor from the University of the Philippines was invited to give a presentation, after which discussions were held on the economic prospects of the Philippines and the policy challenges the country faces.

In November 2012, JBIC held the forum “Myanmar’s Political Landscape and Economic Prospects,” and hosted a senior research fellow from ISEAS. The workshop served to deepen participants’ understanding of the political and economic situation in Myanmar as Japan and other countries and international organizations steadily move toward recommencing support and assistance.

At the forum “Prospects for Indonesia’s Sustainable



Sovereign risk workshop

Growth—Is This Time Different from the Pre-Asian Crisis Landscape?” held in January 2013, JBIC hosted the former Governor of Bank Indonesia, central bank, who is currently a professor of the Nanyang Technological University’s S.Rajaratnam School of International Studies. Discussions were held on the current state of the Indonesian economy and prospects for sustainable growth compared to the situation before the Asian financial crisis.

In February 2013, JBIC held the “Resilience Index” workshop, and had the opportunity to discuss the resilience index, developed by an overseas team of experts. This index assesses the degree of resilience that developed, developing or emerging countries have against an external shock, and identifies the background factors to this.

Financial Instruments

4

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1. Financial Instruments

Export Loans

Export loans are provided to overseas importers and financial institutions to support finance exports of Japanese machinery, equipment and technology mainly to developing countries. In particular, products such as marine vessels, power generation facilities and other types of plant equipment incorporate a large amount of advanced technology, and their export contributes to enhancing the technological base of Japanese industries. Further, Japanese shipbuilding and plant facilities industries have a broad range of supporting industries including SMEs producing parts and components. Export loans JBIC provides are also expected to positively contribute to the business of these Japanese companies. Export loans are also available to developed countries in eligible sectors (see note).

Terms and conditions of export loans are determined

based on the OECD Arrangement. In principle, the loan amount should not exceed the value of an export contract or technical service contract, and excludes down payment. While local costs cannot, in principle, be applied to the loan, such costs may be covered provided that the amount is within the scope prescribed by the OECD Arrangement.

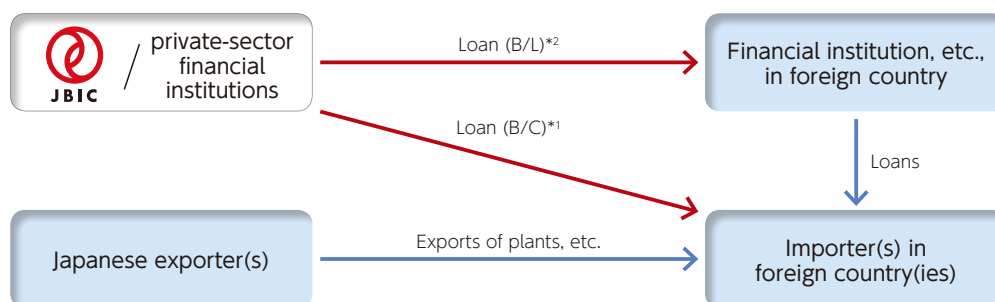
(Note)

Eligible Sectors of Export Loans in Developed Countries (As of July 31, 2013)
[Integrated Infrastructure System Projects]

Railways (high-speed, inter-city projects and projects in major cities), water business, biomass fuel production, renewable energy power generation, nuclear power generation, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), highly efficient gas-fired power generation and smart grid

[Other Export Transactions]

Ships, satellites, aircrafts, medical positron beam therapy equipment



*1. Loan to foreign importers (Buyer's Credit or "B/C").

*2. Loan to foreign financial institutions (Bank-to-Bank Loan or "B/L").

Supporting Japanese Companies' Export to Overseas Water Infrastructure Project

JBIC provides a buyer's credit to Hydrochem (S) Pte Ltd. (Hydrochem), a wholly owned subsidiary of Hyflux Ltd. (Hyflux) in Singapore which is one of the world's leading fully-integrated water solutions companies. This loan is intended to finance Hydrochem to purchase key components (reverse-osmosis membrane elements manufactured by Toray Industries, Inc. and high pressure pumps manufactured by Torishima Pump Mfg. Co., Ltd.) for Singapore's largest membrane-based seawater desalination plant from Mitsui & Co. Plant Systems, Ltd. Water-related business has been growing at the global level, as water shortages caused by population growth and expanding economic activities have been drawing increasing interest to water issues. This loan will thus contribute to maintaining and improving the international competitiveness of Japanese companies in water-related business.



Supporting Export of Bulk Carriers by Japanese Companies

JBIC signed buyer's credit agreements with PB Vessels Holding Limited (PBVH) in the British Virgin Islands for funding its purchase of four bulk vessels. PBVH is a wholly owned subsidiary of Hong Kong's leading shipping operator, Pacific Basin Shipping Limited (Pacific Basin). These loans are intended to finance Pacific Basin to purchase four of their bulk carriers built by three Japanese shipbuilders respectively in their domestic shipyards. This loan will support to enhance the international competitiveness of the Japanese shipbuilding industry, which faces stiff competition from shipyards in other countries, and provides support to a sector that plays a significant role in local economies by furthering employment at many SMEs, as well as other related companies.



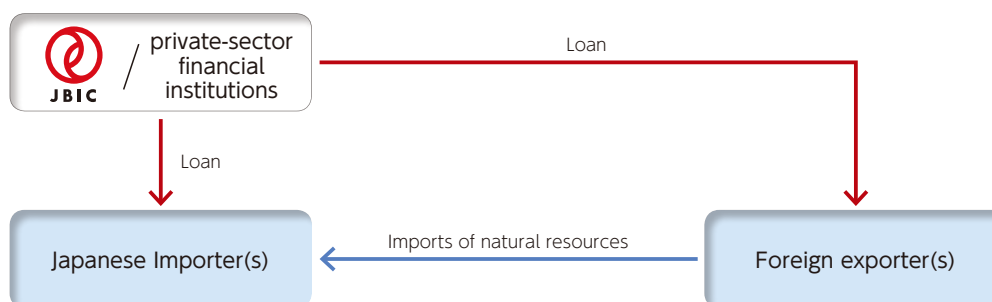
Import Loans

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 LNG, and mineral resources, including iron ore, copper and other rare materials.

In addition to natural resources, JBIC provides a guarantee facility for goods and services essential to the sound development of the Japanese economy, such as for the import of aircraft.

■ Products Eligible for Import Loans (Natural Resources)

Oil, petroleum gas, LNG, coal, uranium, metallic ore, metals, mineral phosphate, fluorite, salt, lumber, wood chip, pulp, and other materials



Supporting Secure Long-Term Access to Mineral Resources by Japanese Companies

JBIC provides an import loan to Corporación Nacional del Cobre de Chile (CODELCO) in Chile to ensure a stable procurement of molybdenum oxide. Molybdenum is a byproduct used as an additive to enhance the heat resistance and strength of steel (special steel) and increase the function of chlorine resistance, etc. Thus, it is an indispensable rare metal for manufacturing high-quality special steel such as stainless steel. Recently, growing demand in emerging market countries has affected the global demand-supply balance of this material. Thus, nine Japanese companies have been making efforts with the support of the Ministry of Economy, Trade and Industry and others to secure stable procurement of molybdenum oxide from CODELCO. This loan will be extended to CODELCO, which produces molybdenum products, on the premise of long-term purchase of molybdenum oxide by Japanese companies. The loan will be used as funds necessary to establish a new refinery plant of CODELCO. The loan has high significance in securing medium and long term access to mineral resources for Japan.



molybdenum oxide

Financing for Japanese Power Companies to Support Stable Supplies of LNG

Stable supply of the energy resources that sustain our daily lives and economic activity is a vital issue, and LNG has recently become increasingly important as a primary source of energy. In response to these circumstances, JBIC provides Japanese power companies with the funding necessary for import of LNG. This financing, by supporting LNG procurement by Japanese power companies, contributes to a stable supply of energy resources for Japan, and the stability of power supplies that are essential to daily life.



Overseas Investment Loans

Overseas investment loans support Japanese foreign direct investments. They are extended to Japanese companies (investors), overseas affiliates including joint ventures where Japanese companies have equity interests and governments or financial institutions that make equity participations in or extend loans to such overseas affiliates.

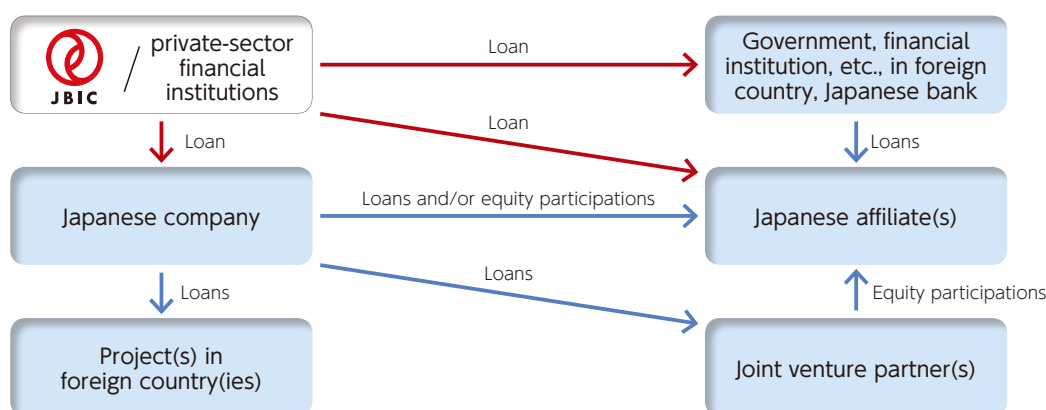
Direct loans to Japanese companies are intended for SMEs, as well as for projects aimed at developing or securing inter-ests in overseas resources that are strategically important to Japan, or for projects to assist with merger and acquisition (M&A) activities and other agreements (including to large companies). Moreover, JBIC is able to provide two-step loans (TSLs) to support the overseas business deployment of

Japanese companies including SMEs, as well as TSLs intended to support their M&A activities. JBIC is also able to provide short-term loans for overseas business operations when bridge loans are required to fill the financing gap before it offers long-term loans. JBIC is further empowered to extend investment loans for projects in developed countries for eligible sectors (see note).

(Note)

Eligible Sectors of Overseas Investment Loans in Developed Countries (As of July 31, 2013)

Railways (high-speed, inter-city projects and projects in major cities), water business, renewable energy power generation, nuclear power generation, power transformation, transmission and distribution, highly efficient coal-fired power generation, coal gasification, carbon capture and storage (CCS), smart grid, development of telecommunications network, biomass fuel production, highly efficient gas-fired power generation, aircraft maintenance and sales, M&A activities, etc.



Supporting Financing for Large-Scale LNG Project Led by Japanese Companies

JBIC provides loans to finance Australia's large-scale Ichthys LNG Project where Japanese companies have been taking the lead in developing the gas and condensate fields and producing LNG and other petroleum products. The global demand of LNG is projected to increase due to growing demand in emerging market countries and heightened environmental awareness. In Japan, there have been increasing hopes for a stable supply of LNG in recent years. This prospect has made Australia, with its abundant gas reserves and political and economic stability, increasingly important as a supply source of LNG. In this context, supporting Japanese companies for leading the development of energy resources in this project has a significant implication for securing a stable LNG supply to Japan.



Supporting Japanese Company's Business Activities by Providing Loan in Local Currency

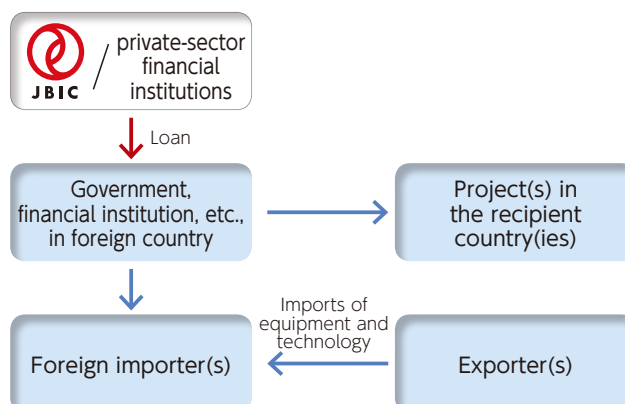
JBIC provides a loan denominated in Indonesia rupiah to PT. JTEKT INDONESIA (JID), an Indonesian subsidiary of Japanese JTEKT CORPORATION. This loan is intended to finance JID to add additional equipment facilities for expanding their manufacturing and sales of automobile and motorcycle parts such as electric power steering, bearings and starter clutches. Indonesia is a promising market with sustained growth, which is indicated by its annual production of over 1.0 million automobiles in 2012. This loan will contribute to maintaining and improving the international competitiveness of the Japanese automobile parts industry.



Untied Loans

Untied loans are financing basically to developing countries necessary to implement projects and import goods, or for such countries to level their international balance of trade, or stabilize their currency. Loans are not conditional on procurement of equipment and materials from Japan.

Capital procured from untied loans is used to: Secure stable supplies of energy and mineral resources to Japan; Promote business activities of Japanese companies; Maintain and expand trade and direct investment from Japan; Finance projects having significant effect on global environmental preservation; and Finance projects maintaining international financial order.



GREEN Operations

JBIC launched GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations in April 2010. Previously, JBIC's financing operations had centered mainly on projects directly aiming to maintain and improve international competitiveness of Japanese industries, such as projects involving Japanese companies' investment and machinery/equipment exports. Accordingly, projects dedicated solely to preservation of the global environment were so far not eligible for JBIC support. Launching GREEN operations enabled JBIC to focus its financing on projects seeking to preserve the global environment, such as those that materially reduce greenhouse gas (GHG) emissions, while propagating advanced Japanese environmental technologies across the world.

Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming



Eligible Entity:

Foreign government, governmental agencies or local governments, public enterprises such as utilities operating closely with government, foreign financial institution, multilateral institution.

Eligible Projects:

1. Favorable impact on preservation of the global environment, such as significantly reducing GHG emissions.
2. Accepting JBIC-MRV* process on the effect of the environmental preservation. (e.g. Energy efficiency improvement, Renewable energy, etc.)

* JBIC original methodology for Measurement, Reporting and Verification.

Supporting GHG Emission Reduction Projects in Brazil

JBIC provides a long-term loan to Petróleo Brasileiro S.A. (PETROBRAS), a state-owned oil company of Brazil under JBIC's GREEN operations. The loan will support reduce GHG emissions by financing the co-generation project at Comperj oil concessions and the flaring gas reduction project at multiple offshore oil fields in the Campos Basin¹. This loan will support reduce GHG emissions as well as further strengthen the relationship between JBIC and PETROBRAS, which has high presence in Brazil, as it holds the majority of the

country's oil and gas reserves, and on which Japanese companies have focused attention as a business partner.



1. This project aims to reduce GHG emissions by diverting flaring gas, which was being wasted previously, to increase the supply for domestic consumption in Brazil, upon the stabilization and capacity expansions of compressors etc.

Supporting Japanese Business Activities Affected by Flood Damage

JBIC provides a loan for KASIKORNBANK Public Company Limited (KBANK), a commercial bank in Thailand, to support the recovery and business efforts of a number of Japanese local affiliates that suffered directly or indirectly from the unprecedented flood that occurred mainly in Ayutthaya and Pathumthani Provinces, and the capital city, Bangkok in 2011. It provides long-term sub-loans to subsidiaries of Japanese SMEs as well as those local companies that constitute supply chains of Japanese affiliates through KBANK.

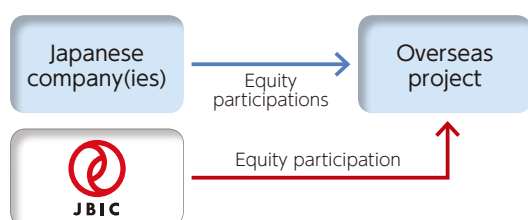
This loan is thereby aiming at a speedy recovery of Japanese business activities. Ten regional financial institutions across Japan having partnership with KBANK participated in this loan as cofinanciers.



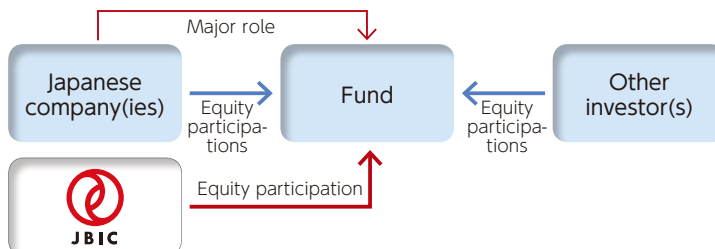
Equity Participations

Equity participations are capital contributions to the companies which Japanese companies have equity stakes set up by Japanese companies to undertake overseas projects and funds where Japanese companies perform a significant role. In principle, equity participations take the following forms.

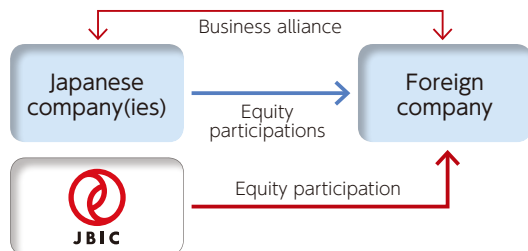
Japanese companies make equity participation in an overseas project



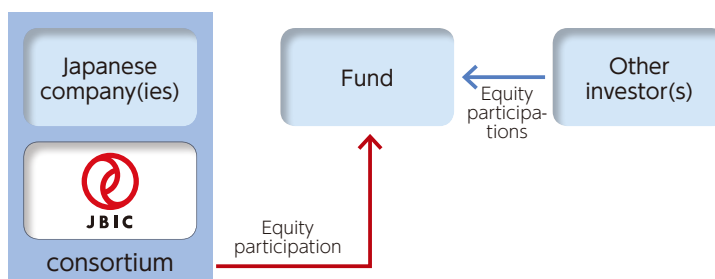
Japanese companies participate in fund (and perform such major role as general partner in their management and investment decisions)



Japanese companies acquire equity interests in a foreign company to form business alliance



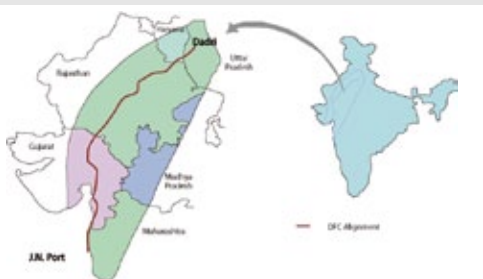
Japanese companies form a consortium and participate in an international fund



Supporting Japanese Companies' Participation in Infrastructure Projects

JBIC contributes to Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC) in India by its equity participation. DMICDC has been incorporated for carrying out project development activities such as preparing feasibility study and development master plans and for coordinating the implementation of the various projects including support to obtain necessary licenses for the Delhi Mumbai Industrial Corridor (DMICDC) project², cooperating with the central government of India and State governments in DMIC region. With this equity participation in DMICDC, JBIC intends to advise structuring infrastructure projects in the DMIC region from their early stages and thereby support the participation of Japanese companies in these projects.

2. The DMIC project is a Japan-India joint development project which aims to build a freight rail line to connect Delhi and Mumbai and develop infrastructure along the line such as industrial estates, logistics parks, power plants, roads, ports, residential areas and commercial facilities mainly by mobilizing private investments.



Supporting Japanese Companies' Participation in Infrastructure Projects in Southeast Asian Countries

JBIC contributes capital to The CapAsia ASEAN Infrastructure Fund III L.P. (the Fund) managed by Capital Advisors Partners Asia Pte. Ltd., (CapAsia), a fund management company in Singapore. The Fund is a private equity fund targeting investment in infrastructure projects in Southeast Asian countries. Also investors in the Fund are: The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU), The Rohatyn Group (TRG), the fund management company in the U.S., and CIMB Group (CIMB), a major financial group in Malaysia. TRG and CIMB are the parent companies of CapAsia. Through participating in the Fund, CapAsia, TRG and CIMB will identify new projects by making use of their existing networks. Additionally, BTMU aims to provide its customers with business relationships between the Fund portfolio companies as well as provide financial instruments to the portfolio companies and promote cooperation with Japanese companies. The participation of BTMU and JBIC in the Fund is expected to lead to strengthening support for the overseas business expansion of Japanese companies and deploying Japanese overseas infrastructure business promoted under the cooperation between the public and private sectors.

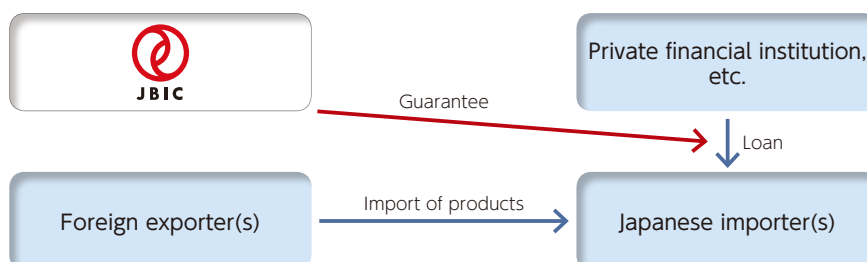


Guarantees

In addition to loans and equity participations, JBIC also provides support through its guarantee facility. Guarantees are provided for loans extended by private financial institutions, bonds issued by governments of developing countries or overseas Japanese companies, and currency swap transactions. JBIC also issues reinsurance for guarantees from export credit agencies in other countries.

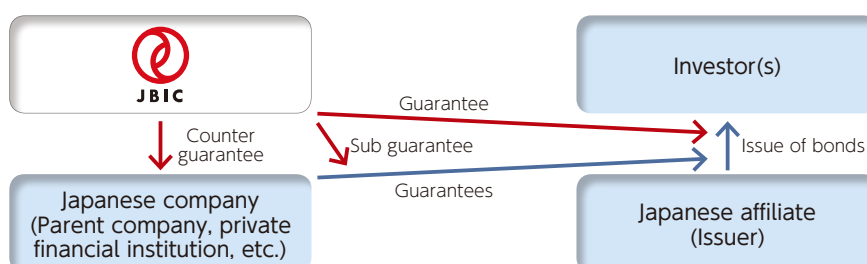
■ Guarantees for Imports of Manufactured Products

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



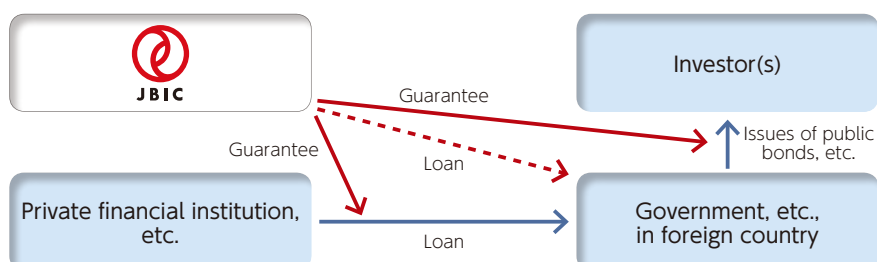
■ Guarantees for Corporate Bonds Issued by Japanese Affiliates

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



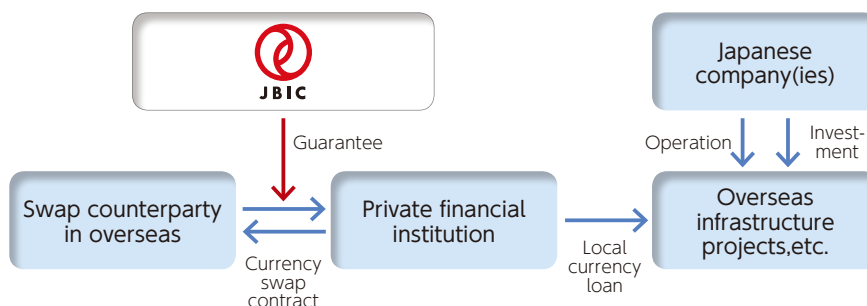
■ Guarantees for Co-financing, Overseas Syndicated Loans and Public Sector Bonds

Loans to developing countries involve, among others, currency conversion and transfer risks, 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 companies expanding international business activities.



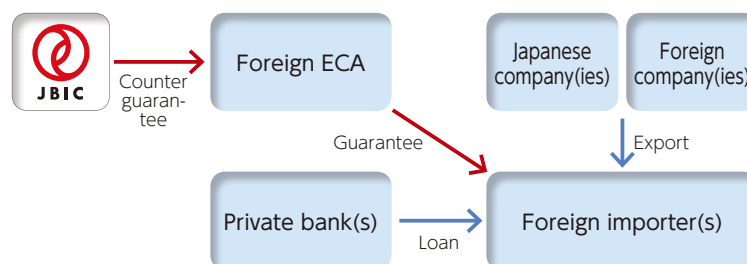
■ Guarantees for Currency Swaps

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



■ Counter Guarantees for Export Credits

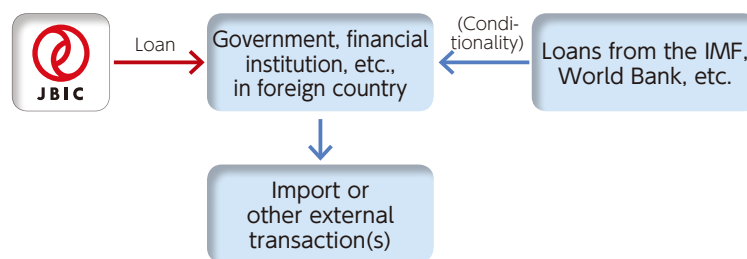
In the case where Japanese companies export machinery and equipment jointly with other country's companies, JBIC provides a counter guarantee for the guarantee provided by that country's Export Credit Agency (ECA). This function enables JBIC to participate in multilateral mutual guarantee schemes with other ECAs, which reduces the administrative burden of exporters and expedites the arrangement of financing. Through such schemes, JBIC supports the exports by Japanese companies in cooperation with foreign exporters.



Bridge Loans

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

JBIC provided bridge loans (short-term bridging loans) for Myanmar in January 2013 to support clear the arrears of past loans from the Asian Development Bank (ADB) and the International Development Association (IDA), one of the World Bank Group.



Acquisition of Loan Assets and Public and Corporate Bonds

When JBIC provides export loans, import loans, overseas investment loans and untied loans, JBIC can also provide credits, in addition to providing loans and guarantees, by purchasing loan assets and acquiring public and corporate bonds¹ issued by borrowers for funding. The objective of such

operations is to promote private financial institutions' loans in international finance and Japanese companies' funding in international capital markets.

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

Research and Studies

JBIC conducts research and studies on individual projects during their initial stage, as well as research and studies focused on specific regions or industry sectors that may have a bearing on specific projects occasionally. This is an effective means of uncovering potentially favorable projects, and supports to increase exports of materials and services from Japan for that project, as well as to expand opportunities for participation by Japanese companies. Research and studies are conducted at each stage necessary for realization of the project, including creation of a master plan for an individual project, conducting of prefeasibility and feasibility studies (Pre-F/S, F/S), front end

engineering design (FEED), and studies of regions and industry sectors linked to specific projects. After the research and studies are completed, follow-up reviews are conducted at least once each year to confirm the progress of the project. Research and studies are conducted in the following order.

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

Securitization, etc.

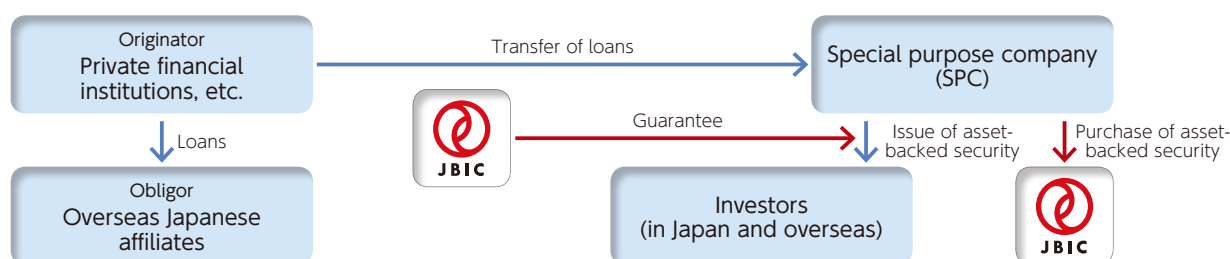
JBIC provides support for securitization, etc. in order to supplement and encourage the activities of private financial institutions.

1. Securitization (Guarantees)

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

2. Securitization (Acquisition of Securities)

JBIC supports bond issues by acquiring a portion of the asset-backed securities issued by SPCs or trust companies with loans or other assets as collateral. JBIC's acquisition will contribute to the smooth issuance of bonds, as well as stimulates the market by circulating the acquired bonds back into the market when market conditions allow it.

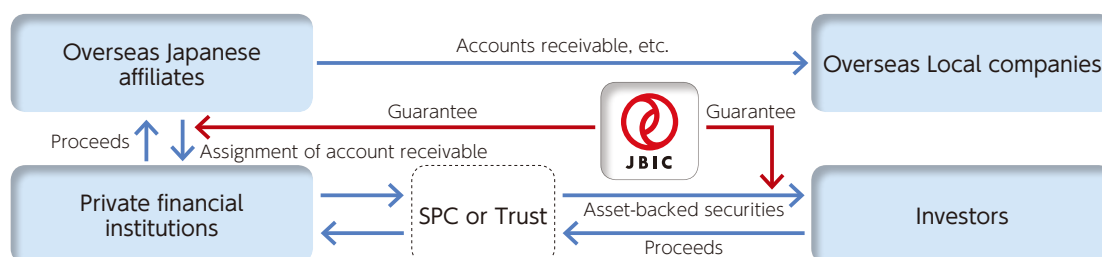


The above diagrams depict the schemes where SPCs are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

3. Securitization of Receivables, etc.

JBIC provides guarantees for the receivables and other monetary claims held by overseas subsidiaries of Japanese companies, in order to facilitate the purchase of such receivables

by banks. JBIC is also able to provide guarantees for securities issued by SPCs or trust companies to secure monetary claims they have acquired from overseas Japanese subsidiaries.



Supporting Securitization of Credit Card Receivables in Thailand



JBIC acquires a part of asset-backed securities (ABS) in a securitization transaction of the credit card receivables originated by AEON Thana Sinsap (Thailand) Public Company Limited (ATS), a subsidiary of AEON Financial Service Co., Ltd. JBIC also provides guarantee for the remaining portion of this ABS and an asset-backed loan funded by private investors. This transaction is the first securitization deal with the investors outside Thailand for ATS and the

first credit card receivables securitization deal for JBIC. With JBIC's partial acquisition and guarantee provision to the securitized product, this transaction is expected to contribute to meeting the needs of ATS for diversification of funding as well as to providing investment opportunities to private investors in the market by mitigating country risk and structuring risk.

Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations

Growing interest in environmental conservation has led to a worldwide trend for more rigorous environmental regulations. There are not a few cases, especially in overseas projects, in which insufficient risk management of possible environmental and social impacts has seriously affected project implementation or undermined social reputation.

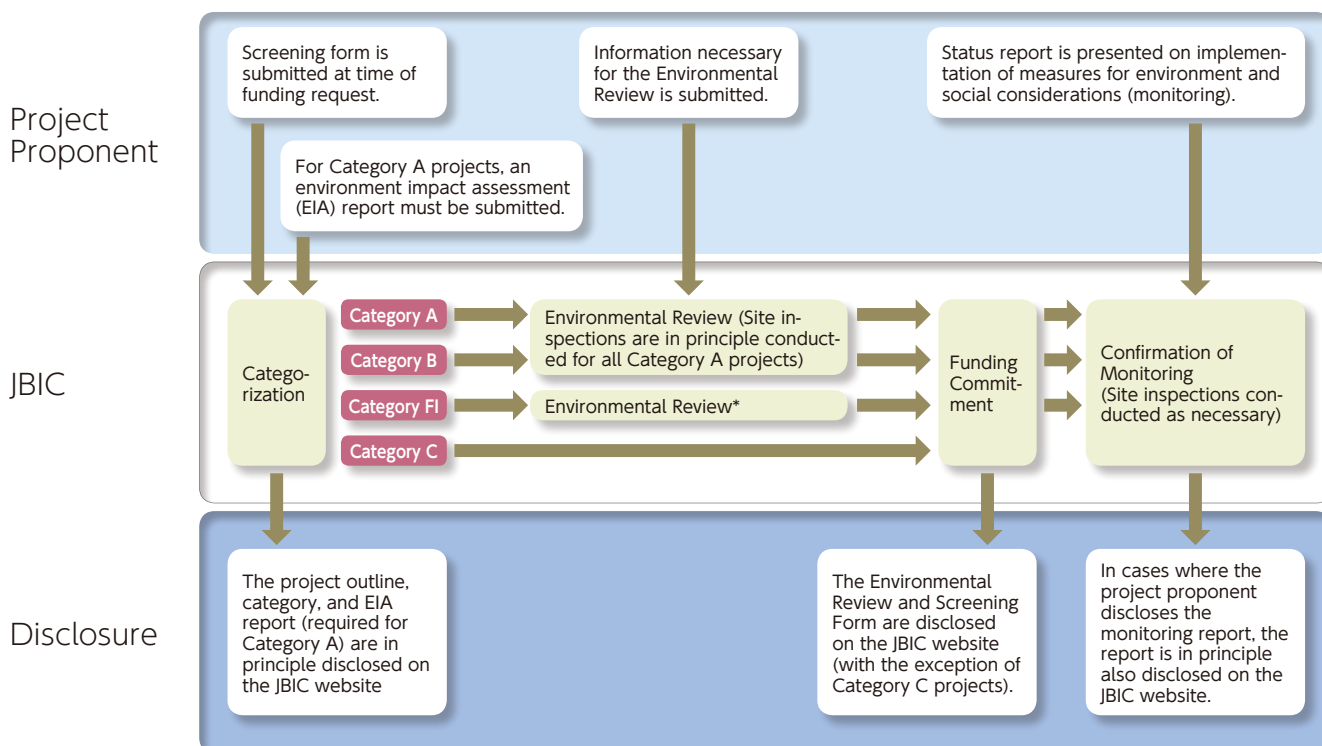
In conducting these operations, JBIC confirms whether the borrower makes appropriate considerations for local communities and the natural environment in all the JBIC-financed projects based on the "Japan Bank for International Coopera-

tion Guidelines for Confirmation of Environmental and Social Considerations" (Environmental Guidelines).

The Environmental Guidelines set out the procedures, criteria and requirements that JBIC-financed projects must meet in confirmation of environmental and social considerations. When JBIC judges the project proponents have not made appropriate environmental and social considerations, it will encourage them to take remedial measures. If appropriate environmental and social considerations have not been taken, JBIC may decide not to extend funding.

Procedure for Confirmation of Environmental and Social Considerations

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



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

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

Category A: Project with the potential for a serious and adverse impact on the environment.

Category B: Project with the potential for an adverse impact on the environment, but less than that of Category A projects.

Category C: Project with the potential for minimal or no adverse impact on the environment.

Category FI: Project for which JBIC provides funding to a financial intermediary, and after acceptance of JBIC funding, the financial intermediary selects and conducts screenings for specific subprojects, in cases where subprojects cannot be determined prior to acceptance of JBIC funding, and where such subprojects are anticipated to have an impact on the environment.

2. Prominent Initiatives in Recent Years

Efforts to Meet Local Currency Needs

The Japanese yen, U.S. dollar and Euro are the standard currencies of financing of JBIC, and in order to meet the increasing demands for financing denominated in other currencies (including currencies of developing countries), JBIC has been working on the following financing menu:

1. Direct loans (in local currency):

Direct loans in currencies other than the Japanese yen, U.S. dollar and Euro can be considered on a case-by-case basis by confirming the availability of funding in such currencies.

2. Two-step-loans (TSLs) through local financial institutions:

JBIC provides loans to local financial institutions in developing countries (including local subsidiaries/branches of Japanese financial institutions) in the Japanese yen or U.S. dollar, who, in turn, extend sub-loans in local currencies.

3. Guarantees for corporate bond issues denominated in local currencies:

JBIC provides guarantees for bonds issued in local currencies by Japanese subsidiaries operating overseas, under the Asian Bond Markets Initiatives (ABMI) agreed at the 6th ASEAN+3 (Japan, China and Korea) Finance Ministers' Meeting in August 2003.

4. Guarantees for loans denominated in local currencies:

JBIC provides guarantees for loans in local currencies provided by private financial institutions to support local currency financing.

5. Guarantees for currency swaps:

In April 2012, JBIC started the guarantee operations for cross-currency swap transactions in order to facilitate funding of local currencies.

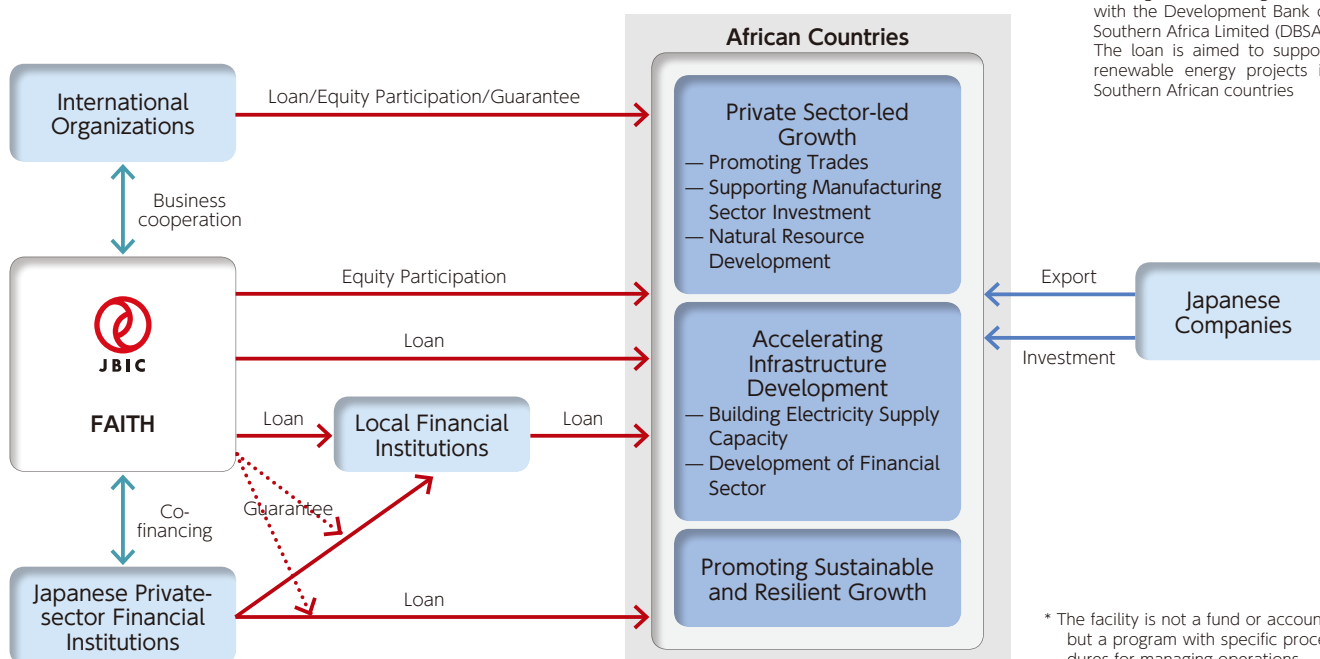
JBIC Facility for African Investment and Trade Enhancement (FAITH)

JBIC launched in June 2013 the JBIC Facility for African Investment and Trade Enhancement ("FAITH") to support the promotion of private sector-led growth and the acceleration of infrastructure development in African countries by drawing on its financial instruments such as loans, equity participations and guarantees. FAITH was expanded and evolved from the JBIC Facility for African Investment ("FAI") launched in April 2009. Under FAITH, JBIC will actively extend loans, including those in local currency, make equity participations and provide guarantees in African countries in cooperation with international organizations. In TICAD V, the Government of

Japan expressed that it would work toward expanding trade and investment in African countries in tandem with the private sector. Under FAITH, it is expected that such financial support would approximately amount to 5 billion U.S. dollars over the next 5 years.



JBIC signed a loan agreement with the Development Bank of Southern Africa Limited (DBSA). The loan is aimed to support renewable energy projects in Southern African countries



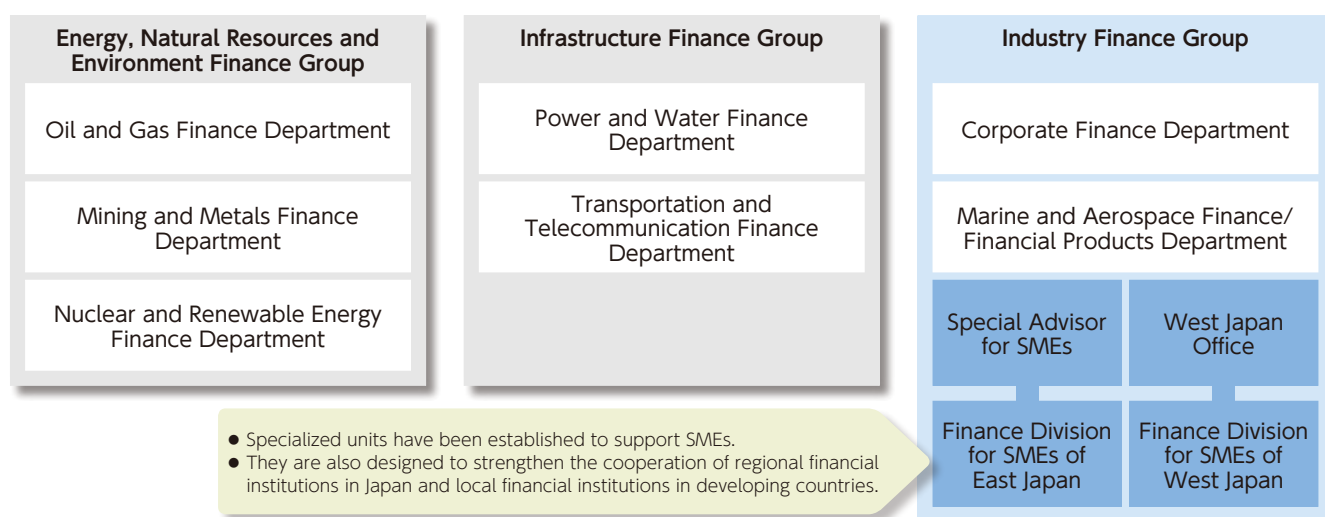
3. Framework for Supporting Globalization Efforts of SMEs

As the globalization of the world economy advances, it has become imperative for Japanese mid-tier enterprises as well as small and medium enterprises (collectively “SMEs”) to actively develop overseas business. JBIC supports such activities by providing information and holding seminars on the overseas investment climate, as well as directly supporting the financing of overseas operations through loans and equity participation. JBIC also supports these efforts through its collaboration with regional financial institutions in Japan and local financial institutions in developing countries.

■ Strengthening the Framework for Supporting SMEs

Following the inauguration of JBIC in April 2012, JBIC assigned operating officers dedicated to providing support for Japanese SMEs with their overseas business development, in order to conduct operations more responsively and flexibly. These officers are responsible for SMEs in East Japan and West Japan, separately. JBIC also set up units that specialize in the support of overseas business development of SMEs at its Head Office in Tokyo and West Japan Office in Osaka, respectively. These arrangements, together with the 16 overseas representative offices in JBIC’s worldwide network, have further strengthened the framework for supporting SMEs. This allows JBIC, for example, a better opportunity for providing information on specific loans and investment climates abroad.

Organization of JBIC’s Finance Groups (from April 2012)



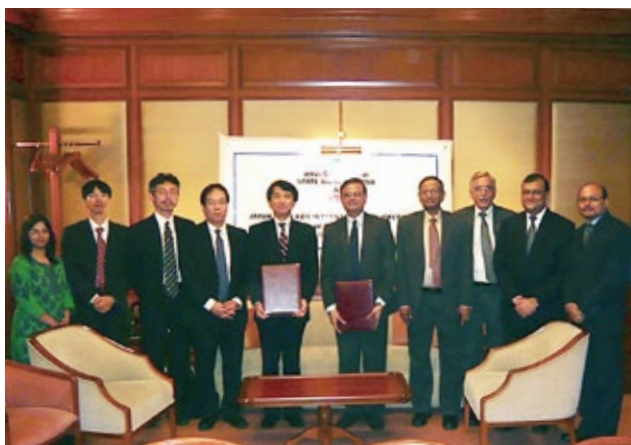
■ Cooperation with Local Financial Institutions in Developing Countries

On December 21, 2010, the Financial Services Agency, the Ministry of Finance, and the Ministry of Economy, Trade and Industry announced a joint policy called the “Development and Strengthening of Support System by Financial Institutions for Small and Medium Enterprises’ Entry into Asia through Coordination among Japanese Regional Financial Institutions,

Japan Bank for International Cooperation (JBIC) and Japan External Trade Organization (JETRO).” Under this policy, JBIC has been working with the Regional Banks Association of Japan and other entities to strengthen cooperation with local financial institutions in developing countries while identifying what kind of support Japanese SMEs need through Japanese regional financial institutions to expand their business operations overseas.

Local Financial Institutions in Developing Countries and Participating Japanese Regional Financial Institutions

Country	Local Financial Institutions in Developing Countries	When MOU was signed	Number of participating Japanese Regional Financial Institutions
Thailand	KASIKORNBANK Public Company Limited	May 2011	25 (as of May 2, 2013)
Indonesia	PT. Bank Negara Indonesia	July 2011	31 (as of May 7, 2013)
India	State Bank of India	August 2012	38 (as of March 13, 2013)
The Philippines	BDO Unibank, Inc. (BDO)	March 2013	7 (as of July 23, 2013)
	Metropolitan Bank and Trust Company (Metrobank)	March 2013	33 (as of July 23, 2013)



MOU signed with the State Bank of India

In FY2011 and FY2012, JBIC signed a memorandum of understanding (MOU) with several local financial institutions in Thailand, Indonesia, India, and the Philippines to provide a framework for supporting Japanese SMEs in expanding their operations overseas through regional financial institutions in Japan. Under these MOUs, JBIC has encouraged these local financial institutions in the four countries to newly set up a single contact point for Japanese companies ("Japan Desk") or expand such Japan Desk if one already exists. It has also built a framework for continuous consultation with each of them on specific means to cooperate in support of Japanese SMEs in doing business there. Many regional financial institutions in Japan have already joined such frameworks.

■ Cooperation with Japanese Regional Financial Institutions

JBIC has signed MOUs on the operational cooperation of regional financial institutions in Japan chiefly to exchange information on overseas business operations of Japanese companies, particularly Japanese local SMEs, as well as on the investment climate of overseas countries.

In November 2012, JBIC signed an MOU on operational cooperation with The Hyakujushi Bank, Ltd. (114Bank) of Japan for three major purposes: (i) supporting overseas business activities of Japanese companies, particularly SMEs in the Setouchi area where the 114Bank has its main business base; (ii) exchanging information on investment climates in foreign countries; and (iii) expanding cofinancing for them. Under this MOU, JBIC, in cooperation with 114Bank, signed a loan agreement in the same month with ASAHI Switchgear Products Limited, an Indian subsidiary of HIROSE Corporation. Based in Mitoyo City, Kagawa Prefecture, HIROSE Corporation is an SME that designs, manufactures, and sells high voltage distribution switchgears and control panels of various kinds.

JBIC's efforts in this regard were not limited to Japan only. In July 2012, JBIC organized a meeting in Bangkok, Thailand, with local representatives of Japanese regional financial institutions to exchange views on how to support Japanese companies operating locally. This is just one example of JBIC's ongoing efforts to further strengthen the framework for assisting Japanese SMEs to expand their overseas business operations in cooperation with Japanese regional financial institutions.

■ Information Services, Seminars, etc.

JBIC organizes seminars and consultation sessions on overseas business expansion in cooperation with other Japanese entities, including regional banks and other local financial institutions, prefectural and municipal governments, and local chambers of commerce and industry. It also conducts field studies to assess investment climates in countries where Japanese companies are actively doing business. The findings of these studies are compiled into guidebooks, which are available in book form and on JBIC's website.

During FY2012, JBIC published four such guidebooks in Japanese: "Investment Climate in Thailand," "Investment Climate in Viet Nam," "Investment Climate Series in China: An Overview," and "Investment Climate in Indonesia."

Moreover, JBIC provides knowledge and advice on investing overseas and how to start businesses overseas. It also



A seminar on overseas investment

offers an itinerant advisory service in many parts of Japan in cooperation with prefectural and municipal governments and local chambers of commerce and industry that support local companies in expanding their operations overseas. This service, which is available on a regular basis in Sendai, Ota, Tokyo, and Nagoya, offers advice on the overseas investment climate and how to obtain long-term financing, among other topics. As part of its advisory services, JBIC also offers advice on taxes, accounting, and legal matters in relation to China, India, and ASEAN countries, through external experts, as early as the preliminary consultation phase.

Operational and Administrative Policies

5

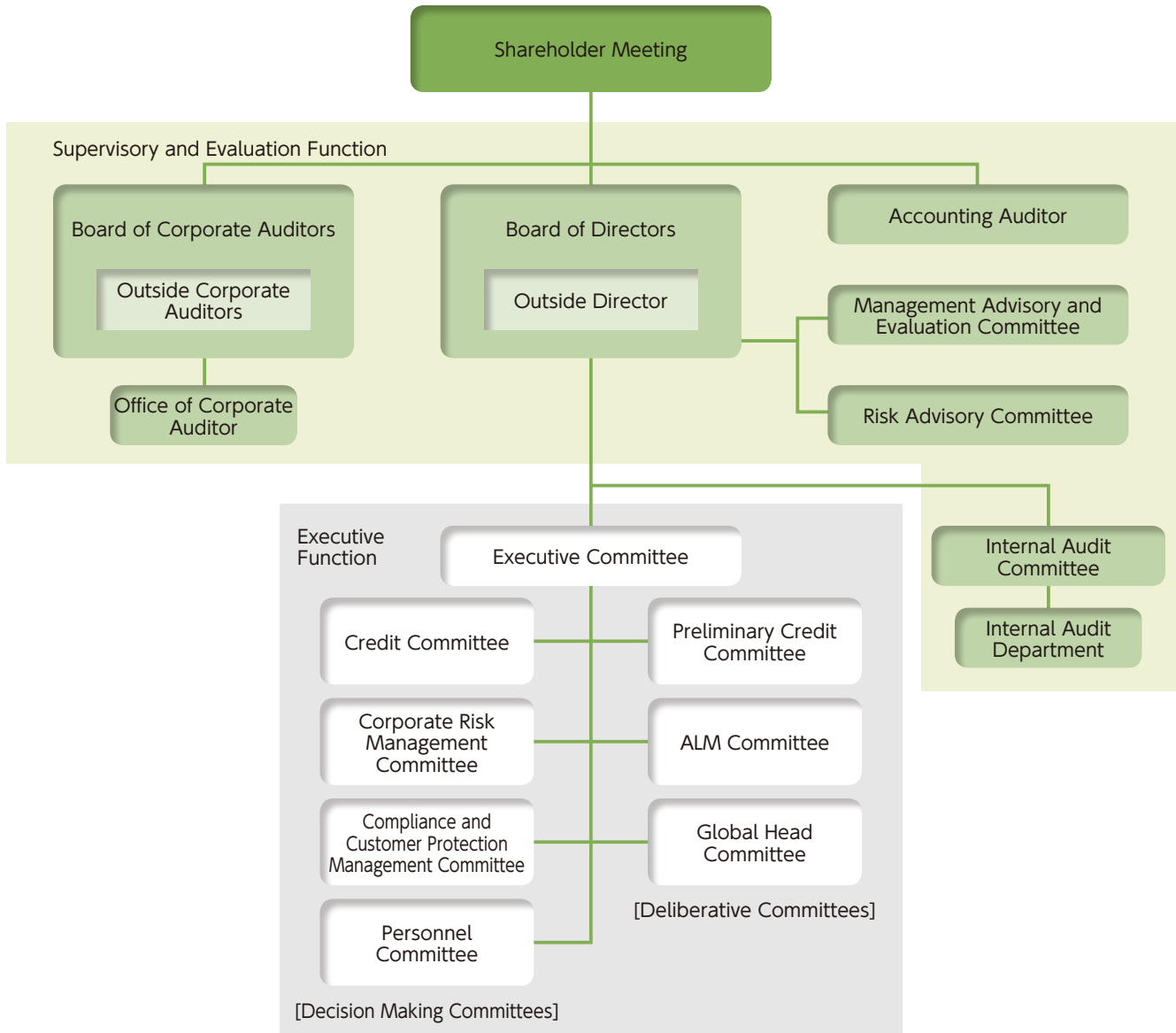
1	Corporate Governance	70
2	Risk Management	74
3	Public Information and Disclosure	77

1• Corporate Governance

■ Fundamental Approach to Corporate Governance

JBIC is making efforts to build corporate governance structure in conducting operations with particular attention to integrity

and efficiency, as it seeks to fulfill the mission set out under the JBIC Act (Law No. 39, 2012) and realize its corporate philosophy.



■ How National Government is Involved in JBIC

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

■ Supervisory and Evaluation Function and the Conduct of JBIC Operations

To strengthen the supervisory and evaluative function of the

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

(1) Board of Directors

The Board of Directors consists of 5 members, of which one member is an outside director as set forth in the Companies Act. The external director supervises the conduct of JBIC

operations from the point of view of a corporate outsider, apart from representative directors of JBIC. In addition, he contributes to improving the governance of JBIC as a member of the Management Advisory and Evaluation Committee as well as the Risk Advisory Committee.

(2) Board of Corporate Auditors

The Board of Corporate Auditors consists of 3 auditors, of which two are outside corporate auditors, as set forth in the Companies Act. Outside corporate auditors contribute to improving the governance structure of JBIC, as they cooperate with the full-time auditor in auditing the conduct of its operations. As a section helping them execute their responsibilities, there is the Office of Corporate Auditor.

(3) Management Advisory and Evaluation Committee

The Management Advisory and Evaluation Committee consists of 3 to 7 external experts and the outside director. They make assessment and offer advice on the matters referred to them by the Board of Directors pertaining to the business operations and management of JBIC.

List of Members of the Management Advisory and Evaluation Committee

Name	Occupation
○ Shujiro Urata	Professor, Graduate School of Asia-Pacific Studies, Waseda University
Akira Kondoh	JBIC Managing Director (Outside Director)
Yoshikatsu Suzuki	Senior Commentator of Jiji Press Ltd.
◎ Yuzo Takagi	Chairman & Representative of Audit Corporation GODAI, Certified Public Accountant
Mikiko Fujiwara	CEO of Alpha Associates Co., Ltd.
Hirokazu Yoshikawa	Senior Corporate Adviser of DOWA Holdings Co., Ltd.

◎ Chairman
○ Deputy-chairman
(Listed in the order of 50 character kana syllabary, name listed without honorifics)

(4) Risk Advisory Committee

The Risk Advisory Committee consists of 3 to 7 external experts and the outside director. They offer advice on the matters referred to them by the Board of Directors pertaining to risk management and assessment framework associated with large-lot debtors and risk exposure to large-scale projects.

List of Members of the Risk Advisory Committee

Name	Occupation
Shuhei Abe	President, CEO&CIO of SPARX Group Co., Ltd.
Akira Kondoh	JBIC Managing Director (Outside Director)
Toshiki Tomita	Professor, Faculty of Law, Chuo University
Chieko Matsuda	Professor of Management, Graduate School of Social Sciences, Tokyo Metropolitan University

Name	Occupation
○ Keisuke Yokoo	Advisor of Mizuho Securities Co., Ltd.
◎ Naoyuki Yoshino	Professor, Faculty of Economics, Keio University

◎ Chairman
○ Deputy-chairman
(Listed in the order of 50 character kana syllabary, name listed without honorifics)

(5) Internal Audit Committee

The Internal Audit Committee consists of representative directors and the outside director. They make decisions and deliberations concerning important matters pertaining to internal audit, as delegated by the Board of Directors.

(6) Executive Committee

The Executive Committee consists of representative directors, executive director and all the managing executive officers. They make decisions and deliberations concerning important managerial matters, thereby taking responsibility for conducting flexible JBIC operations, as delegated by the Board of Directors. Certain decisions such as financing to a specific project are delegated to the following committees.

(i) Credit Committee

The Credit Committee makes decisions and deliberations concerning important matters on loan, guarantee and equity participation by JBIC, as delegated by the Executive Committee.

(ii) Corporate Risk Management Committee

The Corporate Risk Management Committee makes decisions and deliberations concerning important matters pertaining to the corporate risk management of JBIC, as delegated by the Executive Committee.

(iii) Compliance and Customer Protection Management Committee

The Compliance and Customer Protection Management Committee makes decisions and deliberations concerning important matters pertaining to the compliance and customer protection management of JBIC, as delegated by the Executive Committee.

(iv) Personnel Committee

The Personnel Committee makes decisions and deliberations concerning important matters pertaining to the personnel of JBIC, as delegated by the Executive Committee.

(v) Preliminary Credit Committee

The Preliminary Credit Committee makes deliberations concerning important matters pertaining to assessment policies toward loan, guarantee and equity participation and credit policy toward large-lot debtors, as delegated by the Executive Committee.

(vi) ALM Committee

The ALM Committee makes deliberations concerning important matters pertaining to the asset-liability management (ALM) of JBIC, as delegated by the Executive Committee and the Corporate Risk Management Committee.

(vii) Global Head Committee

The Global Head Committee makes deliberations concerning cross-cutting matters among internal groups, including operational policy for each country or region, as delegated by the Executive Committee.

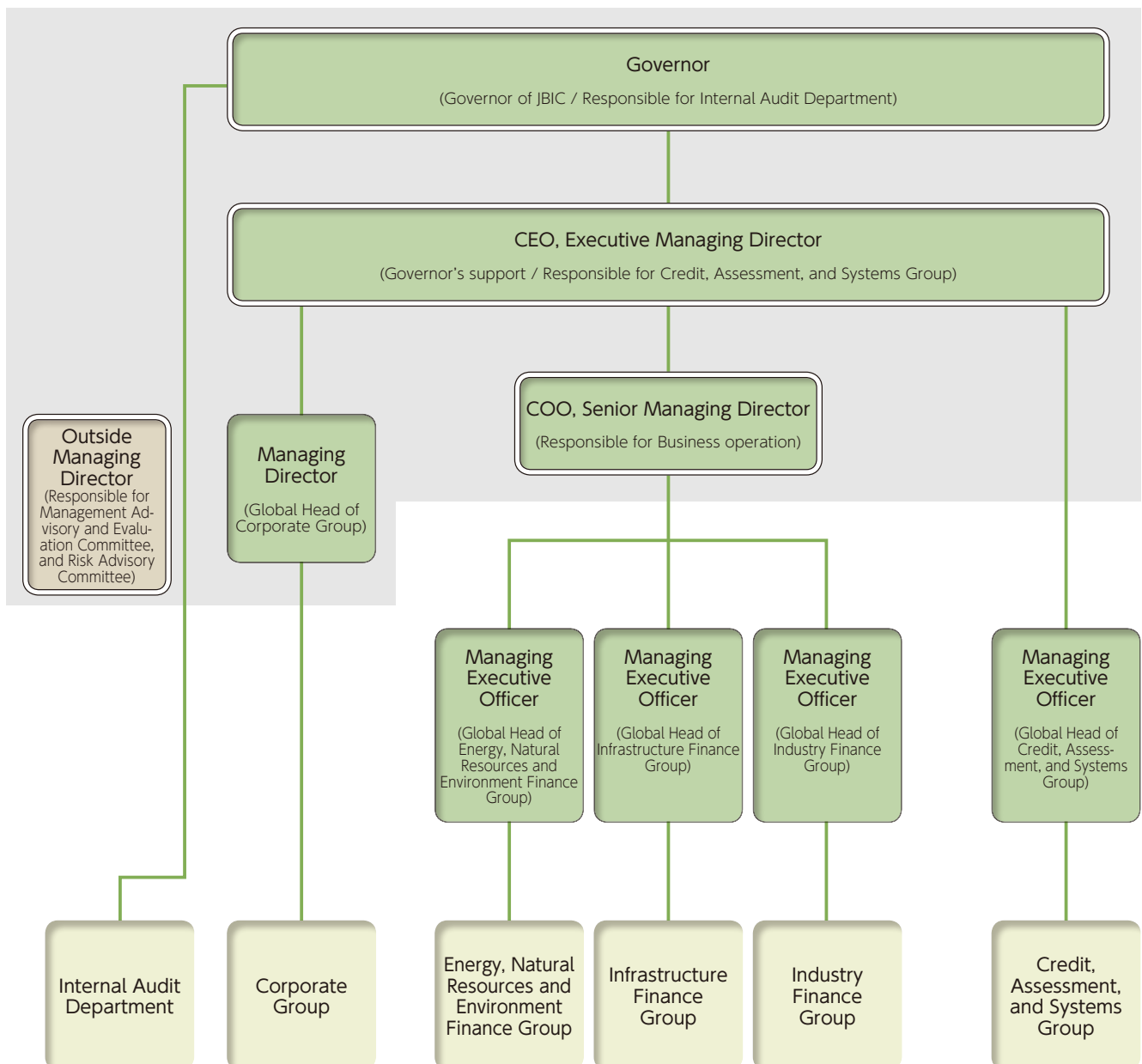
■ Adopting Mission/Sector-Specific Group Structure

JBIC reconstituted its organization and adopted mission/sector-specific group structure in July 2011. Its objective is to strengthen the capacity to formulate projects by bringing together know-how and expertise in each sector and area, thereby facilitating JBIC to perform the functions in its mission

more flexibly and strategically.

Specifically, Corporate Group; Energy, Natural Resources and Environment Finance Group; Infrastructure Finance Group; Industry Finance Group; and Credit, Assessment, and Systems Group were set up, with each Group having departments with special expertise.

For each Group, the responsible board member is appointed, and the managing director or a managing executive officer performs as Global Head of each Group. Each Group is managed in an integral manner under the Global Head of the Group in an effort to conduct speedy, flexible and efficient operations.



Member of Board of Directors



Member of Internal Audit Committee



Member of Executive Committee

(As of April 1, 2013)

■ Fundamental Policy on Internal Control

As an internal control system for overall operations, JBIC has appropriate internal audit procedures to review, as well as evaluate their appropriateness and effectiveness and make recommendations to improve them. For these purposes, JBIC has the Internal Audit Committee, which includes the outside director, as a decision-making body independent of the Executive Committee that is responsible for conducting operations. There is also the Internal Audit Department independent of the line departments and directly reporting to the Governor.

The Internal Audit Department exchanges relevant information and cooperates with Corporate Auditors and an Accounting Auditor for executing efficient internal audit.

(▶ See p. 139 for the Fundamental Policy on Internal Control)

■ Maintenance and Control of Information Assets

JBIC sets forth its fundamental “Security Policy” concerning the use and management of information assets (▶ see p. 141) in order to secure high standard information security and implement proper and efficient operations. Based on the standard, JBIC properly handles, manages, protects and maintains information assets.

■ Compliance

JBIC has set forth in its Code of Conduct to “Maintain high ethical standards and a law-abiding spirit. Observe our moral code as a JBIC member at all times.” Its management and staff members are keenly aware of the public missions and social responsibilities called for in the international community and in civil society. It is also well recognized that any act in violation of laws, regulations or rules by its management and staff will lead to denigrating confidence in JBIC as a whole and have a materially adverse effect on its operations. Attentive to these needs, JBIC is constantly striving toward compliance and operational integrity.

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

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

To foster in-depth understanding of compliance, JBIC makes good use of its Compliance Manual and provides training sessions for its management and staff members. It also develops a compliance program every fiscal year as a basis for making necessary compliance arrangements and providing relevant training.

In addition to the reporting procedures in its ordinary line of business, JBIC has put in place and is properly operating

an internal reporting system such that it is capable of finding significant compliance issues at an early stage and taking appropriate remedial action.

■ Protection of Private Information

JBIC has drawn up and disclosed its Privacy Policy (▶ see p. 142) which stipulates appropriate management of private information held by JBIC pursuant to the provisions of the Act on the Protection of Personal Information Held by Independent Administrative Agencies, etc.

2. Risk Management

In general, the operations of financial institutions involve various risks, including credit risk, market risk (such as interest rate and exchange rate risk, etc.), liquidity risk and operational risk. As a policy-based financial institution, JBIC conducts financial operations to achieve policy objectives. Thus, JBIC differs from private financial institutions in its nature as well as the extent of risks involved in its operations and ways to deal with them. Nonetheless, recognizing the importance of appropriate risk management as a financial institution, JBIC has put in place an institutional system for risk management commensurate with different types of risks and for addressing integrated risk management.

More specifically, JBIC defines the objective of risk management as identifying, measuring and monitoring various risks JBIC is exposed to in the process of conducting operations to ensure the soundness and integrity of operations and increase

transparency. For this purpose, JBIC has designated the staff responsible for managing various risks and has a department working on the overall risk management. In addition, there are the Corporate Risk Management Committee and the ALM Committee that make discussions and considerations for the effective functioning of risk management. JBIC has also set up the Risk Advisory Committee, which consists of external experts, to provide the JBIC Board of Directors with advice on the risk management and assessment system with respect to large-lot debtors and on issues referred to by the JBIC board of directors with respect to risks associated with large-scale projects.

The following sections describe how JBIC manages representative risks JBIC is facing, among various other operational risks, in conducting operations as a policy-based financial institution.

Credit Risk

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

■ Managing Credit Risk

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower's creditworthiness in the process leading to credit approval. When a new loan application is being processed, the relevant finance department and the Credit Department collect and analyze information on the borrower. The overseas representative offices also play

a part in collecting information on foreign governments and companies. It is based on this information and its analysis that credit appraisal takes place, with checks and balances at work between these different departments throughout this process, leading to the final decision by management.

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

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

■ Internal Credit Rating

JBIC has established an internal credit rating system which covers, in principle, all the borrowers. Internal credit ratings are the cornerstone of credit risk management, being used for conducting individual credit appraisals and quantifying credit risks.

■ Internal Assessment of Asset Portfolio

Japanese private financial institutions undertake the internal assessment of asset portfolios in accordance with *Inspection Manual for Deposit-Taking Institutions* (the "Financial Inspection Manual") of Japan's Financial Services Agency. JBIC is similarly undertaking the internal assessment of its loan portfolio, based on the Financial Inspection Manual 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 are mechanisms for securing assets, such as the Paris Club¹ a unique framework for debt management by official creditor countries. The credit risk quantification model incorporating these factors is measuring credit risks and is utilized for internal control.

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 with which both foreign currency-denominated loans and their funding are managed in floating rates. Although yen-denominated loans are mostly made in fixed interest rates, their interest rate risk is limited since the maturities of loans and their corresponding funding are more or less matched. In addition, JBIC carefully calculates and analyzes 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 following

table gives a summary of these transactions.

Credit Risk of Derivatives, etc.

(As of March 31, 2013; 100 millions of yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts
Interest Rate Swaps	24,560	895
Currency Swaps	41,497	6,047
Forward Exchange Contracts	1	0
Other Derivatives	—	—
Credit Risk Reductions through Netting		(2,845)
Total	66,058	4,097

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

(3) Risks Involved in Derivatives Transactions

Derivatives transactions involve the following risks.

► Counterparty Credit Risk

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

► Market Risk

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

(4) Measures to Address These Risks

► Counterparty Credit Risk

JBIC constantly monitors the market value of a derivative in

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.

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, in principle, offset each other.

Liquidity Risk

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

circumstances.

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

Operational 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 losses from the neglect by officers and employees to conduct administrative work properly, accidents caused by them, and violation of laws and regulations caused by them, etc., conducted in the course of the administrative work process. JBIC has been minimizing this risk by ensuring sound operations through scrupulous checks on work processes, creating operational manuals, improving training programs, and streamlining and adopting systematic procedures. 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. JBIC has been minimizing computer system risk by increasing readiness to respond effectively to emergency situations. Specifically, (a) measures have been taken to prevent system malfunctions and leakage of client information; and (b) contingency plans have been prepared to respond to system malfunctions caused by accidents and other causes, and disaster-response drills have been conducted.

3. Public Information and Disclosure

JBIC is providing and disseminating information to a broad range of the domestic and overseas public in an effort to promote further understanding of its operations and activities.

The JBIC Information Center at the Head Office and the West Japan Office make available to the general public various brochures, annual reports, public relations magazines and other materials. In addition, a variety of information about JBIC is provided to the domestic and overseas public through the JBIC website (<http://www.jbic.go.jp/en/>).

■ Publications

JBIC publishes its annual operations and activities, and financial conditions in various disclosure materials, including annual reports, business reports, financial statements, and the Form 10-K submitted to the U.S. Securities and Exchange Commission.

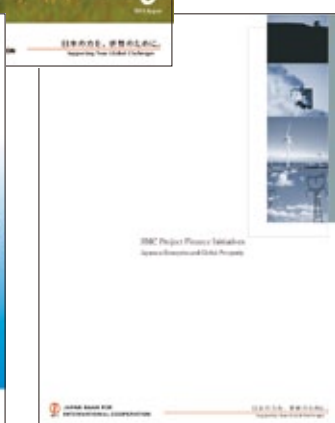
Other publications available to the public include: a public information magazine, "*JBIC TODAY*," which reports JBIC's latest activities and topics on its operations and other relevant issues; "*JBIC Profile: Role and Function*," a brochure describing JBIC operations; and "*JBIC Project Finance Initiatives*."



JBIC Today



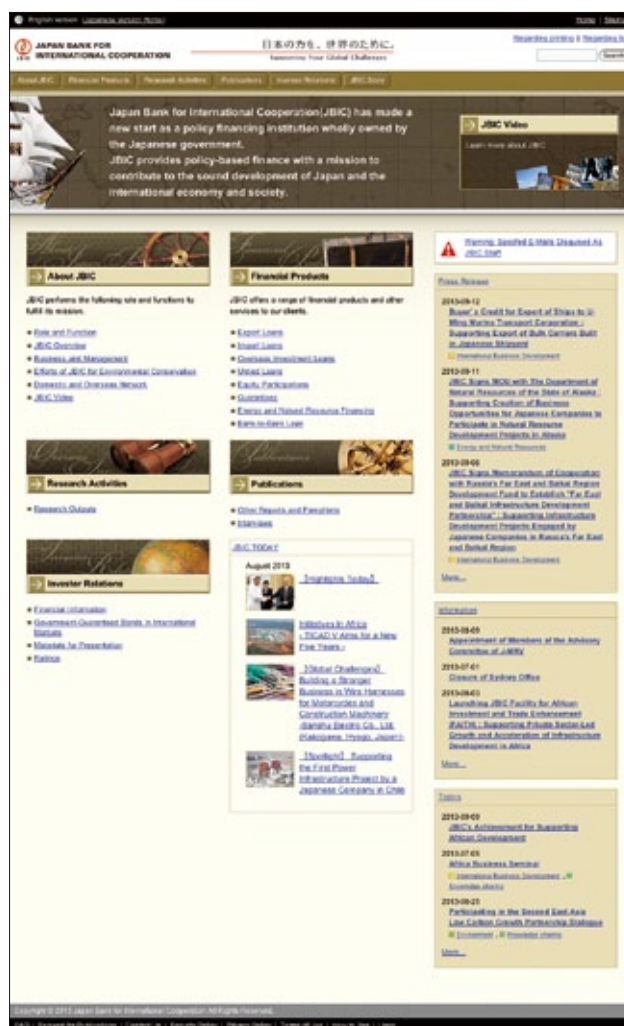
JBIC Profile: Role and Function



JBIC Project Finance Initiatives

■ Website

The website provides access to JBIC information, including its financial instruments, press releases, invitations to seminars, overseas investment climate reports, reports on various studies, activities on environmental issues, annual reports, various brochures, IR information for investors, JBIC videos, and other various types of information.



JBIC website

■ Information Dissemination for the Media

Aside from information dissemination through various publications, the website and other means, JBIC informs the news media about its operations and activities through press conferences and meetings, etc.



Governor Okuda at the press conference

■ Information Dissemination from Overseas

JBIC's overseas representative offices are actively contributing reports and articles to the news media to provide information from overseas. They have also appeared in TV news programs to provide timely topics that can only be reported at the local grassroots level, such as individual consumption and information on taxation, etc.

■ Promoting International Exchange

Since 1976, JBIC has annually held 'JBIC Seminars' in Japan to promote mutual understanding with its overseas business partners and relevant organizations by inviting officials from foreign governments, government agencies, private companies and financial institutions, etc. The cumulative number of seminar participants has exceeded 600 so far.



Participants at the JBIC Seminar

■ Participating in Various Events

JBIC participates in various events both in Japan and overseas to introduce its functions, role, and support activities in environmental and other sectors. In December 2012, JBIC participated in Eco-Products 2012, held at Tokyo Big Sight, by setting up its own booth and making presentations. Outside Japan, JBIC took part in the seminar on digital terrestrial television broadcasting (DTTB), which was held in Quito, Ecuador in July 2012, to promote the transfer to DTTB in the country. In February 2013, JBIC attended the "Investing in African Mining Indaba 2013," conference, one of the world's largest mining conferences, held in Cape Town, South Africa. More information on these and other events in which JBIC has participated is available on the JBIC website.



Eco-Products 2012

■ Disclosure

JBIC discloses to the public operational and financial information to promote further understanding of its current activities as follows.

(Principal) Materials for Providing Information

Source of Information	Access
Business Report	<ul style="list-style-type: none"> Available at the Head Office and the West Japan Office Distributed to the National Diet Library and economic organizations, etc.
Financial Statements	
List of Assets	
Report on Settlement of Accounts	
Auditor's Opinion	<ul style="list-style-type: none"> Available at the Head Office and the West Japan Office Distributed to interested persons/institutions
Audit Report	
Annual Report (Japanese and English) Public Relations Magazine, etc.	<ul style="list-style-type: none"> Available at the Head Office and the West Japan Office Distributed to interested persons/institutions
Website: <ul style="list-style-type: none"> Type of Business Operations, Business Results, Overview of Organization, Financial Composition, etc. 	<ul style="list-style-type: none"> On the internet Address: http://www.jbic.go.jp/en/