

Profile of JBIC

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1. Profile

■ 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

■ Corporate Slogan

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

■ 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

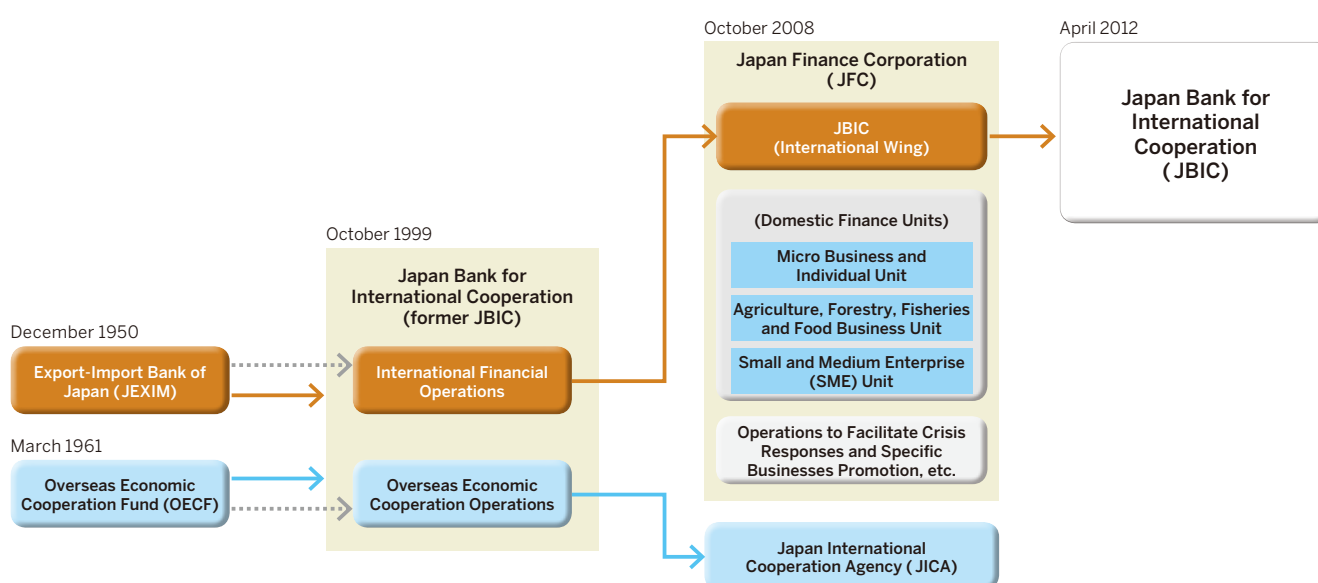
JBIC shall conduct operations by drawing on its own expertise and initiatives on international finance.

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.



Profile

Name	Japan Bank for International Cooperation (JBIC)
Office	4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan
Capital*	¥ 1,391.0 billion (wholly owned by the Japanese government)
Outstanding Loans and Equity Participations**	¥12,881.9 billion
Outstanding Guarantees**	¥ 2,422.6 billion

* As of June 27, 2014

** As of March 31, 2014

2. Message from the Governor, CEO

As we publish the 2014 Annual Report, I would like to express my heartfelt appreciation for your continued understanding and support for our activities.

While the economic slowdown in Europe continued unabated and growth in the emerging countries slowed, the U.S. economy showed signs of a mild recovery. Nonetheless, with trends in the U.S. exit policy from quantitative easing and its impact on markets in emerging countries, there are continuing concerns about the risk of a downturn in the global economy.

Against this backdrop, the international economic climate surrounding Japan is undergoing dramatic change. As competition for securing natural resources remains intense, a stable supply of natural resources and diversifying the supply source is a crucial challenge for Japan that is directly linked to national living standards. Moreover, the overseas deployment of infrastructure systems, including management know-how and operation and maintenance, has become critical for Japanese industries. In addition, achieving economic growth in harmony with global environmental sustainability is an issue common to all countries, and there are growing needs for projects that capitalize on Japan's advanced environmental technologies, renewable energy projects, and other projects conducive to conserving or improving the environment.

In view of such changes both overseas and in Japan, JBIC, as Japan's policy-based financial institution, will provide even more extensive support to the overseas business deployment of Japanese companies.

Hiroshi Watanabe
Governor, CEO
Japan Bank for International Cooperation
(JBIC)



Interview with the Governor, CEO

Business climate and evaluation of JBIC's performance

— It has been two years since the new JBIC was established. Overall, how do you evaluate the operation of the new organization?

JBIC was established in April 2012 under the Japan Bank for International Cooperation Act, and began operations as a policy-based financial institution wholly owned by the Japanese government. So far, I believe, JBIC has been able to function and carry out its operations with great flexibility, a high degree of expertise and improved capacity for negotiations with overseas companies, institutions, and governments.

To recap the past two years, fiscal year 2012, the first year of the new JBIC, saw a total of ¥4,240.9 billion in loans, guarantees, and equity participation largely contributed by commitment to natural resources development projects and M&A. This was the largest amount since the establishment of the Export-Import Bank of Japan, the former JBIC.

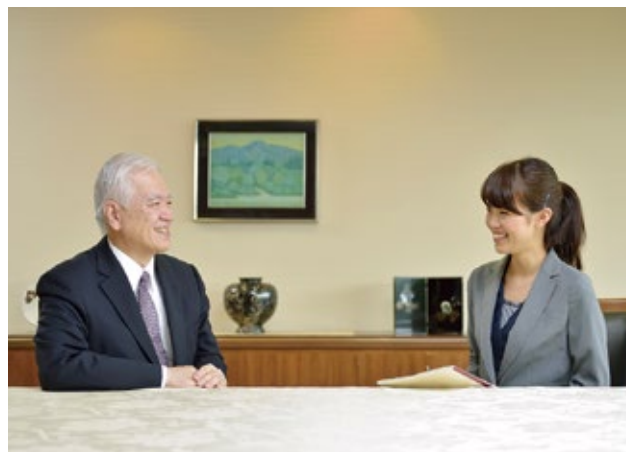
In fiscal 2013 JBIC provided extensive support to Japanese companies in their overseas business operations covering natural resources projects, M&A and infrastructure projects, and as a result, JBIC's loans, guarantees and equity participation continued at a high level with a total of ¥2,206.1 billion.

In 2011, before the shift to the new organization, the business division, which until then had been a mix of region- and sector-based departments, was reorganized into three Finance Groups for each sector, and this concentration of know-how and skills in each industrial sector resulted in a greater capacity for project formulation. We're now able to promote projects more strategically, and I'm pleased to say that this has led to operations that can better meet the expectations of the Japanese people and industries.

— How is the Medium-Term Business Plan (FY2012-2014) progressing, and what are the projections for the plan's final year?

Looking at the results from the fiscal 2012 and 2013 Annual Business Plans, which are based on the current Medium-Term Business Plan, the plan has been progressing quite smoothly, and the Management Advisory and Evaluation Committee, which comprises external experts, has given the same assessment.

In fiscal 2014, the signs of a business recovery have led to the start of a resurgence in private-sector finance, so I believe that as a policy-based financial institution, JBIC will see a slight decline in the scale of its business operations, although we will continue our prompt response in areas that private financial



institutions are not able fully to cover. As we enter the final year of the Medium-Term Business Plan, we are committed to achieving our objectives while displaying full accountability for the role and responsibilities we have been charged with by the Japanese people and the Diet.

— How do you rate the financial results for fiscal year 2013?

Net income in fiscal 2013 was ¥91.3 billion, an increase of ¥27.8 billion over the previous fiscal year. This is the highest level of income achieved, including that achieved in the period of October 2008-March 2012. During this period, JBIC was the international wing of the Japan Finance Corporation and began

Fiscal 2012 saw the highest level of loans, guarantees and equity participation on record. The high level continued in fiscal 2013

accounts settlement under the Company Act and corporate accounting standards. The level was also highest on record on a net business income base with ¥74.2 billion.

The increase in the balance of loans also resulted in an increase in total assets by ¥1,915.8 billion to ¥16,346.0 billion. From net income, JBIC paid ¥45.6 billion to the national treasury in June 2014.

While our earnings for fiscal 2013 were the highest on record, JBIC's role is to provide loans to Japanese industry and partner countries at interest rates lower than those available on the private market, so, essentially, we do not pursue profit. JBIC is required by legislation to display financial soundness, and while our financial results for fiscal 2013 were solid, increasing our income more than this is not our true goal.

What level of earnings we should maintain, and how we can conduct stable operations without imposing any additional

burden on the Japanese tax payers are crucial issues that we are currently discussing. I expect that the outcome of these discussions will be reflected in the next Medium-Term Business Plan.

Key business areas and issues facing JBIC

— What are your thoughts on the key business areas for JBIC in the future, and how will JBIC tackle each of those areas?

There continues to be a substantial and diverse need for support from JBIC not just in major natural resources, infrastructure, and M&A projects, but also in the overseas business operations of Japanese mid-tier enterprises and small and medium-sized enterprises (SMEs).

In the infrastructure sector, strong collaboration between the private and public sectors will become even more critical to enable Japanese companies to overcome the intense international competition and achieve the government's 2020 target of about ¥30,000 billion in infrastructure-system-related orders (about ¥10,000 billion in 2010). At JBIC we are fully aware that we are required not just to provide public financing, but also to make the most of the broad-ranging relations we have built up with foreign governments and others over many years and become actively involved in the formation of projects from the early stages.

In infrastructure systems exports, for example, while there are many Japanese companies that are world leaders in water-related products and technologies such as reverse osmosis

Meet the diverse needs of natural resources, infrastructure, M&A, mid-tier enterprises and SMEs, etc.

membranes and high-pressure pumps, Japanese companies have yet to enter into concession businesses in overseas water supply and sewerage systems, or seawater desalination projects. It has been pointed out that there is a lack of operators with the capability for integrated implementation of projects, and how we at JBIC can provide support to management that faces such issues is a future challenge for us. We are looking to support the establishment of international alliance in areas where Japanese companies lack expertise, and boost our support for acquisition of overseas companies that can be of value to Japanese companies in building up this expertise.

We will continue providing local currency loans to meet local currency finance needs in infrastructure projects, and commercial distribution in intermediary trade.

Another key sector is support for overseas M&A by Japanese companies, and there are two facets to this.

The first is the acceleration of Japanese companies' globalization. In the past, Japanese companies would establish

local subsidiaries overseas, and steadily expand their production or business operations using local human resources, but this approach cannot keep up with the dynamic global economy. Purchasing existing overseas companies and sales networks, however, will enable Japanese companies to grow their business much more quickly.

The second is to acquire overseas assets through support for Japanese companies' M&A. The accumulation of Japanese assets overseas through the development of or acquisition of interests in oil and gas fields and mines is also crucial.

Japan continues to run a trade deficit because of fuel imports, including LNG, and in addition to this, if Japan's current-accounts balance, which brings together all balance of payments, were to fall into deficit, this would have an adverse impact on Japan's future generations. So overseas M&A is essential from the perspective of Japanese companies acquiring overseas assets when they have excess capacity, and using these assets as a source of future investment income.

Therefore, we understand how important support for overseas M&A by Japanese companies is both in the short term and in the medium term, and we will continue to focus on this area in the future.

— What are your thoughts on the support JBIC provides for the overseas business operations of Japanese mid-tier enterprises and SMEs?

JBIC is strengthening its support for Japanese mid-tier enterprises and SMEs in their overseas business operations. Over the past three years we have provided steady support for these companies through loans. In fiscal 2011 we provided 16 cases of loans totaling ¥3.6 billion, in fiscal 2012 there were 34 cases totaling ¥34.1 billion, and in fiscal 2013 there were 54 cases totaling ¥18.0 billion. We will continue providing such active support in the future as well.

In Japan, public-sector financial institutions have provided various forms of support for companies after World War II. SMEs with capital funds of up to ¥300 million have fallen under the responsibility of the Small and Medium Enterprise Unit or the Micro Business and Individual Unit of the Japan Finance Corporation, but there has been nothing specified by legislation covering support for companies with capital funds above ¥300 million. The public-sector financial institutions Japan Development Bank and the former Export-Import Bank of Japan mainly dealt with big enterprises. Fortunately, from about the mid-1960s there was a generous level of funding available, but the bankruptcy of Lehman Brothers in 2008 triggered examination of liquidity on the global level, and this in turn led to a greater focus on the need to provide support to mid-tier enterprises, which underpin the Japanese economy.

Following the bankruptcy of Lehman Brothers, JBIC provided support to many mid-tier companies in the form of two-step loans through Japan's major banks. In addition, based on debate in the Diet concerning the need for public-sector financial institutions to provide support for mid-tier enterprises and SMEs, since its start as a new organization,



Committed to working tirelessly and efficiently under our three core values of “Hands-on policy,” “Customer-1st Approach,” and “Forward-looking Action”

— What do you see as future challenges that JBIC will face?

JBIC’s business is rapidly growing. JBIC loans, guarantees and equity participation from 2000 to 2005 were generally around the ¥1,200 billion mark, but in fiscal 2012 this soared to over ¥4,000 billion. This result was achieved by fewer staff than before. For us to be able to continue making steady progress in this area, there are several issues we will have to address.

The first is to make internal procedures more efficient and streamlined, and to this end, we are rearranging our work authority regulations. In conjunction with this, we are reviewing the various ways we can utilize IT in our business to improve efficiency.

As I mentioned at the beginning, we introduced sector-based Finance Groups three years ago. We will check whether there are any business oversights compared to the previous period when we were covering our business on a regional, sector, and financial method basis from all directions, and whether there are any weaknesses in our dialogue with host country governments. We will then include any measures to address organizational issues in our next Medium-Term Business Plan.

Another issue is how we deal with emergencies. The Great East Japan Earthquake made us realize that we needed to strengthen our business continuation plan (BCP) to make sure that the organization could continue operating at the time of an emergency. We are currently developing a structure that will enable us to recover and quickly return to normal operations in the event of a disaster or other similar emergency, and are proceeding with plans to store our data securely in dispersed locations outside of Tokyo.

JBIC will fulfill the role demanded of us based on government policies including the Infrastructure Systems Export Strategy and the Japan Revitalization Strategy as amended in June 2014, always bearing in mind the need to complement the private sector and ensure Japan’s financial strength. To this end, we are committed to working tirelessly and efficiently under our corporate philosophy of “Positioned at the cross-roads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy” and our three core values of “Hands-on policy”, “Customer-1st Approach”, and “Forward-looking Action”. Every member of JBIC, both executives and regular employees, will work together to ensure that we as an organization fully meet the expectations of all parties concerned in every related sector.

JBIC has further expanded such support, including co-financing with local banks, credit banks and other regional financial institutions that deal with mid-tier enterprises and SMEs, and local currency loans.

Japan’s social structure is such that mid-tier enterprises and SMEs play a critical role in providing employment. In the face of contracting domestic markets with the advance of economic globalization and Japan’s aging population and dwindling birth rate, mid-tier enterprises and SMEs must

Loans for mid-tier enterprises and SMEs grew steadily

look outside of Japan and expand their overseas business deployment to remain strong.

With the establishment of the new JBIC organization in 2012, mid-tier enterprises and SME support units were established in both the Head Office and the West Japan Office (Osaka) to allow greater flexibility in supporting mid-tier enterprises and SMEs in their overseas business deployment. Under this enhanced support structure, we will work even more closely with Japanese regional financial institutions and overseas financial institutions to provide mid-tier enterprises and SMEs with the support they need to expand their overseas business deployment.

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

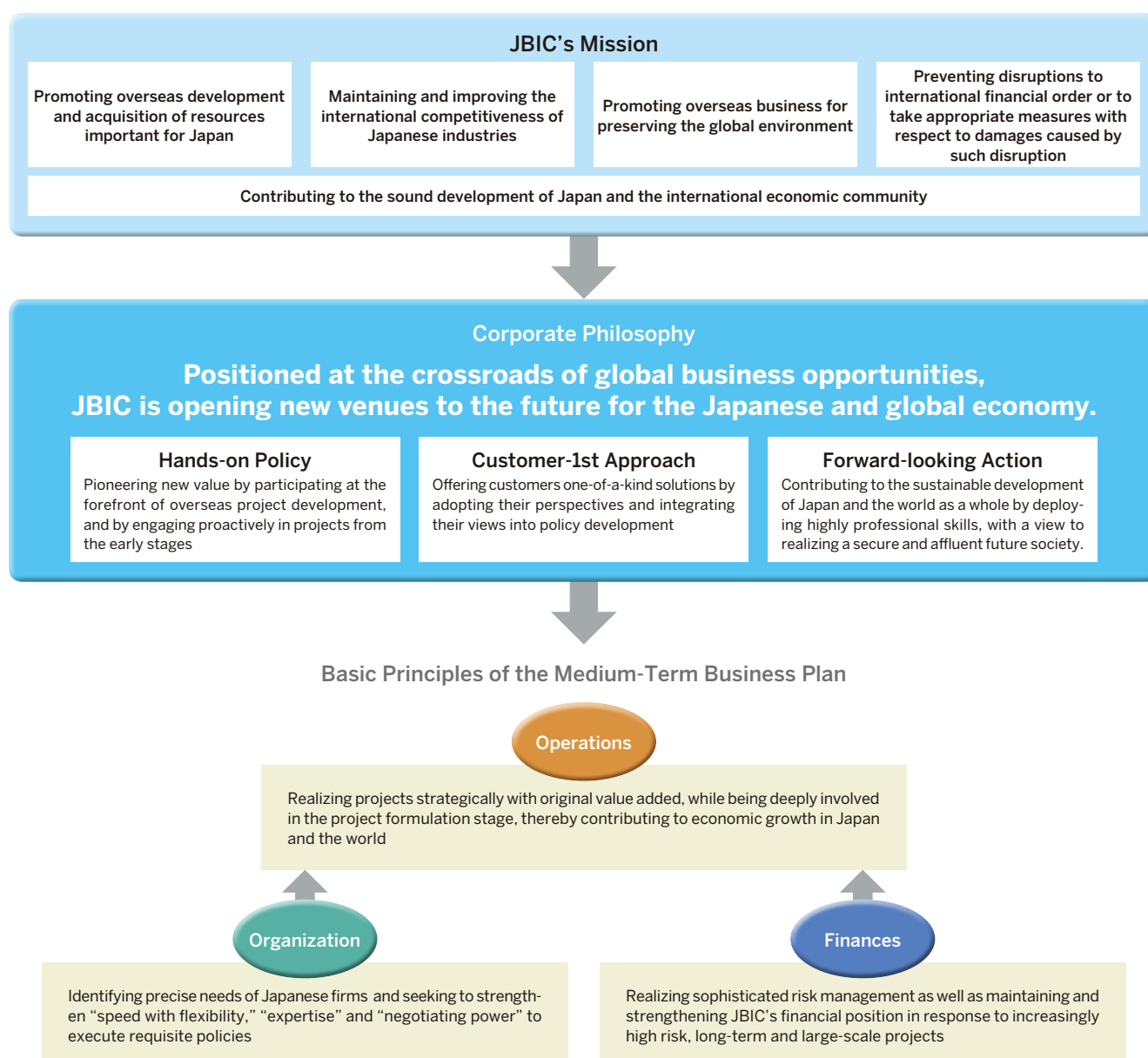
Basic Principles, Backdrop and Overview

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.

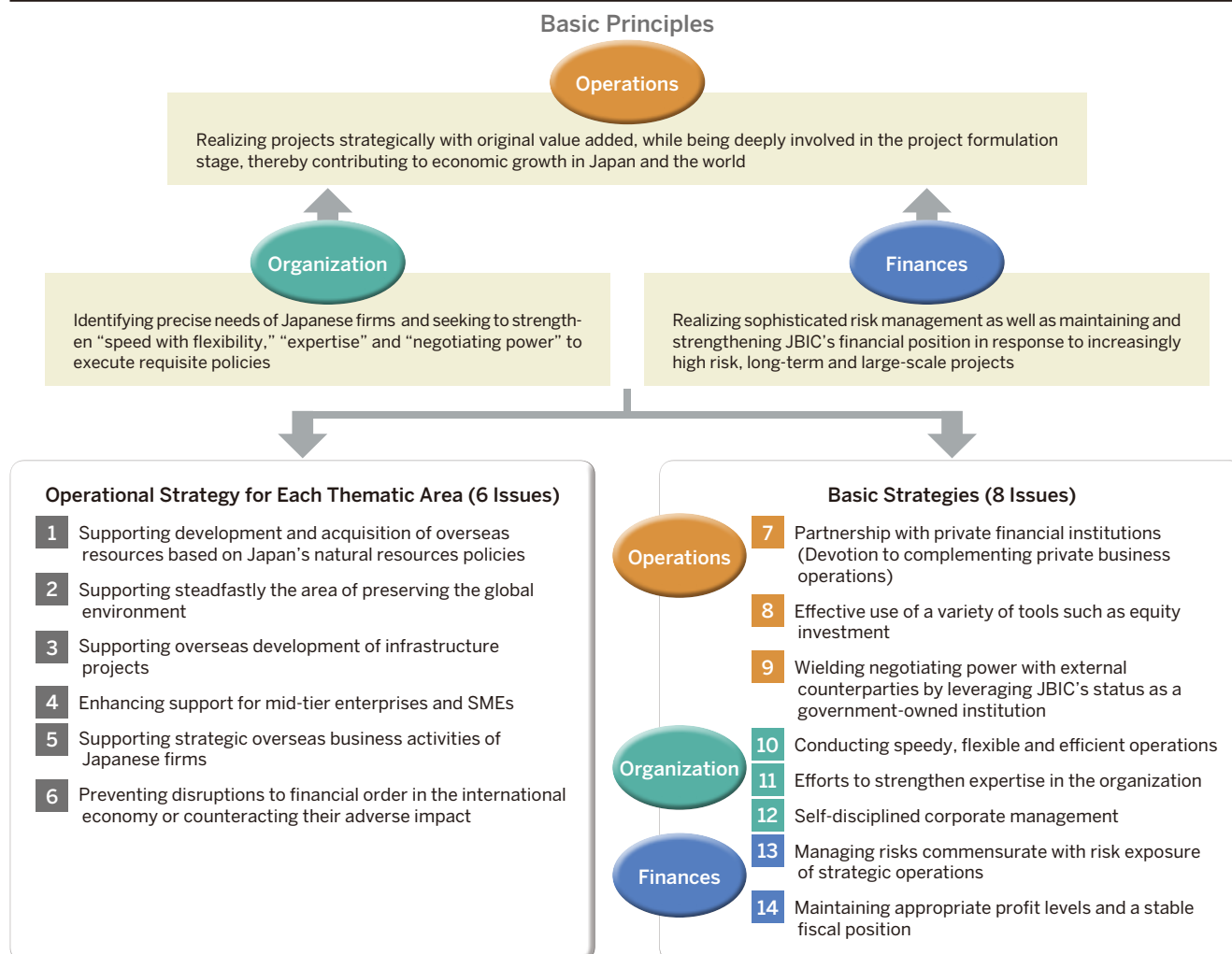
JBIC sets the basic principles of the Medium-Term Business Plan of Operational Strategy for 6 Thematic Areas

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.

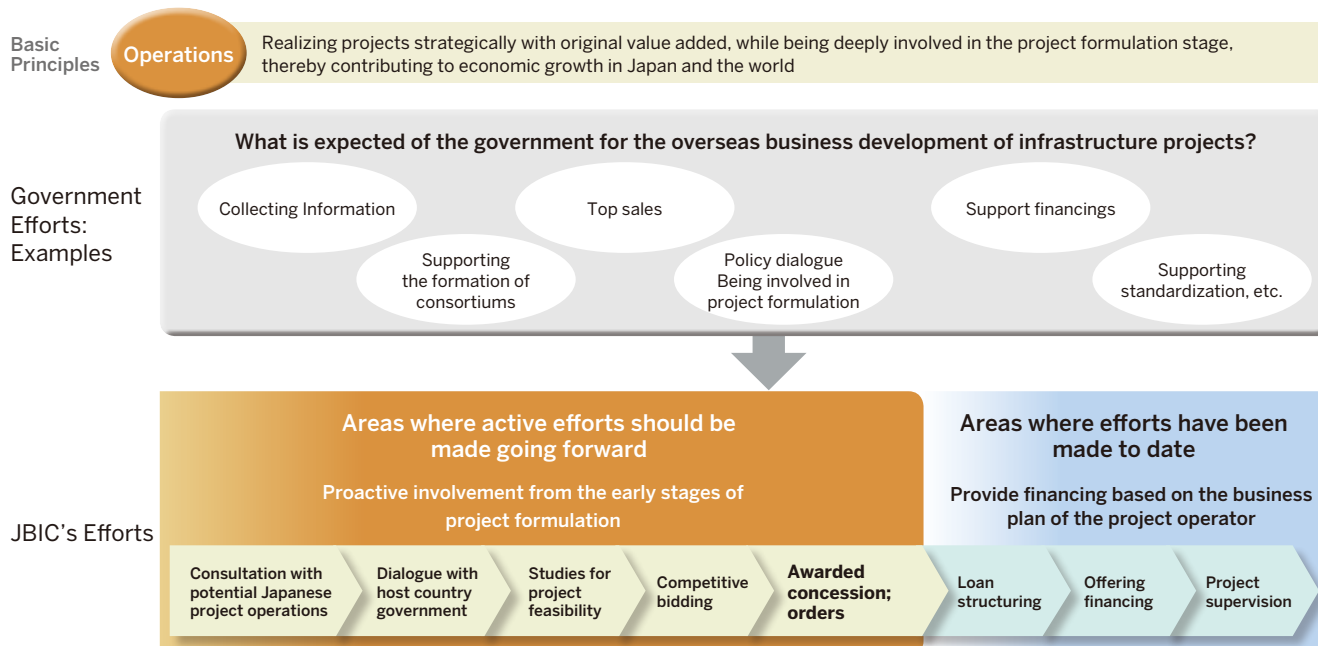
JBIC's Mission, Corporate Philosophy and the Basic Principles of the Medium-Term Business Plan

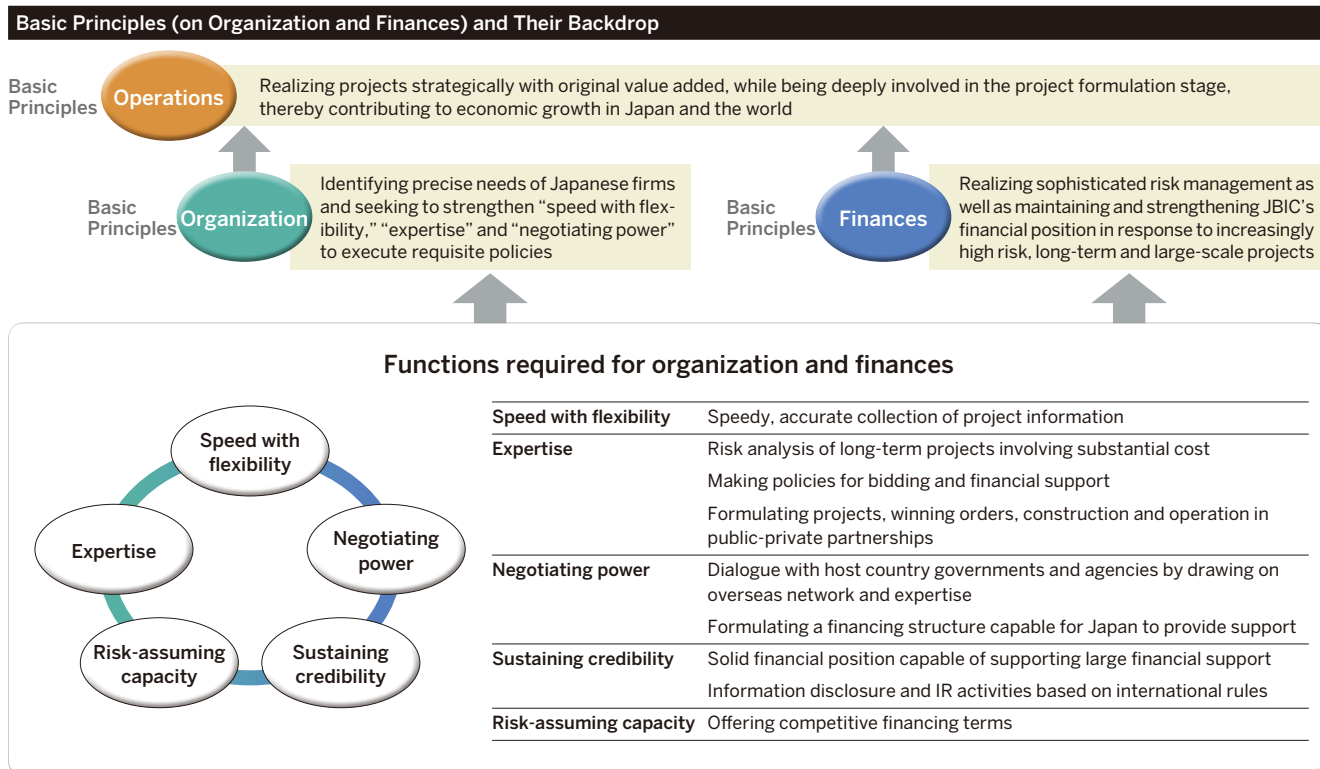


Overview of the Medium-Term Business Plan FY2012-2014



Basic Principles (on Operations) 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.

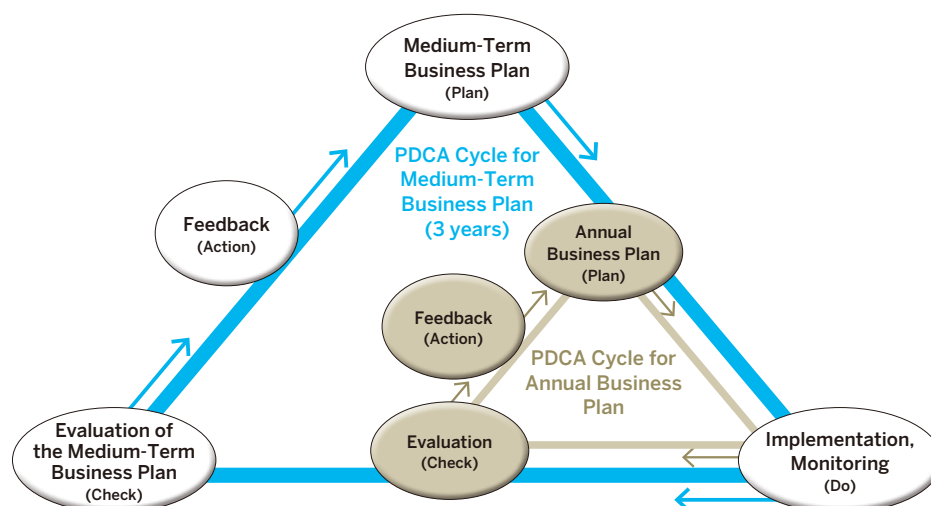
Indicator	Definition	Initial Assignment	End Period Evaluation
Quantitative Indicators	Set initially quantitative objectives for the end of the planned year and evaluate the extent to which they are achieved at the end of the planned period.	Set quantitative objectives.	Tabulate the actually achieved 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 FY2013

Operational Highlights

The total amount of commitments JBIC made during FY2013 in loans, guarantees and equity participation was ¥2,206.1 billion, which was 52% of the FY2012 amount. The outstanding of loans and guarantees as at the end of March 2014 was ¥15,304.6 billion.

JBIC's major operations in each sector for FY2013 are shown below.

■ Efforts in the Energy and Natural Resources Sector

JBIC provided loans for LNG projects, upstream natural gas field development, and various other projects in the energy and natural resources sector in which Japanese companies were involved. JBIC also provided funds for LNG imports and funds necessary for the purchase of an LNG tanker to transport LNG.

In the mineral resources sector, JBIC provided loans for the development and operation of an iron ore mine and related infrastructure in Australia, and the further expansion of a zinc, lead and silver mine in Bolivia. JBIC also provided funds for acquisition of interests and development of a copper mine in Chile, and for the operation of a mineral resources and sulfuric

acid carrier.

■ Support for Japanese Companies' Strategic Overseas Business Deployment

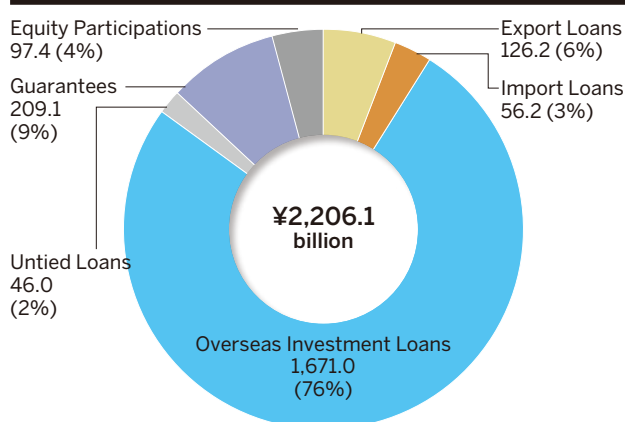
JBIC provided support for the overseas business deployment of Japanese companies in a broad range of fields including automobiles, such as automobile parts manufacture and sales in Indonesia, chemicals, electrical equipment and electronics, and general machinery and metals with the aim of further promoting their overseas business deployment.

Making more extensive use of its equity investment function, JBIC invested in the acquisition of a U.S. grain and fertilizer company, and an offshore wind power joint venture between Japanese and Danish companies. JBIC also provided risk guarantees essential for the overseas business operations of Japanese companies.

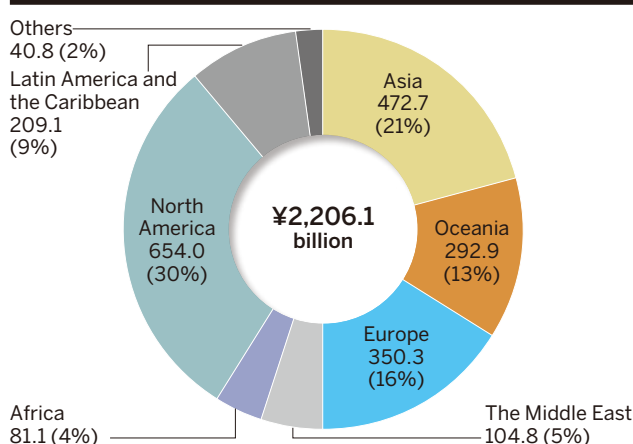
■ Supporting Exports by Japanese Companies

JBIC provided support for Japanese companies' export of equipment for chemical products manufacturing plants in

Commitments by Purpose of Financing (FY2013. Unit: billions of yen)

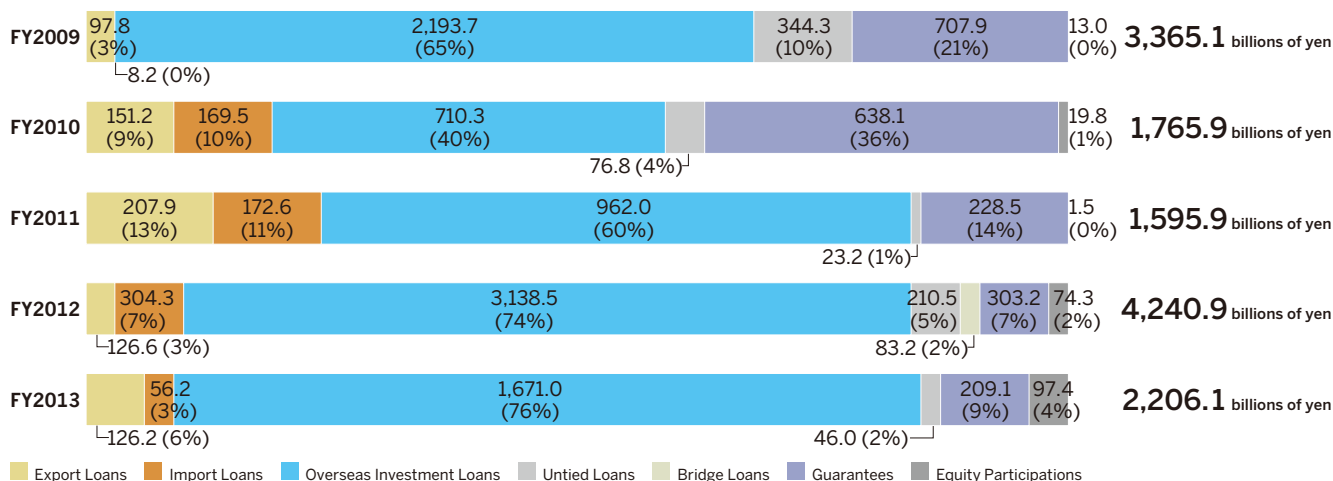


Commitments by Region (FY2013. Unit: billions of yen)



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

(Unit: billions of yen)



Turkmenistan and Russia, and also support for the export of a very large ore carrier to Singapore, bulk carriers to Taiwan and a Dutch company, and seabed resources exploration vessels to a Norwegian company.

JBIC established credit lines with the Sberbank of Russia, Brazil's state-owned oil company and others to support exports from Japan, and also provided support for ship, automobile, and thermal power equipment manufacturing businesses.

■ Supporting the Overseas Deployment of Infrastructure Business by Japanese Companies

In the power and water sector, JBIC provided project finance¹ support for various projects including a gas-fired combined cycle power plant project in Thailand, a seawater desalination project in Oman, a geothermal power project in Indonesia, and also provided support for the export of power generation equipment and facilities to Saudi Arabia, Vietnam, and India.

In the transport and telecommunications sector, JBIC provided support for the export of container cranes to Turkey for a port infrastructure project, and established a credit line for the Government of Ecuador to enable Ecuador's state-run broadcasting company to purchase the broadcasting equipment necessary for the terrestrial digital broadcasting network development project from Japanese companies.

■ Supporting Overseas Business Deployment of Japanese SMEs

JBIC provided loans for Japanese mid-tier companies and small and medium enterprises (collectively called 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 managed by a Singapore subsidiary of Mizuho Bank, Ltd. that is aimed at supporting Japanese companies in expanding their business operations

into the ASEAN region.

■ Supporting Japanese Companies with Local Currency Loans

JBIC provided local currency loans in Indonesian rupiah for the manufacture and sales of sintered alloy parts for automobiles in Indonesia, and in Thai baht for the manufacture and sales of precision machinery components in Thailand by Japanese companies. JBIC also provided local currency loans in South African rand and Chinese yuan.

■ Supporting Issuance of Samurai Bonds

JBIC provided guarantees for yen-denominated foreign bonds (Samurai bonds)² issued in Japan by the Central Bank of Tunisia and the Development Bank of Mongolia, and acquired a part of the public offered Samurai bonds issued by the Government of Mexico.

■ Promoting Renewable Energy and Conserving the Global Environment

JBIC invested in a fund of funds that invests in renewable energy and energy efficiency projects in developing countries, and established credit lines with five local financial institutions in India, South Africa, and Brazil for renewable energy and energy efficiency projects. JBIC also established credit lines with Banco Centroamericano de Integración Económica (BCIE) and Banco de Costa Rica for exports from Japan of machinery and equipment in the renewable energy sector, and signed a memorandum of understanding regarding cooperation in the environment sector with Abu Dhabi Future Energy Company (Masdar) of the Emirate of Abu Dhabi in the United Arab Emirates.

1. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only on the project assets.

2. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Tokyo bond market.

Operational Results

Total disbursements made by JBIC in FY2013 stood at ¥2,449.0 billion.

■ Planned and Actual Lending and Investments

(Unit: billions of yen)

	FY2010		FY2011		FY2012		FY2013	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Export Loans	113.0	73.6	120.0	73.9	200.0	143.1	190.0	112.5
Import Loans and Overseas Investment Loans	1,080.0	1,113.9	1,113.5	913.0	1,879.0	2,307.4	1,971.0	2,162.5
Untied Loans	207.0	85.4	100.0	103.2	100.0	132.0	50.0	88.5
Equity Participations	45.5	26.8	200.0	7.3	100.0	17.2	100.0	85.4
Securitization	30.0	19.0	19.0	—	19.0	—	—	—
Total	1,475.5	1,318.8	1,552.5	1,097.6	2,298.0	2,599.8	2,311.0	2,449.0

Financial Results

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

In FY2013, interest income amounted to ¥181.1 billion, with ordinary income reaching ¥226.1 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 ¥115.6 billion, with ordinary expenses registering ¥134.7 billion. As a result, ordinary profit stood at ¥91.3 billion. After taking

account of extraordinary income, net earnings for FY2013 amounted to ¥91.3 billion.

■ Balance Sheet

Total assets increased to ¥16,346.0 billion from FY2012. This was largely attributable to an increase in loans and bills discounted which increased by ¥2,100.2 billion to ¥12,655.4 billion due mainly to an increase in loans in foreign currencies. Total liabilities increased to ¥14,004.7 billion from FY2012. This was attributable to two factors. One is an increase of ¥1,173.1 billion in borrowed money from FY2012 to ¥8,407.7 billion due in large part to new borrowings from the Foreign Exchange Fund Special Account. The other factor is an increase of ¥495.4 billion in bonds payable during the same period to ¥2,711.3 billion, mainly because issuance exceeded redemptions. Total net assets reached ¥2,341.3 billion, which included ¥91.3 billion in net earnings.

The Second Term for JBIC (FY2013)

■ Statement of Operations

(April 1, 2013–March 31, 2014; millions of yen)

	Amount
Ordinary Income	226,100
Interest Income	181,143
Fees and Commissions	23,722
Other Ordinary Income	3,615
Receipts from the National Budget	—
Other Income	17,617
Ordinary Expenses	134,741
Interest Expenses	115,677
Fees and Commissions Payments	2,217
Other Ordinary Expenses	1,377
General and Administrative Expenses	14,952
Other Expenses	516
Ordinary Profit	91,358
Extraordinary Income	8
Extraordinary Loss	0
Net Income	91,366

■ Balance Sheet

(As of March 31, 2014; millions of yen)

	Amount		Amount
Assets		Liabilities and Net Assets	
Cash and Due from Banks	723,189	Borrowed Money	8,407,707
Receivables under Resale Agreements ^{Note 6}	202,733	Bonds Payable ^{Note 8}	2,711,377
Securities ^{Note 5}	227,201	Other Liabilities	448,229
Loans and Bills Discounted ^{Note 7}	12,655,401	Provision for Bonuses	483
Other Assets	213,627	Provision for Directors' Bonuses	5
Property, Plant and Equipment ^{Note 9}	28,558	Provision for Retirement Benefits	14,251
Intangible Assets	1,561	Provision for Directors' Retirement Benefits	20
Customers' Liabilities for Acceptances and Guarantees	2,422,658	Acceptances and Guarantees	2,422,658
Allowance for Loan Losses	(128,885)	Total Liabilities	14,004,734
		Capital Stock	1,360,000
		Retained Earnings	911,366
		Total Shareholders' Equity	2,271,366
		Valuation Difference on Available-for-sale Securities	5,472
		Deferred Gains or Losses on Hedges	64,472
		Valuation and Translation Adjustments	69,945
		Total Net Assets	2,341,312
Total Assets	16,346,047	Total Liabilities and Net Assets	16,346,047

* See pages 113–114 for details of Notes 5 to 9

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-

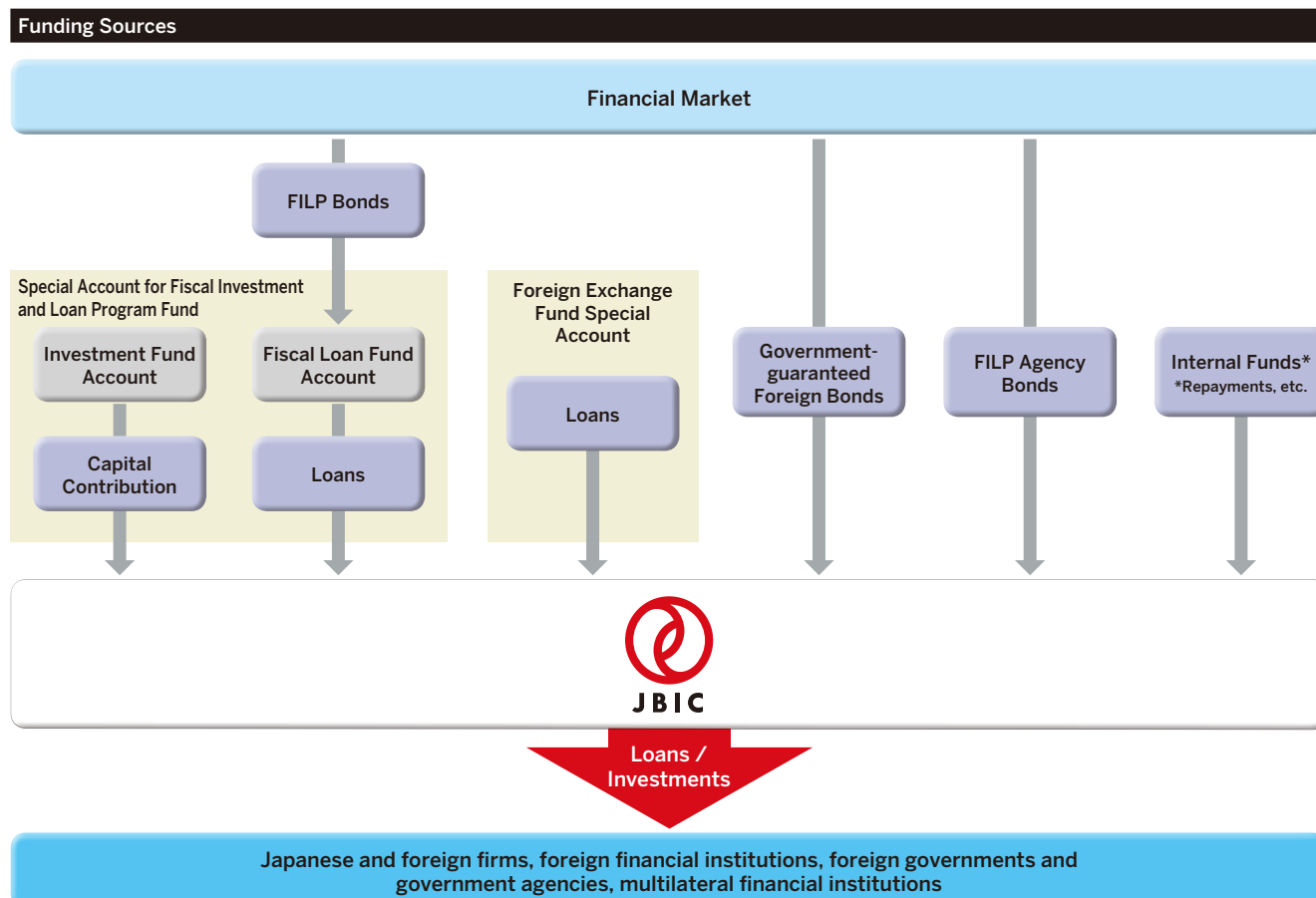
guaranteed Foreign Bond issuance, capital contributions from the government, and borrowings from the Foreign Exchange Fund Special Account constitute part of the national budget (either as an item in the General Account budget or the Special Account budget). Therefore, they are submitted, together with the operating budget of JBIC, to the Diet for approval. Recent funding results and plans for FY2014 are shown in the table below.

■ Funding Sources: Actual and Planned

(Unit: billions of yen)

	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Planned
Capital Contribution from FILP Industrial Investment	35.5	200.0	69.0	—	31.0
Borrowing from FILP Fiscal Loan	690.9	201.0	400.0	555.1	300.0
Borrowing from Foreign Exchange Fund Special Account	323.5	230.4	1,744.9	1,581.3	1,250.0
Government-guaranteed Foreign Bonds*	463.3	423.2	205.3	658.6	500.0
FILP Agency Bonds*	50.0	50.0	—	—	20.0
Other Sources of Funds, Including Repayments	(244.4)	(6.9)	180.6	(345.9)	149.0
Total	1,318.8	1,097.6	2,599.8	2,449.0	2,250.0

* 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 FY2013 amount to ¥2,145.0 billion at face value, which accounts for 19.3% 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 deployment, 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 and pounds sterling in March 2013 and March 2014, respectively.

In the FY2014 budget, JBIC plans to issue government-guaranteed bonds in the total amount of up to ¥500.0 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 2014). 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 FY2014 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 2014) 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-**

The Environment Surrounding JBIC and Its Challenges

2

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| 2 | Infrastructure and Environment Finance Group | 24 |
| 3 | Industry Finance Group | 28 |



1. Energy and Natural Resources Finance Group

A Message from the Global Head of the Group



The Energy and Natural Resources Finance Group engages in promoting the overseas development and securement of resources which are important for Japan, one of the four fields of JBIC's principal operations.

For Japan, a country poorly endowed with natural resources, procurement of energy and other mineral resources from abroad is indispensable for the maintenance and improvement of people's lives and the growth and development of the economy. Resource development projects overseas call for large, long-term investment and entail various risks. JBIC provides financial assistance in the forms of long-term loans and equity participation in such a way to complement private-sector financing. As a policy-based financial institution, JBIC also creates an environment conducive to smooth implementation of resource development projects through proactive dialogue with the governments of host countries.

With these efforts, JBIC will continue to contribute to a stable supply of energy and natural resources.

Toshiyuki Kosugi
Managing Director,
Global Head of Energy and Natural Resources Finance Group

Business Environment and Priority Issues

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 Asia, which includes China and India, shows much higher growth rates than other regions. Indonesia, a prominent producer of oil and natural gas in Asia, has recently seen its energy demand soaring due to its remarkable economic growth, sending its export capacity down. As a result, Asia as a whole imports more oil and natural gas than ever before.

Japan's imports of crude oil are now more exposed to geopolitical risks in the Middle East as the country's dependence on the region for oil has exceeded 80%. Japan now needs to contribute proactively to a more stable Middle East and secure more oil from other regions in the context of energy security.

Liquefied natural gas (LNG) is another natural resource for which China and India have been increasing their imports in recent years. Up until around 2000, Japan accounted for the vast majority of global LNG transactions; however, Japan's share has been reduced to about 30%. The position of Japan as a major buyer of LNG is changing. The current power-supply situation in Japan, where the country's dependence on LNG as a power-generating fuel is increasing, means that stable procurement of LNG is vital for a stable power supply. It is important to support Japanese companies in participating in LNG projects overseas and thus pave the way for long-term LNG delivery. The fact that increasing LNG imports constitute a factor for Japan's growing trade deficits points to the need to procure more price-competitive LNG.

Japan faces a major challenge in the mineral resource sector as well. Ever-growing demand in China, India, and other emerging-market countries makes it more difficult to secure a stable supply of mineral resources that are used for many different purposes in industry in Japan. Quality also matters as far as iron ore is concerned. How to secure high-quality iron ore in the face of the deteriorating quality of ore exiting mines is another important challenge.

These changes in the global supply-demand balance of energy and other resources have made it more difficult to secure a stable supply of these resources. This in turn makes it more important than ever before to proactively support Japanese companies in acquiring interests in, and secure long-term purchase of, natural resources.

JBIC's Activities

During FY2013, JBIC conducted the following activities to address the challenge of securing a stable supply of energy and mineral resources from abroad.

Oil

JBIC provided loans for Japanese companies to acquire interests in the British North Sea oil field and an oil field in southern Italy. It also financed the further development and production of oil sands in Canada in which a Japanese company holds interests. This assistance is designed to allow the Japanese company not only to secure bitumen¹ from these

1. Bitumen is crude oil of high clay which does not have fluidity, and is transported through a pipeline after being diluted usually in condensate.

oil sands but also to accumulate experience and know-how in oil sands development using its own technology for extracting and collecting the substance. The assistance is expected to help the company to expand its business even further.

■ Natural Gas

The natural gas projects that JBIC financed include the Ichthys LNG Project in Australia, the first major LNG project with an operatorship of a Japanese company, and the Gorgon LNG Project, also in Australia. These two projects are of particular importance for securing a stable LNG supply for Japan amid the growing importance of Australia as a supply source of LNG, with its abundant gas reserves and political and economic stability.

JBIC supports acquisitions of interests in unconventional natural gases that are attracting attention as new energy resources. JBIC provided a loan for the development of a coal-bed methane (CBM)² gas field under the Queensland Curtis LNG Project in Australia. This kind of loan is aimed at financially supporting the upstream development of overseas LNG projects of Japanese companies. It will help Japanese companies secure the long-term purchase of LNG and accumulate know-how in CBM projects, thereby serving to increase the ratio of energy resources independently developed by Japanese companies and contributing to the diversification of Japan's energy resources.

JBIC also finances projects aimed at procuring LNG tankers



Expansion of oil sands development in Canada.

as part of JBIC's comprehensive support for the value chain of natural gas. JBIC financed the construction of LNG tankers to be used by Japanese companies to deliver LNG to Japan.

■ Other Mineral Resources

JBIC proactively supports projects that will help to secure the stable supply of mineral resources that are increasing demand in emerging-market countries.

One of these mineral resources is iron ore. JBIC provided

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.

Major Projects Over the Last 10 Years (Amount of loan for natural resource projects (signed): Approx US\$75 Billion)





Development and operation of the Roy Hill Iron Ore Mine and related infrastructure in Australia.

loans for Japanese companies to acquire interests in, and develop, the Jimblebar Iron Ore Mine in Australia. It also financed the development of the Roy Hill Iron Ore Mine in Australia as well as related transport infrastructure such as a freight railroad and a seaport on a project financing³ basis. This development is managed jointly by Japanese and foreign companies.

Another mineral resource that JBIC focuses on is copper. JBIC financed a joint project between a Japanese company and a copper major to acquire interests in, and develop, the Antucoya Copper Mine in Chile on a project financing basis. Thirty percent of copper ingot produced from the project will be supplied to the overseas manufacturing bases — mostly in Asia — of Japanese copper metal users, notably electric-wire makers. JBIC also financed the expansion of the San Cristobal Zinc, Lead, and Silver Mine in Bolivia.

JBIC provides loans for copper supply chains as well. JBIC financed the procurement of a copper concentrate and sulfuric acid carrier that will transport both copper concentrates produced at several copper mines in Chile to smelters in Japan and sulfuric acid, a byproduct of copper smelting, back to Chile.

■ Efforts toward Strengthening Multilayered Relations with Resource-Endowed Countries

It is also important to strengthen relations with countries and international enterprises that supply natural resources in the context of securing a stable supply of resources.

JBIC takes advantage of its status as Japan's policy-based financial institution to maintain coordination and dialogue with

the governments of resource-endowed countries, thereby facilitating acquisitions of interests in resources and resource development projects by Japanese companies. Before deciding to finance the project to expand the San Cristobal Zinc, Lead, and Silver Mine in Bolivia, mentioned earlier, JBIC concluded that it could bear political risks in the country based on its dialogue with the Bolivian government. JBIC reduced the burden of bearing such risks on the Japanese company participating in this expansion project, thus supporting its business expansion overseas.

JBIC worked to strengthen bilateral relations with resource-endowed countries that are important for Japan. For example, JBIC and Abu Dhabi Future Energy Company (Masdar), a government-owned company of the Emirate of Abu Dhabi in the United Arab Emirates (UAE), signed a memorandum of understanding (MOU) to work together in the environment sector, notably in the field of renewable energy. UAE has been a stable supplier of crude oil for the past three decades. JBIC also signed an MOU with the Department of Natural Resources of the State of Alaska, U.S. for regularly exchanging information and views. Alaska has vast potential to offer investment opportunities in oil, natural gas, and other mineral resources.

JBIC also made efforts to strengthen relations with international enterprises that supply natural resources. For example, JBIC signed an MOU with Vale S.A. in Brazil with the aim of exchanging information and views toward formulating projects that will help to secure the stable supply of

3. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only on the project assets.



JBIC signed an MOU on cooperation in the environment with Masdar, a government-owned company of the UAE.

mineral resources to Japan. It also established credit lines for Petróleo Brasileiro S.A., the state-owned oil company of Brazil. The credit lines can be used to import equipment from Japanese companies.

■ Going Forward

Securing natural resources in a stable, affordable, and economical manner is identified as one of the important issues to be addressed in two policy documents that the Japanese government endorsed in 2013 and revised in 2014: the “Japan Revitalization Strategy” and the “Strategic Energy Plan”. One of the keys to addressing this issue is diversifying resources and their supplier countries. The import of LNG from shale gas in North America is raising particular expectations that it will pave the way for the utilization of a new energy resource and for new LNG pricing based on indices which were not used for Japanese import of LNG before.

Japanese companies are already participating in shale gas-based LNG projects in the U.S. For some of these projects, the U.S. Department of Energy has already authorized the export of such LNG to Japan due in part to proactive approach by the Japanese government. Shale gas-based LNG projects are being planned in Canada to export such LNG to Asia, including Japan. JBIC will proactively support these projects by, for example, supplying risk money. JBIC also covers natural gas and oil that derive from other unconventional resources such as CBM, mentioned above, oil sands, shale oil, and tight oil. JBIC also supports the acquisition of interests in, and the development of, such natural gas and oil, thereby contributing to the diversification of energy resources for Japan.

JBIC is also committed to geological diversification of suppliers. Japan is already diversifying its suppliers of oil and natural gas to include, as explained earlier, the U.S. and Canada, as well as Australia where several LNG projects involving Japanese companies are already underway. Apart from these countries, JBIC needs to explore the possibility of participating in resource development projects in Mexico, Russia, and non-Gulf Middle Eastern countries while taking into account the situation at both the national and international levels. Mexico’s energy sector reform is paving the way for the

possibility that foreign companies may be able to participate in oil and gas projects in new modalities. Russia and non-Gulf Middle Eastern countries have vast resource potential.

Expectations are high for Africa as the last frontier for the exploitation of oil, natural gas, and metal resources. Given that non-African countries have already begun to invest in resource development in Africa, JBIC will proactively support resource development projects that will entail interest acquisitions and offtake contracts for Japanese companies. Resource development projects in Africa will provide opportunities for job creation and foreign currency acquisition as well as the development of related infrastructure and the promotion of related industries in countries where they are implemented. In this respect, they constitute a form of embodiment of Japan’s assistance to Africa under the Fifth Tokyo International Conference on African Development (TICAD V).

New technologies are emerging in the resource development sectors. Enhanced Oil Recovery is designed to efficiently recover residual oil resources in existing oil fields with the injection of carbon dioxide. This technique reduces CO₂ emissions into the air. A number of projects are being planned that take advantage of the floating LNG (FLNG)⁴ technology which allows natural gas from an offshore gas field to be processed into liquid offshore. It has the major advantage of a lower environmental impact as there is no need to lay gas pipelines from the offshore gas field to an onshore facility, nor develop the coastal area. JBIC will proactively support resource development projects that use new technologies as well, based on appropriate risk assessment.

JBIC will continue its efforts to create an environment conducive to the formulation and smooth implementation of resource development projects through dialogue with the governments of resource-endowed countries and their agencies. Strengthening relations with resource-endowed countries calls not only for cooperation in resource development projects but also for efforts to build comprehensive and long-lasting cooperative relationships in areas such as infrastructure development, industrial sophistication, technology transfer, and environmental stress reduction (renewable energy, energy efficiency, etc.) depending on the needs of these countries. JBIC offers comprehensive assistance that encompasses support for projects in infrastructure development and manufacturing in resource-endowed countries in order to maintain and strengthen multilayered and favorable relations with the governments of these countries.

4. Floating liquefied natural gas (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. 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.

2. Infrastructure and Environment Finance Group

*On July 1, 2014, the former Infrastructure Finance Group absorbed the Nuclear and Renewable Energy Finance Department to become the Infrastructure and Environment Finance Group. This arrangement integrated JBIC operations in conventional electric power with those in the sector of new energy, energy efficiency, and global warming prevention. The new group is committed to further enhancing JBIC's specialties and expertise and implementing operations in a more flexible, responsive, and strategic manner.

A Message from the Global Head of the Group



The infrastructure market continues to grow in every part of the world, especially in emerging-market countries. It is crucial to tap into this huge infrastructure demand by taking advantage of the strengths of Japanese companies to drive robust economic growth in Japan.

The FY2013 JBIC's Survey Report on Overseas Business Operations by Japanese Manufacturing Companies shows that while Japanese companies have high expectations for investment opportunities in emerging-market countries, they see undeveloped infrastructure as a major challenge. More than ever, they need to seek sustainable development while conserving the global environment and achieving high energy efficiency.

To address these challenges, the Infrastructure Finance Group was relaunched as the Infrastructure and Environment Finance Group on July 1, 2014. The new Group is committed to promoting and supporting the export of infrastructure systems that take advantage of Japan's outstanding technologies and operational capabilities.

Tadashi Maeda
Senior Managing Director,
Global Head of Infrastructure and Environment Finance Group

Business Environment and Priority Issues

■ Japan's Growth Strategy and the Need to Tap into Overseas Infrastructure Demand

It is expected that global infrastructure demand will grow more than ever on the back of economic growth and rapid urbanization in emerging-market countries. Overseas infrastructure demand in the electric power, nuclear power, seaports, and ICT sectors are projected to increase at an annual rate of 2.2%, 2.4%, more than 5%, and about 4%, respectively.¹

Such demand can be met by providing integrated infrastructure systems that involve not only the delivery of infrastructure-related equipment from Japanese companies with advanced and eco-friendly technologies, which they have acquired from their experience in infrastructure development in Japan, but also the provision of expertise in designing, constructing, operating, and managing infrastructure. Providing such infrastructure systems will contribute to the development of the favorable economic infrastructure that is necessary for the stability and growth of the global economy. At the same time, it will help Japanese companies expand their business and secure their market share in other countries.

In view of these circumstances, the Japanese government set up three strategic documents: (1) the Japan Revitalization Strategy, endorsed by the Cabinet in June 2013, and revised in June 2014; (2) the Infrastructure Systems Export Strategy, adopted at the Ministerial Meeting on Strategy Relating



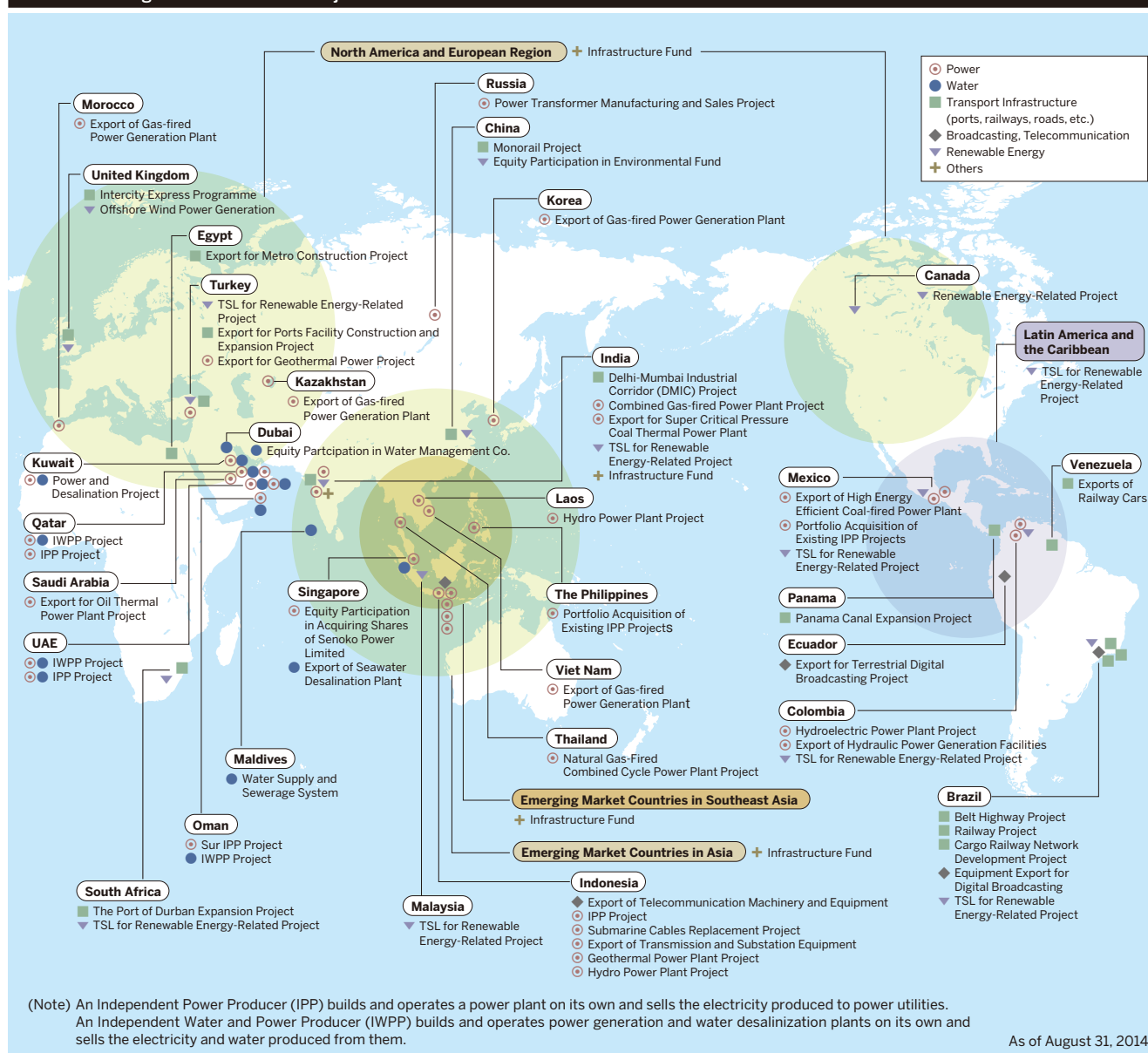
A British high-speed rail project in which a Japanese company participated.

Infrastructure Export and Economic Cooperation in May 2013, and revised in June 2014; and (3) Basic Policies for Economic and Fiscal Management and Reform, endorsed by the Cabinet in June 2013 and revised in June 2014. In short, these policy documents call for tapping into huge global infrastructure demand by making the most of the technology and know-how in which Japan has comparative advantage to drive sustainable and robust economic growth in Japan.

JBIC will continue to proactively support Japanese com-

1. The Infrastructure Systems Export Strategy (2014 revised edition), adopted at the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation on June 3, 2014.

JBIC's Financing for Infrastructure Projects



panies in participating in infrastructure projects overseas by taking advantage of two factors. One is experience in engaging in such projects in a range of sectors, including electric power systems, railroads, seaports, roads, and water supply systems. The other is the trusting relationships JBIC has built with host countries over the years. In this way, JBIC will translate the Japanese government's policies into action and contribute to the stabilization of the global economy and the development of the Japanese economy.

Infrastructure Systems Export Strategy Based on Public-Private Partnership

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 two major challenges. For one, it is one of the sectors exposed to the fiercest global competition. It also 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 (PPP). For example, the above-mentioned Japan Revitalization Strategy and the Infrastructure Systems Export Strategy 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. They also call for sales promotion by the Prime Minister and other ministers. Under the current Abe Administration, the prime minister and other ministers had an economic mission accompany them when they visited



A Thai project for a natural gas-fired combined-cycle power plant in which a Japanese company participated.

ASEAN, the Middle East, North America, Africa, and India, and conducted strong sales-promotion themselves. This resulted in more orders for infrastructure systems. The total value of orders for such systems for FY2013 stands at ¥9.3 trillion,² a three-fold increase from a year earlier.

The Infrastructure Systems Export Strategy divides emerging-market countries targeted for overseas infrastructure development into three groups: (1) China and ASEAN; (2) Southwest Asia, the Middle East, Russia and the CIS, and Latin America and the Caribbean; and (3) Africa. Giving top priority to China and ASEAN, the strategy states that Japan will encourage the introduction of high-quality and robust infrastructure systems that will help strengthen connectivity within the ASEAN region.

The Infrastructure Systems Export Strategy also calls for promoting Japan's advanced low-carbon technologies overseas. It stresses the need to steadily implement the Proactive Diplomatic Strategy for Countering Global Warming. Also known as Actions for Cool Earth (ACE), this strategy is made up of three pillars: innovation (development of innovative technologies), application (export of Japan's technologies), and partnership (assistance for developing countries). The promotion of Japan's advanced low-carbon technologies overseas will not only support economic development and greenhouse gas (GHG) emissions reduction in the developing world but also contribute to the development of infrastructure systems for which Japan enjoys a comparative advantage.

■ Three Challenges Japanese Companies Face in Infrastructure Projects Overseas

As described earlier, the Infrastructure Systems Export Strategy, which builds on PPP, is underway and is beginning to produce some positive outcomes. Still, many Japanese companies face three difficult challenges in implementing infrastructure projects overseas: (1) weak price competitiveness, (2) a shortage of versatile operators, and (3) the lack of schemes designed to ensure project feasibility on the part of emerging and developing countries.

The first challenge can be addressed by moving the production base for noncore parts to other countries where costs are lower and combining them with core parts produced in Japan. In fact, this approach is taken by many Japanese companies. Another approach is 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 plants 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 so as to achieve the best mix of Japanese and foreign products.

The second challenge is most evident in the Japanese water and railroad sectors, in which know-how and expertise in infrastructure construction and management are distributed among different enterprises, including public corporations. Few Japanese companies have a track record of integrated business operations that includes 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 fees. Hence, Japanese companies are not always able to adequately meet the needs of host countries that call for integrated infrastructure systems. In these sectors where Japanese companies lack expertise in integrated business operations, it may be a viable option to promote international alliances or buyouts of foreign businesses that will help them accumulate such 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 inadequate laws and regulations regarding the duties on the part of the host country governments and/or their state-owned companies in power purchase agreements, as well as inadequate compensation by host-country governments regarding the ridership risk³ 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, the central government is unable to ensure coordination among different parties and supervise projects adequately. In the view of prospective private contractors, this state of affairs is nothing but a reflection of extremely low levels of feasibility of project schemes, hindering private investment.

An effective approach to avoiding such cases would be for the public and private sectors to fully communicate and cooperate with each other at early stages of the project so that the project scheme will be adequately feasible in the eyes of both parties. Such PPPs can make it possible to engage in activities of the host country government and/or local business corporations as early as the project formulation phase through, for example, the establishment of a business aimed at promoting project formulation or 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 basic scheme for the project and project implementation and management. It will also allow the adoption of bidding criteria for all aspects of the project, including life-cycle costs. These actions will in turn improve

2. The figure represents the total value of major orders that the Japanese government recognizes from publicly available information and other sources.

3. Ridership risk refers to the risk of being unable to secure the minimum number of passengers or users that is necessary to secure project profitability.

the prospects for feasible projects that accommodate local needs and realities.

JBIC's Activities

■ JBIC's Support for Infrastructure Systems Export

Expectations are rising for JBIC to play an important role in the government's Infrastructure Systems Export Strategy. JBIC is building and reinforcing the framework for helping Japanese companies overcome the challenges described earlier.

During FY2013, JBIC made efforts to ensure project feasibility through two schemes: (1) the establishment of a business aimed at promoting project formulation, and (2) regular dialogue with the host-country government. The first scheme is best represented by 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 second scheme is best represented by the Financial Policy Dialogue between JBIC and the government of Indonesia and other countries. JBIC is now applying these two schemes to other countries. Regarding the first scheme, JBIC is in talks with the Myanmar government toward the establishment of a project development promotion company. As for the second scheme, JBIC has already put in place a similar framework for dialogue with the governments of Mexico and Vietnam. As part of its efforts to ensure the feasibility of infrastructure projects with a long payout time and whose revenues are received in local currency, JBIC offered loans in local currencies in order to reduce exchange risks for Japanese project owners associated with foreign currency borrowing and thus supported stable operations over the long-term.

JBIC will remain committed to upgrading and reinforcing its financial functions, which constitute JBIC's core business, to better accommodate the markets and needs. Also, as an entity that coordinates the needs of the public and the private sector, 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.

■ JBIC's Commitment to Conserving the Global Environment

Achieving economic development compatible with environmental sustainability is now recognized as a common challenge facing developed countries and emerging-market countries alike. In this respect, there are growing expectations around the world for the implementation of projects that will lead to environmental conservation and improvement.



A Canadian project for inland wind power generation in which a Japanese company participated.

In this sector, a wide range of projects is underway all over the world. They include (1) energy efficiency improvement projects; (2) solar and wind power generation and other renewable energy projects; (3) highly-efficient coal-fired thermal power generation projects and natural gas-fired combined-cycle power projects that reduce carbon dioxide emissions; (4) urban transportation projects that mitigate traffic congestion and reduce air pollution, including rail transit projects; and (5) smart-grid projects aimed at efficient power supply using IT, as well as smart-city projects aimed at realizing an environmentally sustainable city.

JBIC supports these kinds of projects through its global promotion of Japan's advanced environmental technologies under the Infrastructure Systems Export Strategy. JBIC's support also goes to (1) projects for developing solar power plants and energy-efficient power plants that take advantage of advanced environmental technologies in emerging-market countries; and (2) projects that entail significant environmental preservation effects, such as those that introduce energy-efficient equipment. JBIC supports these projects with loans, equity participation, and guarantees while mobilizing private financing under the Global action for Reconciling Economic growth and Environmental preservation (GREEN) operations.

JBIC will remain committed to supporting business activities by Japanese companies and providing financial support for efforts aimed at global environmental preservation by making the most of the GREEN operations.

3. Industry Finance Group

A Message from the Global Head of the Group



The Industry Finance Group, as its name suggests, works to maintain and strengthen the international competitiveness of various industries in Japan. The Group is characterized by the wide variety of industries it supports and financial instruments it uses.

The Group comprises four units: the Corporate Finance Department, the Marine and Aerospace Finance/Financial Products Department, the West Japan Office, and the Finance Division for SMEs. At a glance, these four units are associated with one another loosely because of the differences in the industrial sectors they are responsible for and the financial instruments they excel in. However, as the Global Head of the Group who oversees these units, I see great potential for a synergistic effect among them. By sharing special know-how and expertise among the units, the Group as a whole can offer assistance that is fine-tuned to meet each need.

The Group will continue to strive for maximizing the synergistic effect as a whole and remain committed to working for Japan and the international community by taking advantage of its diversity.

Shigeki Kimura
Managing Executive Officer,
Global Head of Industry Finance Group

Business Environment and Priority Issues

■ Signs of Recovery for the Global and Japanese Economies

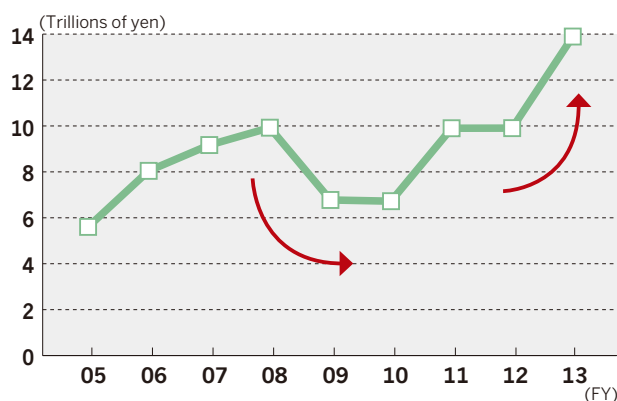
The global economy began to pick up in the second half of FY2012 after a long period in the doldrums as a result of a series of economic and financial crises, including the euro crisis and the crisis following the bankruptcy of the Lehman Brothers, popularly known as the “Lehman Shock” in Japan. FY2013 showed slight recovery centering on developed countries, while the vulnerability of emerging economies remains. Amid the gradual global recovery as a whole, the Japanese economy is also in a phase where further vigorous corporate activities are expected.

■ Active Business Expansion Overseas in Various Industries

Japanese companies are actively expanding their overseas business as the global economy is experiencing a mild recovery. Foreign direct investment (FDI) by Japanese companies has been on the rise in recent years after the temporary downward movement by the Lehman Shock. In FY2013, it posted a significant increase of 40.3% over the previous year (Figure 1). A conspicuous feature of FDI in recent years is that non-manufacturing sectors (for example, finance/insurance and wholesale) have been assuming a larger share despite the manufacturing sector accounting for a majority of FDI in the past (Figure 2).

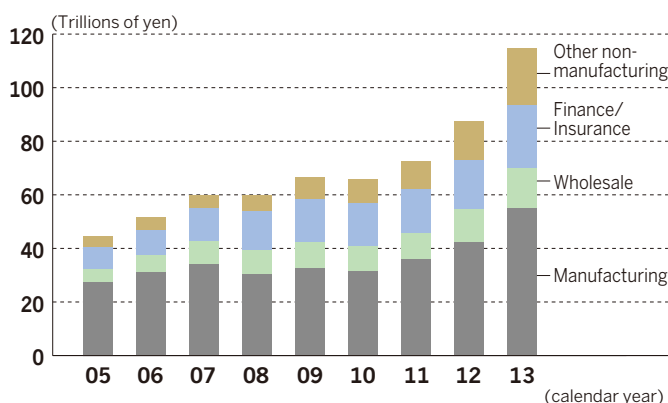
For business investment overseas, Japanese companies

Figure 1 Foreign Direct Investment by Japanese Companies



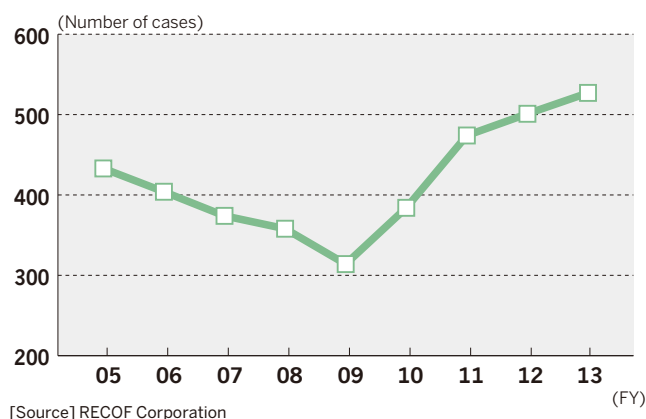
[Source] Ministry of Finance Japan, Bank of Japan

Figure 2 Foreign Direct Investment Position of Japanese Companies, breakdown by Industry



[Source] Ministry of Finance Japan, Bank of Japan

Figure 3 Number of Overseas M&As by Japanese Companies



have been taking advantage of overseas M&A in recent years in addition to green field investments. The number of cases of M&A of foreign firms by Japanese companies has been on the rise since FY2009. In 2013, it reached 527, up 26 cases from a year earlier (Figure 3). Amid expectations that the global economy will improve further, Japanese companies will likely continue to utilize overseas M&A in implementing their strategies for business expansion abroad that call for tapping into overseas demand.

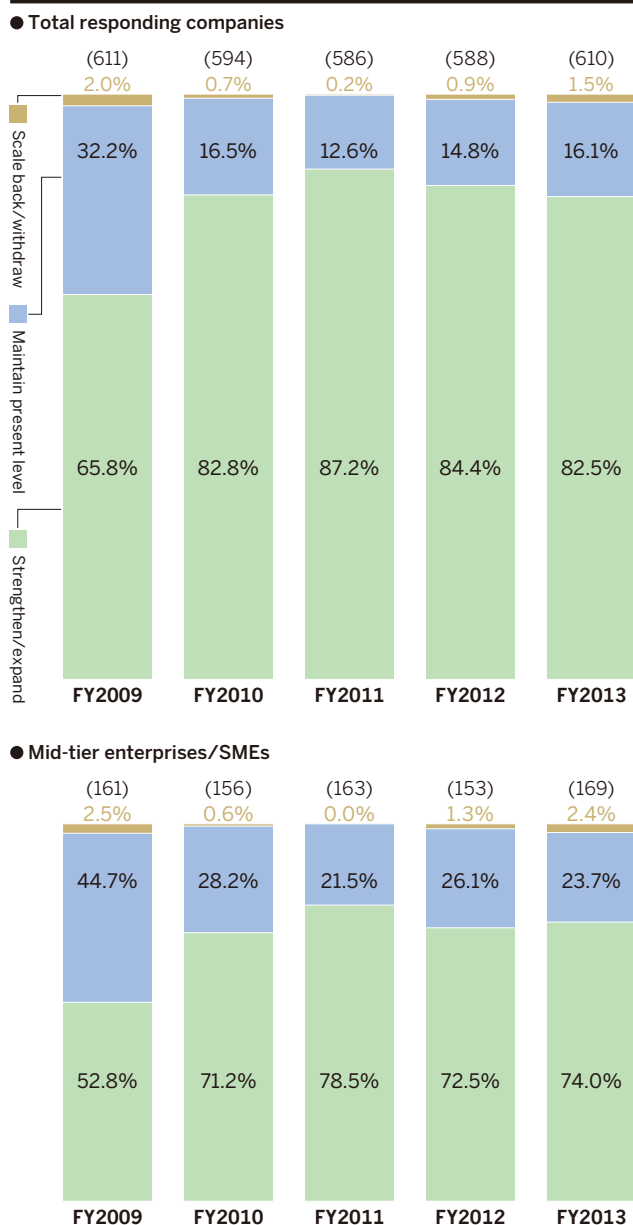
Japanese companies have remained committed to expanding their overseas operations over the medium-term. This observation is substantiated by the FY2013 Survey (the 25th) Report on Overseas Business Operations by Japanese Manufacturing Companies, which JBIC conducted between July and October 2013. In this survey, to which 625 companies responded, 82.5% of the respondents said they would strengthen and/or expand their overseas business in response to the question regarding their medium-term business prospects. The figure was 74.0% as far as mid-tier enterprises and small and medium enterprises (SMEs) are concerned (Figure 4).

Given such active business expansion abroad in various industries, it is important to extend long-term loans to finance Japanese companies' overseas operations. It is also important for JBIC to meet financial needs associated with overseas M&A and other investment activities with various instruments, including equity participation as risk money supply. In addition, the fact that Japanese SMEs often have only limited access to financing and information necessary for their business operations overseas points to the importance of improving support for these SMEs.

Trends in Exports and Overseas Sales

A look at recent trends shows exports have remained almost unchanged since FY2012, when the foreign exchange market began to shift to the appreciation of the yen, although they were on the rise during the weak-yen period prior to the Lehman Shock (Figure 5, p. 30). This trend can be explained as various factors, such as; (1) the relatively short period after the yen began to appreciate, and (2) economic trends in countries

Figure 4 Medium-term Prospects (next 3 yrs. or so) for Overseas Operations



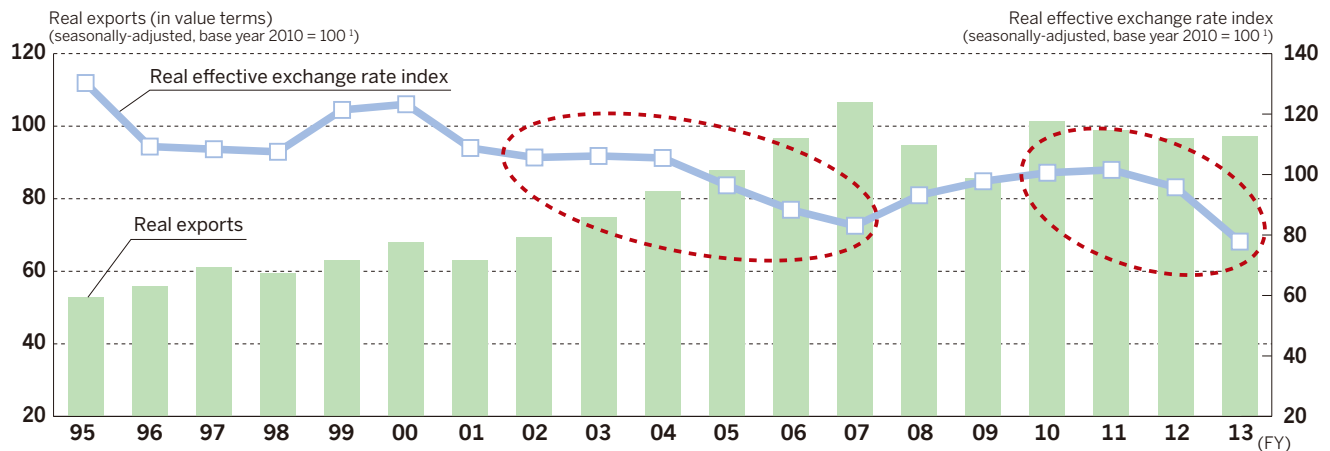
- (Notes) 1. "Overseas operations" is defined as production, sales, and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.
 2. The numbers in the parentheses above the bar graphs indicate the numbers of responding companies to the question.
 3. Mid-tier enterprises/SMEs are companies whose paid-up capital is less than ¥1 billion.

[Source] Results of the JBIC FY2013 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

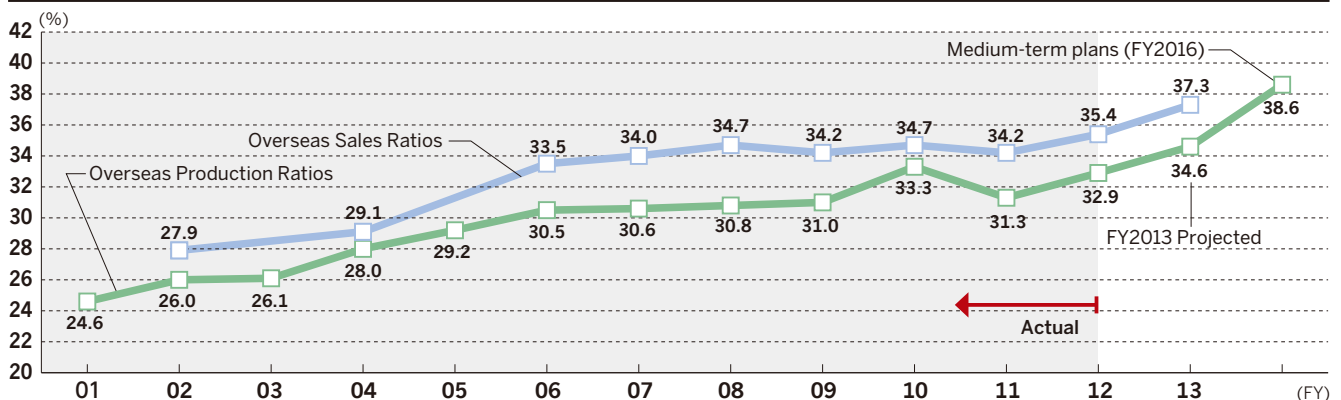
where Japan has close economic relations. Furthermore, it is assumed that exchange-rate fluctuations are less and less associated with changes in exports.

Japanese companies are increasing sales in foreign countries by taking advantage of their production bases there (Figure 6, p. 30). This trend may point to the existence of a corporate strategy that calls for, among other things, improving production efficiency by building a global supply

Figure 5 Trends in Real Exports and Exchange Rate



1. Base year is calendar year
[Source] Bank of Japan

Figure 6 Trends in Overseas Production Ratio¹ and Overseas Sales Ratios²

(Notes) 1. (Overseas Production) / (Domestic Production + Overseas Production)
2. (Overseas Sales) / (Domestic Sales + Overseas Sales)
3. Ratios were calculated by simply averaging the values the respondent companies provided.
[Source] Results of the JBIC FY2013 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

chain and expanding their business along with economic growth in such countries by manufacturing their products nearer to the markets.

In view of these efforts by Japanese companies, it is important to support sales activities by their subsidiaries overseas while the importance of supporting their exports as early as the project formulation phase remains unchanged.

JBIC's Activities

In view of the situation and industry trends already described, JBIC supported Japanese companies in their business operations overseas in various aspects to maintain and strengthen the international competitiveness of Japanese industries. JBIC's Industry Finance Group had a total of 179 commitments concerning loans, equity participation, and guarantees in FY2013.

The following paragraphs take a closer look at these

activities by JBIC.

Supporting Overseas Business Operations with Various Instruments

JBIC takes advantage of its equity participation function in supporting overseas business operations by Japanese companies. During FY2013, it supported Japanese companies in acquiring a grain business and a joint venture for offshore wind power generation through equity participation in the form of preferred shares. It also made a commitment for equity participation for a private equity fund that invests in companies doing business in Asia.

JBIC conducts various activities in the field of loans as well. During FY2013, it provided loans to overseas M&As in a wide range of industrial sectors, including manufacturing, food, and chemicals.

JBIC finances Japanese companies with funding for their manufacturing and sales business abroad using project financing, local currency-denominated financing, and other

financial instruments. During FY2013, it financed not only manufacturers in chemicals and automobiles but also to an FPSO¹ chartering project.

The Japan Revitalization Strategy, endorsed by the Cabinet in 2013, calls 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 FY2013, JBIC extended loans in Thai baht, Indonesia rupiah, and South African rand for projects including the manufacturing and sales of auto parts. It also provided a Chinese yuan-denominated loan — the first of its kind by JBIC — for a synthetic textile project.

Since 2008, JBIC has engaged in securitization in addition to its conventional financial operations, such as loans and guarantees, in an effort to employ new financial instruments that complement private-sector financing activities. During 2013, JBIC supported the securitization of credit card receivables in Thailand, thereby indirectly supporting funding denominated in the local currency.

■ Supporting the Export of Japanese Products

JBIC is also committed to supporting exports and overseas sales by Japanese companies.

During FY2013, for example, JBIC supported the export of ships such as bulk carriers and seabed resource exploration vessels as well as construction machinery and chemical plants.

■ Supporting Overseas Business Deployment by SMEs

JBIC is striving more than ever to support SMEs' overseas business deployment through the units it set up in FY2012 for this special purpose at its Head Office and West Japan Office. During FY2013, JBIC committed a total of 54 cases for SMEs while strengthening cooperation with private financial institutions in Japan, including regional banks. In addition to financial support such as loans, JBIC offered information on a range of topics, including the foreign investment climate. As in FY2012, JBIC also continued to engage in activities designed to enhance cooperative relations with local financial institutions in developing countries. Specifically, in FY2013, it signed new MOUs with two such local institutions for supporting overseas business deployment of SMEs through Japanese regional financial institutions. To date, numerous Japanese regional financial institutions have established partnerships with local financial institutions in developing countries based on such an MOU (see pages 74–75).

■ Paying Close Attention to Real Corporate Needs

Amid the ever-changing economic climate, JBIC will continue to work to maintain and strengthen the international competitiveness of Japanese industries in accordance with policy trends in Japan. Both the Japan Revitalization Strategy and the Infrastructure Systems Export Strategy



3D seabed resource exploration vessel

as revised in June 2014 call for specific measures. They are (1) supporting overseas business deployment in new frontier sectors (health care, agriculture, aerospace, disaster control, marine infrastructure, eco-cities, etc.); (2) assisting Japanese SMEs in expanding their business overseas; and (3) supporting overseas M&A through JBIC's equity participation function. These strategies also call for the introduction of new means that supplement financing for the private-sector financial institutions: (1) subordinated loans and (2) financing for leveraged buyout (LBO). In line with these and other government strategies, JBIC will address the needs of Japanese companies appropriately while capitalizing on a range of financial instruments, thereby serving a role that connects Japan with the world.

1. A floating production, storage, and offloading (FPSO) system is a floating vessel for the first stage processing of crude oil produced at the oil well, which separates associated gas and water, and for the storage and offloading of oil.

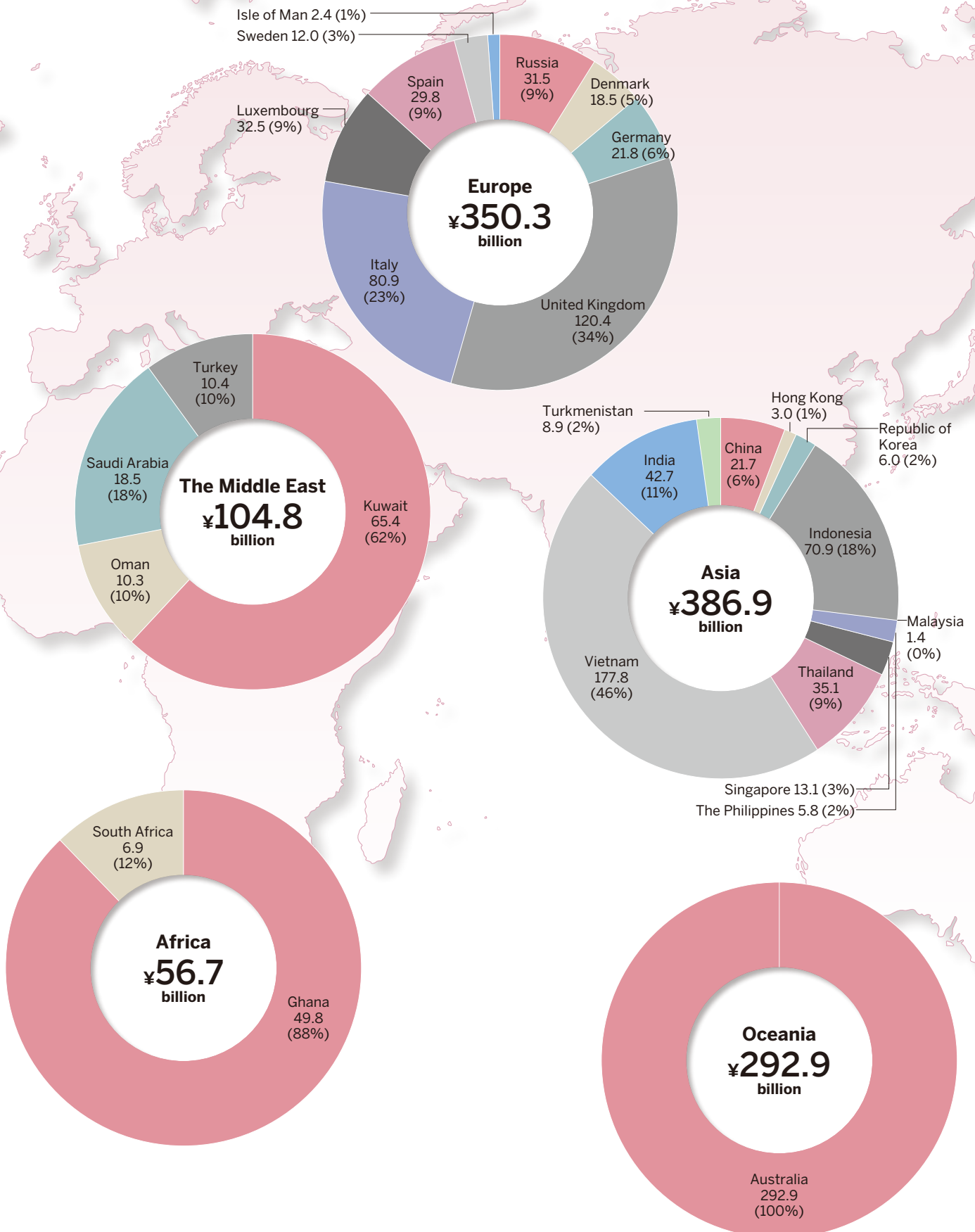
Examples of Business Outcomes in FY2013

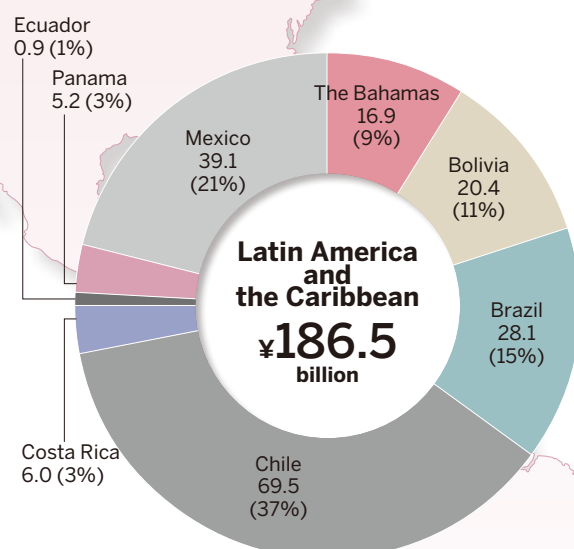
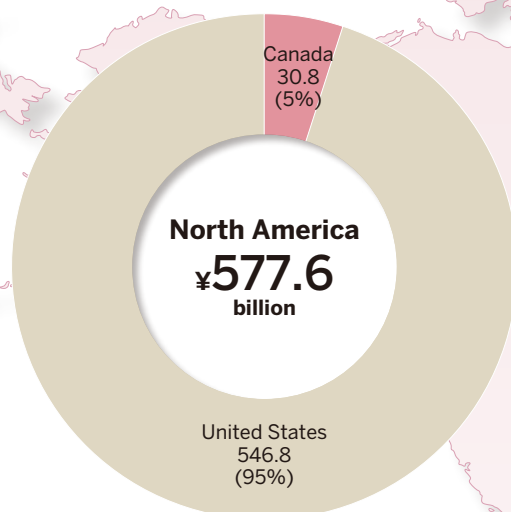
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 - 2 Examples of Business Outcomes by Region 36
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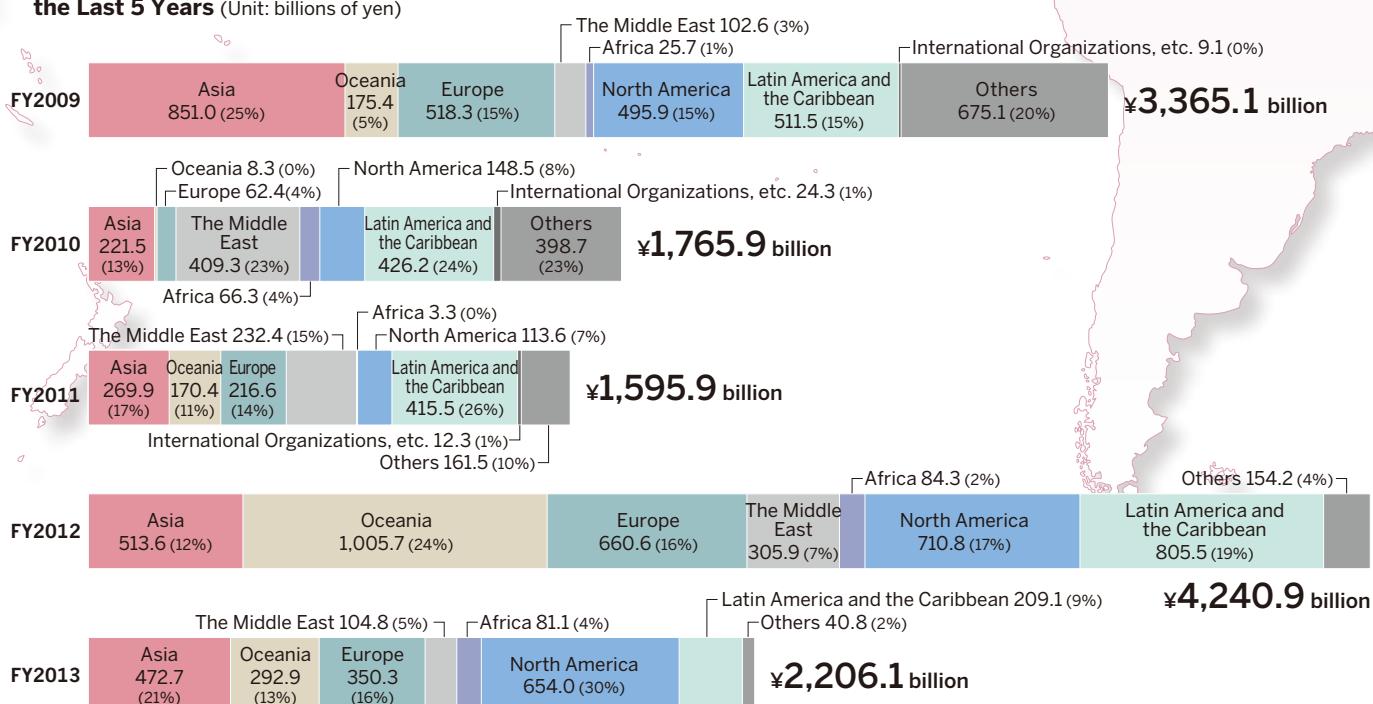
1. Overview of Business Outcomes by Region

■ Geographical Distribution of Loan and Equity Participation Commitments (FY2013. Unit: billions of yen)





Transition of Composition of Commitments by Region (Loans, Equity Participations and Guarantees) over the Last 5 Years (Unit: billions of yen)



2. Examples of Business Outcomes by Region

Asia

China

Loan for Recycling Polyester Products and Manufacturing and Sales of Recycled Polyester Fiber

Supporting the overseas business deployment of the Japanese chemical fiber industry by providing the first local currency loan

JBIC signed a loan agreement with ZHEJIANG JIAREN NEW MATERIALS CO., LTD (ZHEJIANG), a local joint venture of TEIJIN LIMITED (Teijin). This is the first loan in Chinese yuan provided by JBIC, and will provide funds for ZHEJIANG to recycle polyester products and build a new plant to manufacture recycled polyester fiber. Teijin intends to manufacture and sell high added-value polyester fiber in China using its proprietary chemical recycling technology. This loan will lead to recycling practice in China, and in this respect, it also has wide-ranging environmental significance.



Mongolia

Export Credit Line for Mongolia

Supporting Japanese companies' machinery and equipment exports to Mongolia

JBIC established an export credit line¹ with the Ministry of Economic Development of the Government of Mongolia to provide funds for local Mongolian companies to purchase Japanese machinery and equipment. Mongolia's development of its mining resources is fueling demand for local infrastructure development, and with this, export opportunities for Japanese companies are expected to grow. Through this credit line, JBIC is providing financial support for exports by Japanese companies. This credit line is the result of discussions based on the memorandum of understanding (MOU) signed between the Mongolian Ministry of Finance and JBIC, and is provided as a part of the ERCH Initiative² proposed by Prime Minister Abe in March 2013 with a view to promoting economic ties between the two countries.



Indonesia

First Project Financing and Political Risk Guarantee for a Geothermal Power Project by JBIC

Supporting a power infrastructure project with capital participation by Japanese companies

JBIC signed a project finance³ loan agreement with Sarulla Operations LTD (SOL), a Cayman Islands company in which ITOCHU Corporation and Kyushu Electric Power Co., Inc. as well as other investors have equity stakes, to finance the Sarulla Geothermal Power Plant Project in Indonesia. This loan is co-financed by other financial institutions, and JBIC is providing political risk guarantee for the portion co-financed by private financial institutions. In this project, SOL will build and operate the geothermal power plant, and sell electricity generated by the plant to the state-owned power utility in Indonesia. Japanese companies are taking part in this project as investors, and are also involved in the plant's operation and maintenance using Japanese technologies. This loan is providing financial support for participation by Japanese companies in overseas infrastructure projects.



1. An export credit line is a form of export credit in which JBIC makes a commitment of the maximum amount of credit to be extended to foreign banks or other entities to finance exports of machinery and equipment from Japan.
 2. The ERCH Initiative with two pillars of (1) development of investment/business environment and (2) cooperation for Mongolia's sustainable economic development was proposed by Mr. Shinzo Abe, the Prime Minister of Japan, upon his visit to Mongolia in March 2013.
 3. Project finance is a financing scheme in which repayments are made solely from cash flows generated by the project and secured only on the project assets.

Asia

Indonesia

Loan for the Manufacture and Sales of Sintered Alloy Parts for Automobiles**Supporting Japanese companies' business deployment in Indonesia with local currency loans**

JBIC signed a loan agreement in Indonesian rupiah with PT. SUMIDEN SINTERED COMPONENTS INDONESIA (SSI), a subsidiary of Sumitomo Electric Sintered Alloy, Ltd. This loan will provide funds for SSI to build a new plant, which will enable Sumitomo Electric Industries, Ltd., the parent company of Sumitomo Electric Sintered Alloy, Ltd., to manufacture and sell sintered alloy parts for automobiles in Indonesia through SSI. This loan will contribute to maintaining and strengthening the international competitiveness of Japanese auto parts manufacturers.



Myanmar

MOU on Establishing a Vehicle to Promote Private-Sector Projects in Myanmar**Supporting Japanese companies' participation in projects from the early stages**

JBIC signed an MOU with the Ministry of National Planning and Economic Development of the Government of Myanmar regarding the establishment of a vehicle to promote project development in Myanmar (Project Promoting Vehicle-PPV). The PPV will be established to support commercially viable projects from their early stages, such as the urban development project in the Greater Yangon area. The establishment of this PPV reflects the policies of the Government of Myanmar to utilize private-sector resources and vitality to the maximum in urban development. It will also facilitate private-sector projects, and enable support for the acquisition of permits, and through this, contribute to promoting investment in Myanmar by Japanese and other private-sector companies.



The Philippines

Loan for the Manufacture and Sales of Passenger Car Tires**Supporting a Japanese company's overseas business deployment**

JBIC signed a loan agreement with Yokohama Tire Philippines, Inc. (YTPI), a subsidiary of The Yokohama Rubber Company, Limited (Yokohama Rubber) incorporated in the Philippines. This loan will provide funds for YTPI to expand its passenger car tire production plant in the Clark Special Economic Zone in Pampanga Province, Philippines. Yokohama Rubber manufactures and sells tires, as well as industrial and sports products, and in 1996 it established YTPI in the Philippines to supply passenger car tires primarily to North America. In light of the steady purchasing sentiment in the North American market, future demand for YTPI tires is projected to be robust, and Yokohama Rubber is seeking to grow its North

American sales through the expansion of the YTPI facility. By supporting the overseas business deployment of Yokohama Rubber, this loan will contribute to maintaining and strengthening the international competitiveness of Japanese industries.

Asia

Thailand

Project Financing for Gas-Fired Combined Cycle Power Plant**Supporting overseas deployment of infrastructure system by Japanese companies**

JBIC signed a project finance loan agreement with Khanom Electricity Generating Company Limited (KEGCO), a Thai company in which Mitsubishi Corporation (MC) and Tokyo Electric Power Company, Inc. (TEPCO) have indirect equity stakes, to finance the Khanom 4 gas-fired combined cycle Power Generation Project. In this Project, KEGCO will build and operate a gas-fired combined cycle power plant in southern Thailand, and sell electricity generated by the plant to the Electricity Generating Authority of Thailand. TEPCO will provide technical support for the construction, operation and maintenance of the plant. This loan will contribute to maintaining and strengthening the international competitiveness of Japanese companies, and also to ensuring the stable supply of electricity to southern Thailand.



Vietnam

Project Financing for Oil Refinery and Petrochemical Complex Project**Supporting the overseas business deployment of the Japanese Petroleum and Petrochemical Industry**

JBIC signed a project finance loan agreement with Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), a Vietnamese company established by Idemitsu Kosan Co., Ltd., Mitsui Chemicals, Inc. and others, to finance the Nghi Son Refinery and Petrochemical Complex construction project. In this project, NSRP will build and operate an oil refinery and petrochemical complex in Thanh Hoa Province, Vietnam, to produce petroleum and petrochemical products. In supporting the Japanese companies participating in this project to expand their overseas manufacturing

base through entry into the Vietnamese market, this loan will contribute to maintaining and strengthening the international competitiveness of Japan's oil refinery and petrochemical industry.



India

Loan for Acquiring an Industrial Gas Manufacturer**Supporting a Japanese company's overseas M&A**

JBIC signed a loan agreement with AIR WATER INC. (AIR WATER) to provide a part of the funds necessary for acquiring the Indian company Ellenbarrie Industrial Gases Limited (EIGL). AIR WATER is aiming to expand its overseas business operations using its proprietary gas manufacturing technologies, such as VSU (high-efficiency compact liquid nitrogen/oxygen co-production plant), and gas application technologies. With the acquisition of EIGL, which supplies liquefied gas and gas cylinders primarily in eastern India, AIR WATER is seeking to build and expand a business model with close regional ties through the EIGL business infrastructure and network for the effective supply of gas production technologies,

advanced AIR WATER technologies, and a broad range of products. By providing the necessary long-term funds for overseas M&A by a Japanese company in support of the company's new overseas business deployment, this loan will contribute to maintaining and strengthening the international competitiveness of Japanese industries.

Asia

India

Loan for India's National Thermal Power Company**Loan for a large-scale infrastructure project**

JBIC signed a loan agreement with NTPC Limited (NTPC) for NTPC to purchase steam turbine generators and boiler feed water pumps from Toshiba JSW Power Systems Private Limited (an Indian subsidiary of Toshiba Corporation), Toshiba Corporation, and Ebara Corporation for use in NTPC's construction of supercritical coal-fired power plants. As India's largest power company, NTPC will play a critical role in the Indian government's power facilities expansion program, and this, in turn, is expected to increase business opportunities for Japanese companies with advanced technologies.



Turkmenistan

Buyer's Credit for Turkmenistan's State-owned Chemical Company**Supporting Japanese Company's Export of Sulfuric Acid Production Plant Facility**

JBIC signed a buyer's credit¹ agreement with the Government of Turkmenistan. This loan will finance the State Concern "Turkmenhimiya," Turkmenistan's state-owned chemical company to purchase a complete set of plant facility from Mitsui Engineering & Shipbuilding Co., Ltd., as it builds a new sulfuric acid production plant. With this loan, it is planned that sulfuric acid produced in this plant by making effective use of the sulfur contained substantially in the natural gas produced in the country will be used as a raw material for fertilizer. This is expected to contribute to developing the agricultural sector in Turkmenistan. This loan will also lead to creating business opportunities for Japanese companies in Turkmenistan's oil and gas sector.



Asia

Equity Participation in Fund to Invest in Companies Operating in the Asian Region**Supporting Japanese companies' overseas M&A utilizing a private equity fund**

JBIC signed agreements for equity participation in CVC Capital Partners Asia Pacific IV (the Fund), a private equity fund (PE fund) managed by CVC Capital Partners Jersey Limited and advised by CVC Asia Pacific Limited and CVC Asia Pacific (Japan) Kabushiki Kaisha (collectively, CVC Group) for investing in companies operating mainly in the Asian region. The Fund will use the CVC Group's network in the region to identify and invest in such companies. With equity participation in the Fund, one of the major PE funds, JBIC will build a cooperative framework with CVC Group and others for supporting M&A by Japanese companies. By collaborating with the PE fund, an M&A seller, JBIC is seeking to boost support for overseas

M&A by Japanese companies, which are M&A buyers, in addition to its conventional financial support for Japanese companies' M&A.

1. 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.

Oceania

Australia

Loans for Iron Ore Mine Interests Acquisition and Development Project

Supporting the securing of mineral resources and participation in overseas iron ore mine development by Japanese companies

JBIC signed loan agreements with Mitsui & Co. Iron Ore Exploration & Mining Pty. Ltd. (MIOE), an Australian subsidiary of Mitsui & Co., Ltd., and ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA), an Australian subsidiary of ITOCHU Corporation, to provide funds for MIOE and IMEA to acquire a partial interest in the Jimblebar Iron Ore Mine in Australia from the Australian company BHP Iron Ore (Jimblebar) Pty Ltd. JBIC has also provided part of the necessary funds for MIOE to develop the Jimblebar Mine. Through these loans, JBIC will contribute to securing a long-term stable supply of mineral resources for Japan.



Australia

Loan for CBM Gas Field Development in an LNG Project

Supporting Japanese companies' participation in a CBM gas field development project

JBIC signed a loan agreement with Toyota Tsusho Corporation (Toyota Tsusho) to finance Toyota Tsusho's acquisition of a partial interest in a coal-bed methane (CBM) gas field in Queensland, Australia through its wholly owned Australian subsidiary, and also the company's development of the gas field together with the U.K. company BG Group plc (BG), Tokyo Gas Co., Ltd., and others. CBM from the gas field will be used as feed gas for the Queensland Curtis LNG Project promoted by BG etc. The CBM development knowledge and experience acquired through this loan will serve to expand the opportunities for Japanese companies to participate in CBM projects, and contribute to increasing their in-house development ratio and also diversifying non-conventional energy sources.



Europe

Russia

Credit Line for Russia's Largest Commercial Bank

Supporting the Overseas Manufacturing and Sales of Power Transformers by Japanese Companies

JBIC signed a loan agreement with the Sberbank of Russia (Sberbank), Russia's largest commercial bank, to provide the necessary funds through Sberbank for Limited Liability Company "Izhora Transformers" (IZT)¹, a joint venture of Toshiba Corporation and Open Joint Stock Company "Power Machines-ZTL, LMZ, Electrosila, Energomachexport", to establish a factory for the manufacture and sales of power transformers. JBIC signed a separate loan agreement with IZT for this project in 2012. This loan will contribute to maintaining and strengthening the international competitiveness of the Japanese power machinery and equipment industry.



Russia

Memorandum of Cooperation to Establish the "Far East and Baikal Infrastructure Development Partnership"

Supporting Japanese companies' participation in infrastructure development, including PPP infrastructure projects

JBIC signed a Memorandum of Cooperation with The Far East and Baikal Region Development Fund (FEDF)², a wholly owned subsidiary of the governmental financial institution Vnesheconombank, to establish the "Far East and Baikal Infrastructure Development Partnership". Under this partnership, JBIC and FEDF will share information and cooperate in the formation of infrastructure development projects in Russia's Far East and Baikal regions. The Russian government has placed a high priority on the development of this region, and with the projected boost to infrastructure development arising from this, this partnership is expected to contribute to the business deployment of Japanese companies in the region.



Russia

Buyer's Credit for Russian Company

Supporting Japanese Companies' Export of Ammonia Production Plant Facility

JBIC signed a buyer's credit (export loan) agreement with OJSC PhosAgro-Cherepovets engaging in the production of phosphorus- and nitrogen-based fertilizers. This loan will finance OJSC PhosAgro-Cherepovets to purchase a production plant facility from Mitsubishi Heavy Industries, Ltd. and Sojitz Corporation for building a new ammonia production plant, in addition to its existing ammonia production plant in Cherepovets city. In Russia, since there is the prospect of demand for rebuilding antiquated fertilizer plants in the future, this loan will lead to the creation of business opportunities for Japanese companies in petrochemical and fertilizer business in Russia.



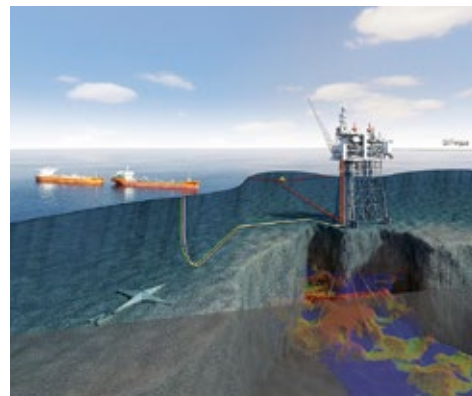
1. The company name changed to Power Machines Toshiba High-Voltage Transformers LLC on 17 December 2013.
2. FEDF is the fund established in 2011 in order to improve infrastructure in Russia's Far East and Baikal region.

Europe

United Kingdom

Loan for Acquisition of Interests and Development of Oil Fields in the British North Sea**Supporting a Japanese company in the acquisition of interests and development of oil fields**

JBIC signed a loan agreement with JX Nippon Exploration and Production (U.K.) Limited (JXNEPUK), a wholly owned British subsidiary of JX Nippon Oil & Gas Exploration Corporation (JX), to finance JXNEPUK's acquisition of interests and development of the Mariner and Kinnoull Oil Fields, which are owned by Eni S.p.A. Group in Italy. Although the production of oil and natural gas in the North Sea has been declining, advances in oil and gas development technologies have revived interest in this region. This loan will contribute to increasing the ratio of independent oil development through the acquisition of interests by a Japanese company.



Italy

Loan for Acquisition of Interests and Development of the Largest Undeveloped Oil Field in Western Europe**Supporting a Japanese company in the acquisition of interests and development of an oil field**

JBIC signed a loan agreement with Mitsui E&P Italia A S.r.l. (MEPIT), an Italian company in which MITSUI & CO., LTD. and Mitsui Oil Exploration Co., Ltd. (MOECO) have indirect equity stakes, to finance MEPIT's partial acquisition of interests and development of the Tempa Rossa Oil Field, which is located in southern Italy and owned by a subsidiary of the French company Total S.A. This loan will enable a Japanese company to acquire oil field development know-how through cooperation with major international oil companies, which, in turn, is expected to lead to further joint operations in other oil field development projects. The acquisition of interests will also improve the independent oil development ratio by Japanese companies, and through this, contribute to Japan's energy security.



Rendering of the Oil Center (©Total E&P Italia)

Spain

MOU on Business Cooperation with a Spanish Policy-based Financial Institution**Supporting the creation of business opportunities for Japanese companies in Spain and third countries**

JBIC signed an MOU on promoting comprehensive cooperation with the Instituto de Crédito Oficial (ICO) in Spain. ICO is a policy-based financial institution wholly owned by the Spanish government, and provides financial support to Spanish companies for domestic and overseas business operations (including support for small and medium-sized enterprises, and infrastructure projects). The objective of this MOU is to formulate and promote joint projects by Spanish and Japanese companies in Spain and third countries, and facilitate collaboration between Japanese companies that have an interest in Spanish companies with a proven track record in infrastructure projects on the one hand, and Spanish companies that have an interest in the technical strengths of Japanese companies on the other.



Europe

Isle of Man

Buyer's Credit for Ship Export to a Leading Shipping Group**Supporting the export of a bulk ore carrier built by a Japanese shipbuilder**

JBIC signed a buyer's credit agreement with the Panamanian company Berge Blanc Company S.A. (Berge Blanc), a wholly owned subsidiary of Singapore's leading shipping operator Berge Bulk Limited¹. This loan will provide funds for Berge Blanc to purchase a unimax ore carrier to be built by the Japanese shipbuilder Japan Marine United Corporation at its domestic shipyard. Amid continuing constraints on ship financing throughout the world, this loan will contribute to maintaining and strengthening the international competitiveness of Japan's shipbuilding industry.



1. Berge Bulk is a registered corporation in the British Bermuda Islands.

The Middle East

Kuwait

Project Financing for Kuwait's First PPP Power and Desalination Project

Contributing to stronger multi-layered relations with a resources-endowed country through support for an infrastructure project

JBIC signed a project finance loan agreement with SHAMAL AZ-ZOUR AL-OULA FOR THE BUILDING, EXECUTION, OPERATION, MANAGEMENT AND MAINTENANCE OF THE FIRST PHASE OF AZ-ZOUR POWER PLANT K.S.C. (AZN1), a Kuwaiti company established by Sumitomo Corporation and other companies, to finance the Az-Zour North 1 IWPP Project¹. In this Project, AZN1 will build a combined-cycle natural gas-fired power and desalination plant, and sell the electricity and freshwater produced by the plant. As Kuwait's first public-private partnership (PPP) power and seawater desalination plant project, there are high expectations of the project's success, and it will contribute to further strengthening the comprehensive multi-layered relations between Japan and Kuwait.



Photo credit: Hyundai Heavy Industries Co., Ltd & Societe Internationale de Dessalement S.A.

Saudi Arabia

Buyer's Credit for State-owned Saudi Arabian Power Company

First loan for the Saudi Arabian power sector

JBIC signed a buyer's credit (export loan) agreement with the state-owned Saudi Electricity Company (SEC), which operates integral power generation, transmission and distribution services, to finance SEC's purchase of steam turbines, boilers and other power generation equipment and machinery from Mitsubishi Heavy Industries, Ltd., for the supercritical pressure thermal power station it plans to build. This is JBIC's first loan to SEC and the power sector in Saudi Arabia. The loan will increase business opportunities for Japanese companies with high technological capabilities in this sector, and this, in turn, will contribute to maintaining and strengthening the international competitiveness of Japanese industries.



Turkey

Buyer's Credit for a Turkish Company

Supporting the export of port container cranes by Japanese companies

JBIC signed a buyer's credit (export loan) agreement with the Turkish company Yilport Holding A. S. (Yilport) to finance the purchase of 18 port container cranes from Mitsui Engineering & Shipbuilding Co., Ltd. (MES) for Yilport's new construction of the Gemlik Port Terminal and expansion of Gebze Port Terminal in western Turkey. Yilport's new purchase of MES port container cranes is based on its high confidence in the performance of the cranes from past purchases, and this loan will contribute to improving port infrastructure in Turkey, and also to maintaining and strengthening the international competitiveness of Japanese companies.



1. IWPP (Independent Water and Power Producer) is an independent company that builds and operates a power and water desalination plant on its own and sells the power and desalinated water it produces.
 2. JBIC launched The JBIC Facility for African Investment and Trade Enhancement (FAITH) on June 1, 2013 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.
 3. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Tokyo bond market.

Africa

Morocco

Loan for a Commercial Bank in Morocco**Supporting the expansion of Japanese companies' machinery and equipment exports to the African region**

JBIC established a credit line for export loans with the Moroccan commercial bank Banque Marocaine du Commerce Extérieur under the JBIC Facility for African Investment and Trade Enhancement ("FAITH")² to provide funds for local companies in the African region to purchase machinery and equipment from Japanese companies. Many African countries are endowed with natural resources, and current economic growth is increasing demand for infrastructure development. Against this backdrop, Japanese companies show a strong interest in machinery and equipment exports to the region, and this credit line receives high expectations from these companies.



Tunisia

Guarantee for Privately Placed Samurai Bonds Issued by the Central Bank of Tunisia**Supporting the Bank's second Samurai bond issue**

JBIC signed a set of agreements providing a guarantee for yen-denominated foreign bonds issued in Japan (Samurai bonds³) by the Central Bank of Tunisia under FAITH. This guarantee is provided through JBIC's Guarantee and Acquisition toward Tokyo Market Enhancement (GATE) facility⁴ as a part of the support provided to countries in the Middle East and North Africa under the Deauville Partnership⁵, and is the second guarantee for Samurai bonds issued by the Central Bank of Tunisia. The continued support for the issue of bonds in the Samurai bond market by the Central Bank of Tunisia will help the Tunisian government to diversify its funding sources, provide new investment opportunities to Japanese investors,

and contribute to revitalizing the Samurai bond market and maintaining and strengthening the international competitiveness of the Japanese capital market. The guarantee is also expected to further deepen bilateral relations with Tunisia, and give added momentum to the business operations of Japanese companies over a broad range of fields.

Ghana

Project Financing for Deepwater FPSO Chartering Project**Supporting offshore resources development by Japanese companies**

JBIC signed a project finance loan agreement with T.E.N Ghana MV25 B.V. (TGMV25), a Dutch company in which MODEC, Inc. (MODEC) and others have equity stakes, to finance a long-term FPSO⁶ chartering service project for the Jersey company Tullow Ghana Limited, which will oversee development of the T.E.N. (Tweneboa, Enyenra, Ntomme) Oil Field off the coast of Ghana as the oilfield operator. In this project, MODEC will build one deepwater FPSO, while TGMV25 will provide a chartering service. This loan will contribute to maintaining and strengthening the international competitiveness of Japanese companies in offshore resources development.



Similar model to this FPSO.

4. The Guarantee and Acquisition toward Tokyo market Enhancement (GATE) facility will enable JBIC to acquire Samurai bonds where appropriate, in addition to providing partial guarantees for samurai bond issues.

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

6. An FPSO (floating production, storage, and offloading) system is a floating vessel for the first stage processing of crude oil produced at the oil well, which separates associated gas and water, and for the storage and offloading of oil.

North America

Canada

Loan for Expansion of Oil Sands Development in Canada**Supporting oil sands development invested by Japanese companies**

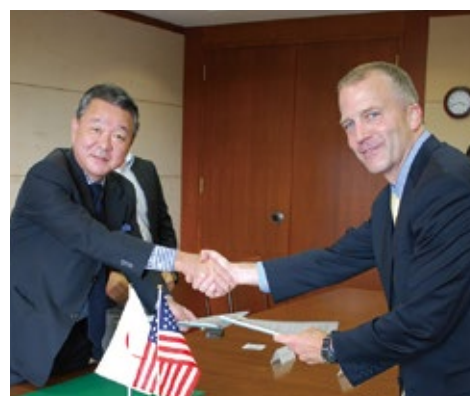
JBIC signed a loan agreement with Japan Canada Oil Sands Limited (JACOS) to finance the expanded development and production of oil sands in the Hangingstone Mine in Canada. JACOS, which holds a 75% interest in this mine, is a wholly owned subsidiary of Canada Oil Sands Co. Ltd., in which Japan Petroleum Exploration Co., Ltd. holds majority equity stakes. The loan will contribute to securing a stable supply of important natural resources for Japan, while the experience and know-how in oil sands development gained from this project will increase the potential for future development of neighboring oil sands mines, and further expand the business deployment of Japanese companies.



United States

MOU with the Department of Natural Resources of the State of Alaska**Supporting the creation of opportunities for Japanese companies to participate in natural resources development projects**

JBIC signed an MOU with the Department of Natural Resources of the State of Alaska, U.S. with the aim of sharing information and views on natural resources development projects that Alaska seeks to promote. A potential major supplier of LNG, Alaska offers an abundance of potential investment opportunities in natural resources and energy, and JBIC's establishment of a framework for sharing information and views with the Department of Natural Resources of the State of Alaska is expected to facilitate projects that will contribute to diversifying Japan's resources and energy suppliers, and promoting the overseas business deployment by Japanese companies in these fields.



United States

Loan for the Acquisition of an Equipment Rental Company**Supporting Japanese companies' overseas M&A**

JBIC signed a loan agreement with Sumitomo Corporation of America, a wholly owned U.S. subsidiary of Sumitomo Corporation, to provide a part of the funds necessary for the Sumitomo Corporation Group to acquire the U.S. equipment rental company Sunstate Equipment Co., LLC (Sunstate). Through this acquisition in which it gains a controlling interest in Sunstate, Sumitomo Corporation is seeking to further expand its equipment rental business in North America, and increase its market share within the industry. By supporting the overseas business expansion of a Japanese company, this loan will contribute to maintaining and improving the international competitiveness of Japanese industries.



North America

United States

Loan for Acquiring a Global Energy Materials and Pipe Distributor**Supporting a Japanese company's overseas M&A**

JBIC signed loan agreements with Sumitomo Mitsui Banking Corporation, the Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Sumitomo Corporation of Americas, a wholly owned U.S. subsidiary of Sumitomo Corporation, to provide a portion of the funds necessary for Sumitomo Corporation of Americas to acquire the U.S. company Edgen Group Inc. (Edgen). With this acquisition, Sumitomo Corporation gains a broader global distribution platform, including experienced staff, facilities, and an expanded specialized steel product offering that supports Sumitomo's growth strategy and continued development of a global energy infrastructure. By supporting the overseas business expansion of a Japanese company, this loan will contribute to maintaining and strengthening the international competitiveness of Japanese industries.



North America

Equity Participation in a Fund Investing in Funds Specializing in the Resources and Energy Sector**Supporting the creation of investment opportunities for Japanese companies in resources and energy projects mainly in North America**

JBIC signed an agreement for equity participation in Energy Opportunity Fund, L.P., a fund of funds managed by a subsidiary of Alternative Investment Capital Limited (AIC) that invests in private equity funds specializing in the resources and energy sector. This fund is established and managed by AIC in collaboration with TorreyCove Capital Partners LLC, a company with extensive investment experience in funds specializing in the resources and energy sector in North America, and is funded by Mitsubishi Corporation, Shinkin Central Bank, some other institutional investors and JBIC.

Investment in the resources and energy sector in North America has surged in recent years on the back of

the shale gas revolution, but investment opportunities for Japanese companies and institutional investors have been limited owing to their lack of investment experience in and access to this sector. Participation in this fund by JBIC, though, is expected to provide Japanese companies and institutional investors with new investment opportunities in the resources and energy sector.

Latin America and the Caribbean

The Bahamas

Buyer's Credit for Ship Export to a Dutch Company**Supporting the export of a bulk carrier built by a Japanese shipbuilder**

JBIC signed a buyer's credit agreement with the Bahamian company African Kite Shipping Co., Ltd. (AKS), which is a wholly owned subsidiary of International Strategic Shipping Investments B.V., a fifty-fifty joint venture of MUR Shipping Holdings B.V. of the Netherlands and J.P. Morgan Global Maritime Investment Fund L.P. of the U.S. This loan will provide funds for AKS to purchase through ITOCHU Corporation a bulk carrier to be built by the Japanese shipbuilder Imabari Shipbuilding Co., Ltd. at its domestic shipyard. This loan will contribute to maintaining and strengthening the international competitiveness of Japan's shipbuilding industry, which plays a significant role in regional economies and associated industries.



Bolivia

Loan for Expansion of One of Bolivia's Largest Mines**Supporting a Japanese company's mine expansion project and the securing of a long-term stable supply of mineral resources**

JBIC signed a loan agreement with the Bolivian company Minera San Cristobal S.A. (MSC), a wholly owned subsidiary of Sumitomo Corporation, to provide the necessary funds for MSC's further expansion of the San Cristobal Zinc, Lead and Silver Mine, one of Bolivia's largest mines. JBIC will bear the political risk, thereby alleviating the local risk that accompanies the overseas business deployment of the Japanese company. Japan is dependent on imports for all zinc and lead concentrates used in zinc and lead metals, so this loan will contribute to securing the long-term stable supply of strategically important resources for Japan.



Brazil

Loan for a State-owned Oil Company in Brazil**Supporting Japanese companies' exports and business with overseas subsidiaries**

JBIC established credit lines with the Brazilian state-owned oil company Petróleo Brasileiro S.A. (PETROBRAS) to provide the necessary funds for PETROBRAS to purchase equipment and services from Japanese companies. Brazil is the largest country in Central and South America in terms of both population and GDP, and with the growing interest in Brazil among Japanese companies in recent years, export opportunities and business operations of local Japanese subsidiaries are expected to increase. This loan will contribute to maintaining and strengthening the international competitiveness of Japanese industries and the economic relationship between the two countries.



Latin America and the Caribbean

Brazil

Loan for the Acquisition of Shares of Companies Engaged in Agriculture and Grain Exports**Supporting Japanese companies' overseas M&A**

JBIC signed a loan agreement with Sojitz Corporation (Sojitz) to provide a part of the funds necessary to acquire shares in the Brazilian agriculture and grain collection and export companies CANTAGALO GENERAL GRAINS S.A. and CGG TRADING S.A. With the acquisition of these shares, Sojitz seeks to strengthen its agribusiness base by obtaining the right of preferential purchase of Brazilian grains, and also business resources including global procurement and sales networks in agriculture and grain collection and exports. These share acquisitions represent overseas agriculture investments promoted under the Food, Agriculture and Rural Areas Basic Act, among others, and are also consistent with the Japanese food policy.



Chile

Loan for Acquisition of Interests and Development of a Large-scale Overseas Copper Mine**Supporting a Japanese company in the acquisition of interests and participation in the development of a copper mine**

JBIC signed a project finance loan agreement to provide long-term financing necessary for the Antucoya Copper Mine Development Project implemented by the Chilean company Minera Antucoya (Antucoya), in which Marubeni Corporation and the British company Antofagasta PLC (Antofagasta) have equity stakes. JBIC is also providing financing to Marubeni Corporation for acquiring shares in Antucoya from Antofagasta thereby enabling it to participate in this mine development project, and also long-term financing for developing the mine. This loan is highly significant for securing Japan's medium- and long-term supply of mineral resources as it will contribute to securing a stable supply of copper at the overseas manufacturing bases of Japanese copper metal users, and strengthen ties between Japanese companies and Antofagasta, a major player in copper resources development.



Costa Rica

Loan for Banco de Costa Rica**Supporting the expansion of Japanese companies' business with Costa Rica**

JBIC established a credit line with Costa Rica's state-owned bank Banco de Costa Rica to provide funds for local companies in Costa Rica to purchase general machinery and equipment, renewable-energy-related facility¹, and also climate change mitigation facility² from Japanese companies. Costa Rica is planning extensive renewable energy development projects, and these credit lines are expected to deliver greater opportunities for Japanese exports into this sector where Japanese technologies are highly regarded internationally.



1. They include those for geothermal power, wind power, biomass power, solar photovoltaic and solar thermal generation.

2. They include those for thermal power plants with CCS facilities, CCS projects, waste to energy projects, hybrid power plants, combined heat & power projects, district heating and/or cooling related projects. CCS is a technology that separates, captures, and stores carbon dioxide, a major culprit of greenhouse gases, in deep sea beds or underground geological formations.

Latin America and the Caribbean

Ecuador

Export Credit Line for Ecuador

Supporting the export of terrestrial digital broadcasting equipment by Japanese companies

JBIC established an export credit line with the Government of Ecuador to provide funds for the purchase from Japanese companies of broadcasting equipment necessary for the terrestrial digital broadcasting network development project to be implemented by Ecuador's state-run broadcasting company. With the adoption of the Japanese ISDB-T digital broadcasting standard¹ by Ecuador as it plans to shift domestic broadcasting to terrestrial digital broadcasting, Japanese companies have been actively negotiating exports of Japanese broadcasting equipment. The Japanese government has been promoting the Japanese standard for terrestrial digital broadcasting overseas, and to date (as of the end of July

2014), 17 countries have adopted the Japanese standard. This export credit line will extend financial support for the international propagation of the private-public-backed Japanese terrestrial digital broadcasting and the export of associated equipment by Japanese companies, and contribute to expanding high-quality terrestrial digital broadcasting network in Ecuador, and also to maintaining and strengthening the international competitiveness of Japanese companies.



Mexico

Loan for Electronic Parts Mounting and Equipment and Parts Assembly and Processing

Supporting the overseas business deployment of a Japanese electronics manufacturing services company

JBIC signed a loan agreement with SIIX Corporation (SIIX) to provide funds to SIIX for establishing, through its wholly owned U.S. subsidiary, SIIX EMS MEXICO S. de R.L. de C.V. (SEM) to carry out electronic parts mounting, and assembly and processing of equipment and parts in Mexico. SIIX will establish SEM as a base for exports of electronic components for vehicle parts for the North American markets, which are vital to Japan's major automobile manufacturers, and is seeking to expand its share of the Central and South America markets where further economic growth is projected. This loan will contribute to maintaining and strengthening the international competitiveness of Japanese industries.



Mexico

Loan for Auto Parts Transport, Warehousing and Packaging

Supporting the overseas business deployment of the Japanese auto-related industry

JBIC signed a loan agreement with the Mexican company Mazda Logistica de Mexico S.A. de C.V., a subsidiary of Mazda Logistics Co., Ltd. (Mazda Logistics), to provide funds for Mazda Logistics to set up Mazda Logistica de Mexico S.A. de C.V. and procure the equipment and facilities necessary for auto parts transport, warehousing and packaging operations in Salamanca, Estado de Guanajuato, Mexico. With Mexico's rapid growth in automobile production, Japanese and other automakers have flooded into the Mexican market, and against this backdrop, Mazda Logistics will establish Mazda Logistica de Mexico S.A. de C.V. as its distribution base in Mexico with a view to boosting its overseas business operations.

This loan will contribute to maintaining and strengthening the international competitiveness of the Japanese auto-related industry.

1. ISDB-T (Integrated Services Digital Broadcasting-Terrestrial) is an international standard of digital broadcasting. It has a technological comparative advantage in its capabilities of broadcasting voices, moving images and data to portable devices and broadcasting in times of emergency for disaster prevention. One of its other characteristics is that it is economical, since one transmitter can simultaneously broadcast to portable devices (called 1-seg broadcasting) and high-definition TVs.

Export Credit Line for Banco Centroamericano de Integración Económica

Supporting Japanese companies' exports to Central American countries

JBIC established an export credit line with Banco Centroamericano de Integración Económica (BCIE) to provide funds for local companies in Central America to purchase general machinery and equipment, renewable-energy-related facility², climate change mitigation facility³, and equipment connected with the water sector from Japanese companies. Countries in Central America have been adopting a range of measures to facilitate the sustainable development of regional economies, and this is expected to lead to greater capital investment opportunities. This credit line, through BCIE, will support the export of Japanese machinery and equipment to Central America, and thereby contribute to maintaining and strengthening the international competitiveness of Japanese industries.



2. They include those for geothermal power, wind power, biomass power, solar photovoltaic and solar thermal generation.

3. They include those for thermal power plants with CCS facilities, CCS projects, waste to energy projects, hybrid power plants, combined heat & power projects, district heating and/or cooling related projects. CCS is a technology that separates, captures, and stores carbon dioxide, a major culprit of greenhouse gases, in deep sea beds or underground geological formations.

3. Examples of Business Outcomes Relating to Support for SMEs

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

China

MORROW Co., Ltd.

Manufacturing and Sales of Sportswear Products

MORROW Co., Ltd. (MORROW) manufactures sportswear products. The company's Chinese subsidiary QINGDAO MORROW APPAREL CO., LTD. (QINGDAO MORROW) plans to expand its manufacturing business in the country, where the apparel markets, including the sportswear market, are expected to grow, driven by robust Chinese economic growth. JBIC provided a loan for MORROW to finance the expansion of a QINGDAO MORROW production facility.

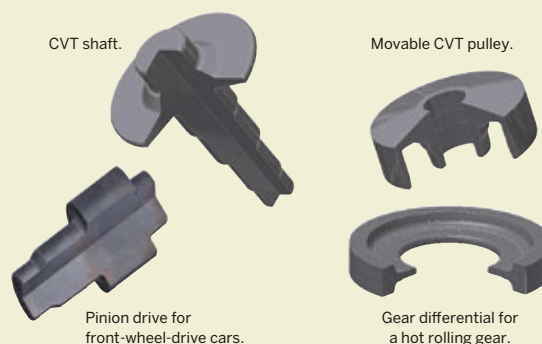


China

KOTANI CORPORATION

Manufacturing and Sales of Forged Parts for Automobiles

KOTANI CORPORATION (KOTANI) manufactures automobile parts with its integrated production system that takes advantage of its proprietary processes for manufacturing forged products. The company plans to establish Kotani (Zhangjiagang) Co., Ltd., a subsidiary in China, to manufacture and sell forged automobile products, specifically transmission parts, which will primarily be supplied to Japanese-affiliated car manufacturers. JBIC provided a loan for KOTANI to finance the establishment of this subsidiary.



China

SHÓSHIBA MANUFACTURING COMPANY, LTD.

Manufacturing and Sales of Automobile Parts

SHÓSHIBA MANUFACTURING COMPANY, LTD. (SMC) manufactures and sells press parts for car safety products such as air-bag cases and seat frames. Its Chinese subsidiary SHOSHIBA AUTOMOTIVE PARTS (Wújiāng) CO., LTD. (SHOSHIBA WUJIANG) supplies car press parts to Chinese subsidiaries of Japanese car manufacturers as well as to local car manufacturers. JBIC provided a loan for SMC to finance the operations of SHOSHIBA WUJIANG.



China

MIRAREED CORPORATION CO, LTD

Manufacturing and Sales of Car Accessories

MIRAREED CORPORATION CO, LTD (MIRAREED) manufactures and sells car accessories. Its Chinese subsidiary NINGBO MIRAREED PLASTIC CO., LTD manufactures and sells car sockets, ashtrays, and other products. MIRAREED plans to increase production in China as part of its strategy to expand its share in the Chinese market. JBIC provided a loan for MIRAREED to finance the operations of this subsidiary.



Indonesia

URASE Corp.**Dye Processing and Processed Products Sales**

URASE Corp. (URASE) dyes and prints on textiles for garments, interior goods, and industrial and sports materials. It also provides functional processing for such textiles. The company plans to establish its first subsidiary overseas, PT. URASE PRIMA, in Indonesia to process medium-thick synthetic textile products, in which it excels, for the Asian and Middle East markets. JBIC provided a loan for URASE to establish this subsidiary.



Indonesia

Daiki Aluminium Industry Co., Ltd.**Manufacturing and Sales of Secondary Aluminium Alloy Ingots**

Daiki Aluminium Industry Co., Ltd. (Daiki Alumi) has been maintaining a top share in the domestic market for many years as a pioneer of the secondary aluminium-alloy ingots maker. Its Indonesian subsidiary, PT. DAIKI ALUMINIUM INDUSTRY INDONESIA (DAI), plans to strengthen its manufacturing and sales capacity in Indonesia, where the demand for secondary aluminium-alloy ingots from automobile and related industries is expected to grow. JBIC provided a loan for Daiki Alumi to finance the operations of DAI.



Indonesia

Kotera Manufacturing Co., Ltd.**Manufacturing and Sales of Buddhist Ornaments**

Since its foundation, Kotera Manufacturing Co., Ltd. has manufactured, installed, and repaired metal ornaments and altar fittings, primarily for Buddhist temples and Shinto shrines. Its subsidiary PT. KOTERA INDONESIA (PTKI) plans to boost production and sales of metal ornaments. It also plans to increase orders for metal fittings and metal dies, as well as plastic processing based on its Buddhist ornament processing technology. JBIC provided a loan for PTKI to finance these operations.



Malaysia

General Co., Ltd.**Manufacturing and Sales of Office Automation-Related Products**

General Co., Ltd. (General) is a long-established company that manufactures and sells products related to office automation (OA). With the technologies for manufacturing carbon paper that it has cultivated over the years, General has been an original equipment manufacturer (OEM) for major electrical manufacturers. IS INDUSTRIES SDN. BHD. (ISI), the company's subsidiary in Malaysia, manufactures and sells thermal transfer ribbons and other OA-related products. JBIC provided loans for General to finance the business expansion of ISI.



Thailand

BENDA-KOGYO CO., LTD.

Manufacturing and Sales of Automobile Parts

BENDA-KOGYO CO., LTD. is one of the largest companies in the world in terms of market share for metal ring gears for automobiles. Given the prospect of growing demand for automobile parts in Asia over the coming years, the company plans to establish its subsidiary BENDA (THAILAND) CO., LTD. (BTC) to manufacture metal ring gears for automobiles in Thailand. JBIC provided a local currency loan for BTC to finance the establishment of a manufacturing plant.



Thailand

Irifune Kozai Co., Ltd.

Processing and Sales of Steel Products

Irifune Kozai Co., Ltd. (Irifune Kozai) has its forte in processing for producing pickled and oiled steel sheets and plates¹, supplying them to suppliers of parts for electric appliances, automobiles, construction machines, and industrial machinery. To expand its business, the company plans to set up IRIFUNE STEEL (THAILAND) CO., LTD. (IST), its first subsidiary outside Japan. JBIC provided a loan for Irifune Kozai to finance the establishment of IST.



Thailand

MANO-SEIKO Co., Ltd.

Manufacturing and Sales of Precision Machinery Components

MANO-SEIKO Co., Ltd. processes parts for automobiles, electrical equipment, and many other products by taking advantage of its high-precision processing technology. To meet the needs of its major customers, the company has recently established MANO Precision (Thailand) Co., Ltd. (MANO) to manufacture and sell metal parts for trucks and cars in Thailand. JBIC provided a local currency loan for MANO to finance its operations.



Vietnam

Japan Chemical Engineering & Machinery Co., Ltd.

Plant Engineering Business

As the first Japanese company to succeed in developing an alcohol distillation system, Japan Chemical Engineering & Machinery Co., Ltd. (JCEM) manufactures and constructs various types of chemical industrial machinery. Recently it has expanded its business to include engineering for environment-conscious plants. Its Vietnamese subsidiary JCEM VIETNAM CO., LTD. (JCVN) engages in plant engineering for such sectors as chemicals, food, beverages, and energy. JBIC provided a loan for JCEM to finance the operations of JCVN.



1. In manufacturing hot-rolled steel sheets, oxide layers (scales) are produced on the surface of them through contact with oxygen in the air. Pickled and oiled steel sheets are fine surface steel sheets processed in a hydrochloric acid bath to remove the scales chemically.

Vietnam

Nagatsu Industries Ltd.

Manufacturing and Sales of Construction Equipment Parts

Since its foundation in 1960, Nagatsu Industries Ltd. (Nagatsu Industries) has continued to manufacture and sell construction equipment parts. NAGATSU VIETNAM COMPANY LIMITED (NVC), a subsidiary of Nagatsu Industries, manufactures and sells construction equipment parts, such as hydraulic parts used for hydraulic shovels and bulldozers as well as magnetic sensors. JBIC provided a loan for NVC to finance its operations.



India

Kosei Aluminum Co., Ltd.

Manufacturing and Sales of Auto Parts

Kosei Aluminum Co., Ltd. (Kosei) manufactures and sells primarily aluminum wheels for motorcycles and four-wheeled motor vehicles as well as other aluminum products. KOSEI MINDA ALUMINUM CO., LTD. (KMA) is the Indian subsidiary of Kosei International Trade and Investment Co., Ltd. (KITI), Kosei's subsidiary in Hong Kong. KMA has been set up as a new base for manufacturing and selling aluminum wheels. JBIC provided a loan for KITI to finance the operations of KMA.



Brazil

SATAKE CORPORATION

Manufacturing and Sales of Grain Processing Machinery

Since its foundation in 1896, SATAKE CORPORATION has continued to manufacture and sell grain processing machinery. The company's subsidiary in Brazil, SATAKE AMERICA LATINA LTDA. (SAL), manufactures and sells grain processing machinery for Brazil and neighboring countries. Amid steady economic growth in South American countries, SAL plans to expand its business. JBIC provided a loan for SAL to finance its business expansion.



Mexico

HIRUTA KOGYO CO., LTD.

Manufacturing and Sales of Automobile Parts

HIRUTA KOGYO CO., LTD. manufactures and sells automobile parts. In anticipation of growing demand for automobiles in Mexico, the company set up HIRUTA MEXICO, S.A. DE C.V. (HMX) after its major customers expanded their businesses overseas. HMX will manufacture and sell chassis and transmission parts, among other automobile parts. JBIC provided a loan for HMX to construct a manufacturing plant in Mexico.



4. 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. 65).

Supporting a Japanese Company in Offshore Wind Turbine Business

Wind power manufacturers around the world are working hard to develop and get orders for large generators amid expectations for the growth of the offshore wind energy market, especially in Europe, where it is backed by renewable energy policies in the United Kingdom, Germany, and other countries. Under these circumstances, JBIC undertook equity participation in the Denmark-based joint venture between Mitsubishi Heavy Industries, Ltd. (MHI) of Japan and Vestas Wind Systems A/S (Vestas) of Denmark through MHI Holding Denmark ApS, an MHI subsidiary in Denmark. In this way, JBIC supports offshore wind turbine business by the MHI-Vestas joint venture. This joint venture seeks to establish itself as a global leader in the offshore wind energy market by bringing together the technological strengths and creditworthiness that MHI has cultivated over the years as a manufacturing company in the field of power system plants and the abundant experience and technologies held by Vestas. This kind of equity participation will not only promote the renewable energy business but will also help to maintain and improve the international competitiveness of Japanese companies.



Photo credit: MHI Vestas Offshore Wind A/S

Supporting a Seawater Desalination Project in Oman

Demand for water in Oman is projected to increase at an annual average rate of five percent from 2013 through 2019 as its population and economy continue to grow.

JBIC signed a loan agreement with Muscat City Desalination Company S.A.O.C. (MCDC) in Oman for the Al Ghubrah IWP Project. MCDC was established jointly by Sumitomo Corporation, a Malaysian company, and a Spanish company to implement this project. The loan is provided on a project financing basis. In this project, MCDC will build a new seawater desalination plant in Muscat, the capital city of Oman, and sell desalinated water to Oman Power and Water Procurement Company S.A.O.C., a state-owned company, for a period of 20 years on a BOO basis.¹ The amount of water supplied by this project will meet the water demand of about 800,000 people. The desalination plant will thus serve as an important water supply source.



1. BOO (Build, Own, and Operate) is a form of financing whereby a private sector company build, own and operate a plant, such as a seawater desalination plant, throughout the contract period.

Supporting Renewable Energy Projects in Southern African Countries

JBIC offered a credit line to the Development Bank of Southern Africa Limited (DBSA). This credit line, the first loan offering that JBIC has extended to Africa under GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operations, is intended to finance environment-related projects such as wind power, solar photovoltaic power generation, and other projects that harness renewable energy resources in the member countries of the Southern African Development Community. It is expected that this credit line will contribute to reduction of GHG emissions in Southern African countries. It is also expected to provide the opportunity to promote Japan's advanced environmental technologies, which are internationally acclaimed.

Following the Fifth Tokyo International Conference on African

Development (TICAD V), JBIC launched the JBIC Facility for African Investment and Trade Enhancement (FAITH) to support private sector-driven economic growth and infrastructure development on the African continent. This credit line is provided as financial support under FAITH.



Contributing to Reduction of GHG Emissions in Developing Countries

Under GREEN operations, JBIC has undertaken equity participation in the IFC Catalyst Fund (Japan), LP (the Fund), a fund of funds that is managed by IFC Asset Management Company, LLC, a wholly owned subsidiary of the International Finance Corporation (IFC). The Fund invests in renewable energy and energy efficiency projects. It is managed jointly with the IFC Catalyst Fund, LP and IFC Catalyst Fund (UK), LP, both of which are managed with participation by IFC, the

governments of the United Kingdom and Canada, and other public institutions. JBIC's participation in the Fund is expected to promote investment in the renewable energy sector in developing countries and thereby contribute to the reduction of GHG emissions there in cooperation and coordination with international organizations as well as the governments and public institutions of other countries.

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.

MOU on Cooperation in Environment Sector with Company Owned by Government of Emirate of Abu Dhabi in UAE

JBIC signed an MOU on cooperation in the environment sector with Abu Dhabi Future Energy Company (Masdar), which is indirectly owned by the Government of the Emirate of Abu Dhabi in the United Arab Emirates (UAE). The signing took place in the presence of Prime Minister Shinzo Abe and H. H. General Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of the Emirate of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces. Masdar, as a government-owned company, focuses on research and development of renewable energy and alternative energy sources to oil. In January 2010, JBIC had equity participation in a fund co-managed by Masdar and mainly investing in climate change mitigation projects. This MOU will further deepen and develop cooperative relations between JBIC and Masdar.

In addition, when Prime Minister Abe made a visit to the UAE in May 2013, Japan and the UAE issued the Joint Statement that con-

firmed comprehensive partnership in broad areas, including political, economic, cultural and human exchange, as well as the importance of the agenda in the environment sector, including clean and renewable energy, and addressing the climate change problem. The signing of this MOU is consistent with the Joint Statement issued by both governments.



5. Examples of Business Outcomes Relating to Studies, and Collaboration with Overseas Governmental Organizations and International Organizations

JBIC is undertaking studies and research relating to overseas investments and international finance. In regular contact with overseas governmental 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 fiscal 2013 marked the 25th survey. 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. In fiscal 2013, JBIC hosted the Overseas Investment Seminar: Overseas Business Operations by Japanese Manufacturing Companies, which was held in Tokyo, Osaka, Nagoya, Okayama, and other cities, and also held explanatory meetings with overseas Japanese chambers of commerce and industry as well as foreign governments for communicating these results to their members.



Overseas Investment Seminar.

■ Collaboration with Overseas Governmental Organizations and International Organizations

In May 2013, JBIC held the African Business Seminar: Current Situation and Issues of Japanese Companies Regarding African Businesses. The seminar was attended by more than 120 representatives, including ambassadors from about 20 embassies of African countries in Tokyo as well as officials from Japanese companies engaged in business operations in Africa, reflecting a high level of interest in African business.

In June, JBIC cohosted with Korea Eximbank (KEXIM) the second JBIC–Korea Eximbank Joint Seminar in Tokyo to discuss and further explore the possibilities of business cooperation and collaboration between Japanese and Korean companies. Participants discussed ways to achieve collaboration that takes advantage of the respective strengths of Japanese and Korean companies. They also focused on the importance of effective financial support from JBIC, KEXIM, and other private financial institutions.

In June and November, JBIC held a working-level meeting on public-private partnership (PPP) with the Ministry of Planning and Investment of the Government of Vietnam in Hanoi. This meeting built on the agreement reached in March 2013 to hold meetings to discuss, among other issues, the framework to facilitate the implementation of public-private cooperation projects in Vietnam. JBIC will continue to work with the Vietnamese government agencies concerned to formulate and implement such projects in Vietnam.

In November, JBIC had a working team meeting on mac-



Panel discussion at the African Business Seminar.



Participants at the JBIC–Korea Eximbank Joint Seminar.



A presentation by JBIC at the first meeting with the Ministry of Planning and Investment of Vietnam.

roeconomic policy with the Ministry of Finance of the Government of Indonesia (GOI) in Jakarta, under the framework that has been in place since 2010 between the GOI and JBIC. Under the theme “Japan’s Experience of Current Account Deficits,” participants, including outside experts, focused on Japan’s current account deficits in the past and the economic environment that surrounded them. The theme was timely for Indonesian government officials, as Indonesia fell into current account deficit in 2012.

In January 2014, JBIC held a seminar titled Perspective of the Global Economy and Trends of FDI in 2014. In this seminar, JBIC Governor Hiroshi Watanabe put forward six points for predicting the future of the global economy. Guest speaker Ms. Yuko Kinoshita, Deputy Head of Office at the IMF’s Regional Office for Asia and the Pacific, explained the outlook of the global economy based primarily on statistical data from the IMF’s annual World Economic Outlook.



The working team meeting on macroeconomic policy with the Government of Indonesia.



India’s Political Economy Landscape and Reform Prospects, a GRIPS-JBIC joint forum.

■ Collaboration with Universities

In June 2013, JBIC and the National Graduate Institute for Policy Studies (GRIPS) in Japan jointly held a forum titled India’s Political Economy Landscape and Reform Prospects.

The GRIPS-JBIC Joint Forum, which also invited experts from India, came at a time when India faced growing uncertainty in the political and economic arenas in the middle- to long-term. Such uncertainties stem largely from the risks of escalating inflation and slowing growth on the back of inadequate infrastructure development despite the high economic growth India has experienced in recently years.

■ Collaboration with Private Financial Institutions

JBIC is holding discussions and exchanging information with private financial institutions regarding countries that are of particular importance to Japan. The topics include the political and economic conditions in these countries and their future prospects, as well as risk analysis and assessment.

In June 2013, JBIC invited, among others guests, officials at private financial institutions who were in charge of sovereign risk to a workshop titled India’s Political Economy Landscape and Reform Prospects, where Dr. Rajiv Kumar, Senior Fellow at the Centre for Policy Research in India, gave a speech.

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 Arrangement on Officially Supported Export Credits (OECD Arrangement). In principle, the loan amount should not exceed the value of an export contract or technical service contract, and excludes 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.

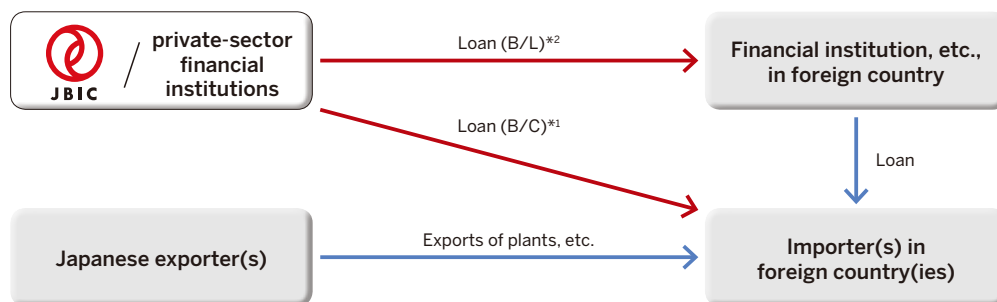
(Note)

Eligible Sectors of Export Loans in Developed Countries (As of July 31, 2014)
[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 the Export of Machinery and Equipment Related to Geothermal Power Generation by a Japanese Company



© Toshiba Corporation

JBIC signed a contract loan agreement with Yapi Kredi Bankasi A.S. (Yapi Kredi), a Turkish commercial bank. This agreement was the first of its kind under the general agreement on export credit lines¹ that was signed in November 2012 regarding the renewable energy sector and mitigation of climate change. This loan is intended to provide Zorlu Jeotermal Enerji Elektrik Uretim A.S., a Turkish company, with necessary funds through Yapi Kredi to purchase machinery and equipment related to geothermal power generation from Toshiba

Corporation, for the construction of a geothermal power plant in Turkey. The loan will help accelerate the ongoing introduction of renewable energy by the Turkish government. It is also expected to result in more business opportunities in Turkey for Japanese companies.

1. An export credit line is a form of export credit in which JBIC makes a commitment of the maximum amount of credit to be extended to its client (foreign banks or other entities) to finance exports of machinery, equipment and services from Japan.

Supporting Export of Bulk Carriers by Japanese Companies



JBIC established an export credit line for PB Vessels Holding Limited (PBVH), based in the British Virgin Islands, for funding the purchase of 16 bulk carriers to be built by four Japanese shipbuilders. PBVH is a wholly owned subsidiary of Hong Kong's leading shipping operator, Pacific Basin Shipping Limited. JBIC also signed two loan agreements for funding the purchase of two bulk carriers to be built by TSUNEISHI GROUP (ZHOU SHAN) SHIPBUILDING, Inc., a Chinese wholly owned subsidiary of TSUNEISHI

HOLDINGS CORPORATION. These loans will support Japanese shipbuilders win more orders and will support individual contracts for exports from Japan in a comprehensive, flexible, and responsive manner. These loans will thus contribute to maintaining and strengthening the international competitiveness of the Japanese shipbuilding industry.

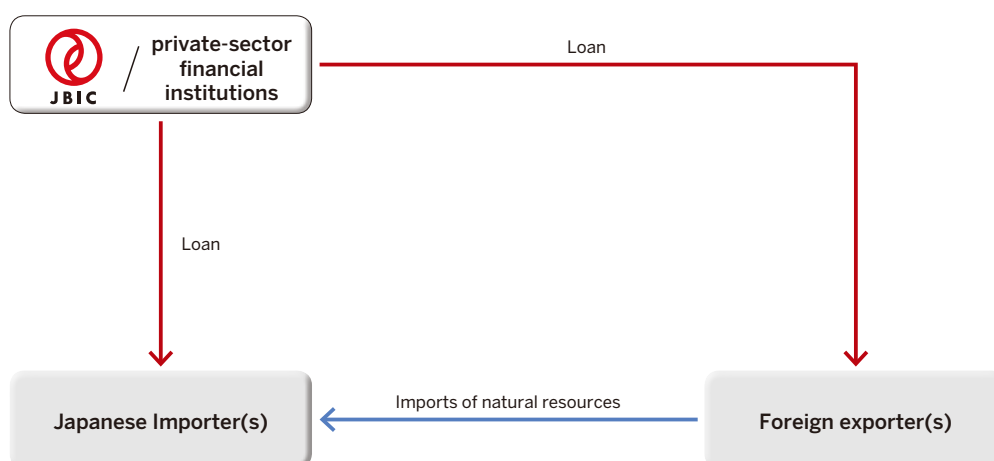
Import Loans

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 a Japanese Electric Power Company for Stable Procurement of LNG



JBIC provided a loan for Kyushu Electric Power Co., Inc. (Kyushu Electric) to import liquefied natural gas (LNG). The Great East Japan Earthquake has raised awareness that stable power supply is an urgent issue for the lives of Japanese people and domestic economic activity. This makes it more important than ever to ensure stable and sustained procurement of LNG as a key fuel for power generation, at least in the near term. By financing the procurement of LNG by Kyushu Electric,

this loan will help secure stable supply of energy resources to Japan, thereby contributing to the stable supply of electric power, which is indispensable for people's lives.

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.

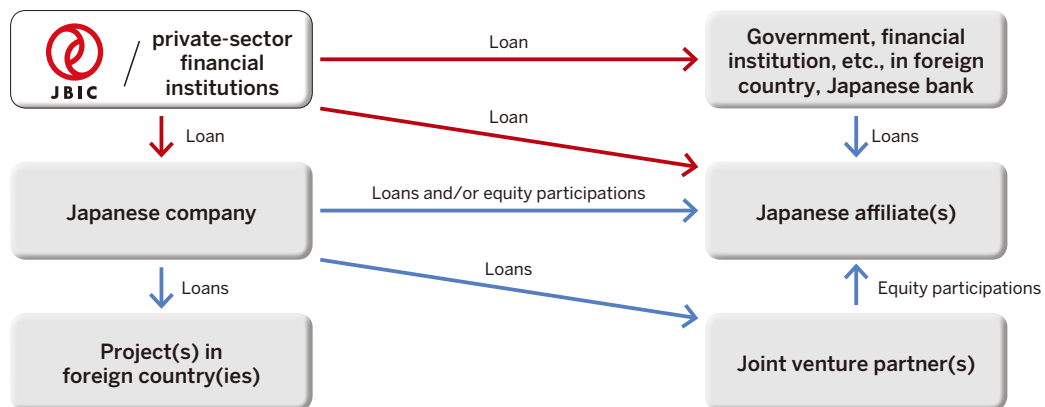
Direct loans to Japanese companies are intended for SMEs, as well as for projects aimed at developing or securing interests in overseas resources that are strategically important to Japan, or for projects to assist with merger and acquisition (M&A) activities and other agreements (including to large 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, 2014)

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 Overseas Business Deployment by Japan's Manufacturing Industry



JBIC provided a loan for PT. G-TEKT Indonesia Manufacturing (G-TIM), a wholly owned Indonesian subsidiary of G-TEKT CORPORATION (G-TEKT). This loan is intended to finance the procurement of facilities necessary for the manufacturing and sales of automotive parts and components in the industrial estate on the outskirts of Jakarta. G-TEKT has been manufacturing and selling mainly auto body frame components and transmission parts for more than 60 years.

Backed by robust economic growth, the automobile market in Indonesia will likely continue to grow. Japanese automobile manufacturers wasted no time in boosting their production capacity there. G-TEKT established G-TIM to expand its business in Indonesia, the tenth country where G-TEKT has established an overseas production base. This loan will help to maintain and strengthen the international competitiveness of Japanese auto parts manufacturers.

Supporting Overseas Deployment of Steel Processing and Distribution Business by a Japanese Company



JBIC provided a loan for JSW MI Steel Service Center Private Limited (JSWMI), a company invested by Marubeni-Itochu Steel Inc. (Marubeni-Itochu Steel) and a major private steel manufacturing company in India, to establish a coil center with facilities for steel processing and distribution.

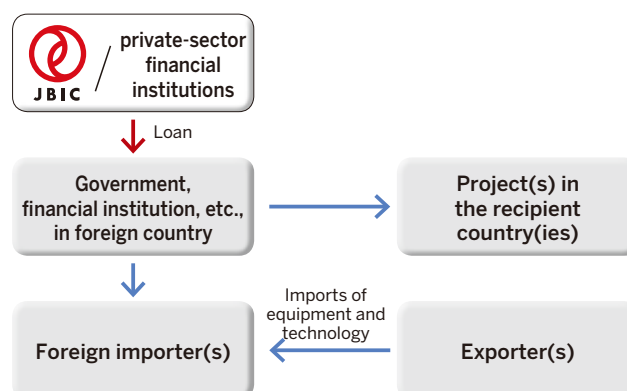
The needs for local procurement of high quality steel materials are expected to grow in India, where many Japanese automobile and electronic manufactures are expanding their

business and the demands of steel materials are expected to grow. Marubeni-Itochu Steel, through the establishment of JSWMI, plans to meet the needs of these companies in India including local subsidiaries of Japanese companies and to develop new business there by stably supplying high quality steel products to them. This loan will help to maintain and strengthen the international competitiveness of Japanese industries.

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.

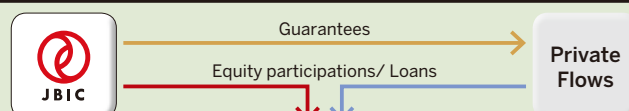
Capital procured from untied loans is used to: Secure stable supplies of energy and mineral resources to Japan; Promote business activities of Japanese companies; Maintain and expand trade and direct investment from Japan; Finance projects having significant effect on global environmental preservation; 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 J-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 Emissions Reduction Projects in India



JBIC has signed an untied loan agreement to set up a credit line under GREEN operations with IDFC Limited (IDFC), an Indian development finance institution providing loans to infrastructure and other projects. This credit line is intended to finance renewable energy and energy efficiency projects in India by providing funds required for environment-related projects which will help reduce GHG emissions. This credit line is expected to promote the Indian government's environment policy as

well as help propagate internationally acclaimed Japanese advanced environmental technologies in India. This is also compatible with the Japanese government's Actions for Cool Earth (ACE), the proactive diplomatic strategy for countering global warming.

Supporting Renewable Energy Projects in Brazil



JBIC set up a credit line for the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazilian Development Bank. This credit line follows the one JBIC established for BNDES in March 2011.

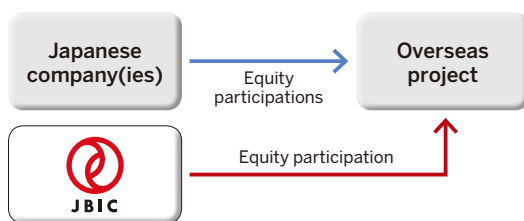
The credit line is intended to finance environment-related projects in Brazil that focus on renewable energy, including wind and biomass power generation projects, as part of GREEN operations. In the context of the Brazilian government's GHG reduction

plan, this credit line is expected to help reduce GHG emissions in Brazil. It is also expected to provide the opportunity to promote Japan's advanced environmental technologies, which are internationally acclaimed. The credit line is consistent with the Japanese government's Actions for Cool Earth (ACE), the proactive diplomatic strategy for countering global warming.

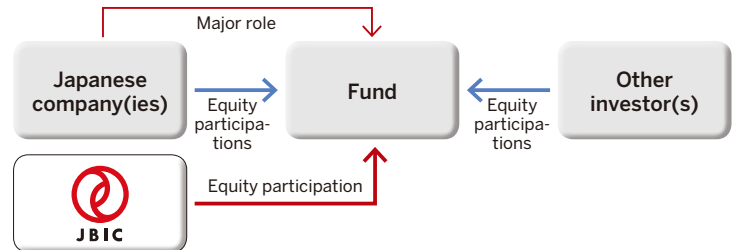
Equity Participations

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

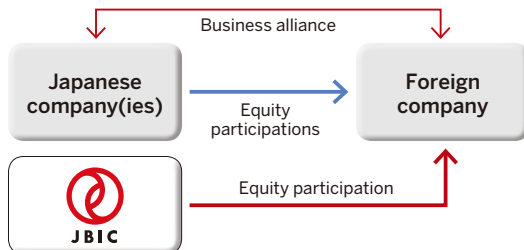
■ Japanese companies make equity participation in an overseas project



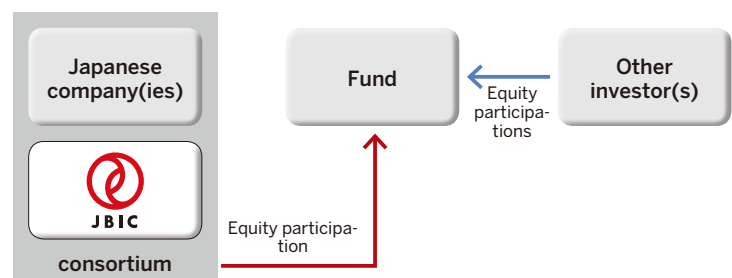
■ Japanese companies participate in fund (and perform such major role as general partner in their management and investment decisions)



■ 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 Overseas M&A by Japanese Companies



JBIC undertook equity participation in Gavilon Agriculture Holdings, Co. (GAH), a wholly owned subsidiary of Marubeni Corporation (Marubeni) in the United States. This equity participation is intended to support Marubeni in acquiring the grain and fertilizer trading business of Gavilon Holdings, LLC, one of the major U.S. grain merchants, through GAH and Gavilon Agriculture Investment, Inc., the controlling company of the business. Equity participation will thus help Marubeni to

strengthen and expand its global grain value chain and strengthen the international competitiveness of Marubeni's grain and fertilizer trading business. It is also consistent with the food policy of the Japanese government, which calls for more agricultural investment overseas.

Supporting Renewable Energy and Energy Efficiency Projects in Mexico

JBIC made equity participation in the Balam Fund I, L.P. (the Fund), a private equity fund jointly managed by The Rohatyn Group, an U.S. firm; and BK Partners, a Spanish firm. The Fund makes investments in renewable energy

and energy efficiency projects in Mexico.

Apart from JBIC, Fondo Nacional de Infraestructura (FONADIN) and the Inter-American Development Bank also participate in the Fund with equity investment and senior

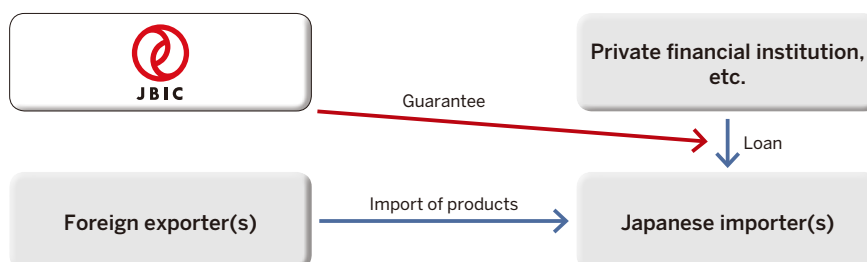
loan, respectively. This equity participation will help Mexico to reduce GHG emissions. Investment information from the Fund is expected to create more business opportunities in Mexico for Japanese companies.

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 reassurance for guarantees from export credit agencies in other countries.

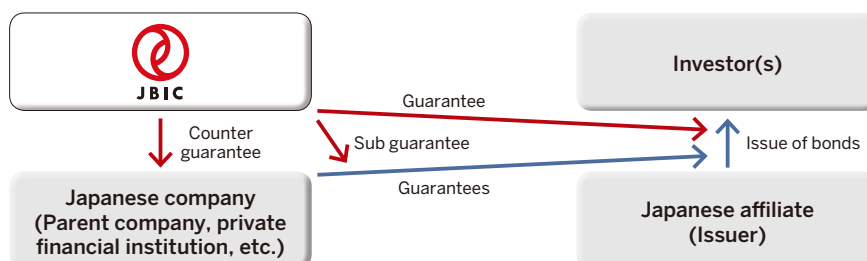
■ Guarantees for Imports of Manufactured Products

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.



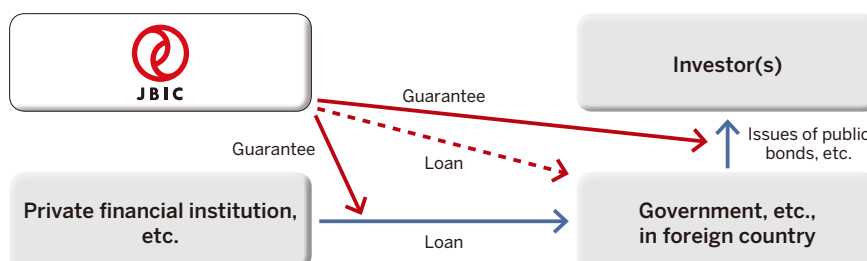
■ Guarantees for Corporate Bonds Issued by Japanese Affiliates

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



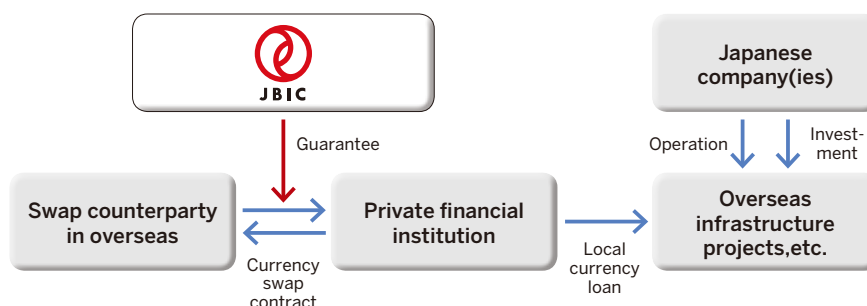
■ Guarantees for Co-financing, Overseas Syndicated Loans and Public Sector Bonds

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.



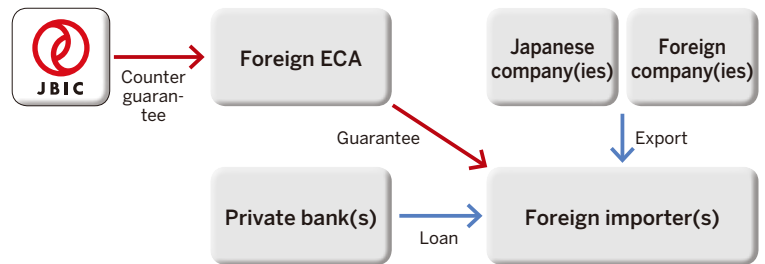
■ Guarantees for Currency Swaps

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.



Supporting the First Issuance of Samurai Bonds by a Mongolian Institution



JBIC has provided a guarantee for yen-denominated foreign bonds (Samurai bonds)¹ issued by the Development Bank of Mongolia (DBM) in the Japanese bond market. This arrangement stems from the Japan-Mongolia Mid-term Action Plan, which was agreed on between the leaders of the two countries in September 2013. It builds on the Guarantee and Acquisition toward Tokyo market Enhancement (GATE)² facilities of JBIC. This is the first guarantee that JBIC has provided for Samurai bonds issued by a Mongolian institution. Providing the guarantee will help diversify

funding sources for DBM and the government of Mongolia. It is also expected to contribute to more vigorous Japanese business activities through closer bilateral relations.

1. Samurai bonds are yen-denominated bonds issued by a foreign government or company in the Tokyo bond market.
2. GATE refers to the "Guarantee and Acquisition toward Tokyo market Enhancement (GATE)." It enables JBIC to acquire Samurai bonds where appropriate, in addition to providing partial guarantees for Samurai bond issues.

Providing Phased Support for Samurai Bond Issuance by the Mexican Government



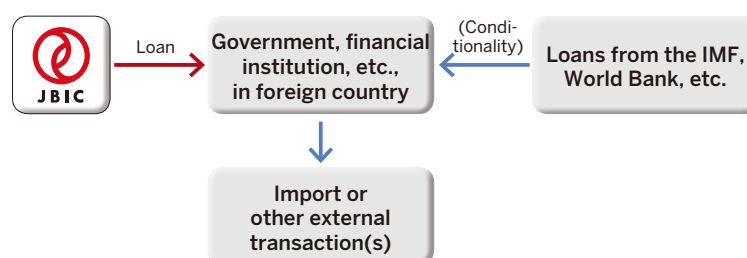
In August 2013, JBIC acquired a part of public offered Samurai bonds that the Mexican government issued in Japan under the framework of the GATE facilities. This came after a series of guarantee provisions and partial acquisitions by JBIC of Samurai bonds issued by the Mexican government. The partial acquisition in August covered Samurai bonds with longer maturities, as more and more investors recognized the Mexican government in the Tokyo market as a result of JBIC's support for it in issuing Samurai bonds in the past. In July 2014, the Mexican government successfully issued Samurai bonds that included

long-term bonds with a maturity of up to 20 years without support from JBIC. The Mexican president expressed his appreciation for JBIC for its support to date. Such phased support for Samurai bond issuance by the Mexican government contributed to maintaining and increasing the presence of Mexican sovereign bonds in the Tokyo bond market. It also offered a wide range of investment opportunities for Japanese investors, thereby helping to invigorate the Samurai bond market.

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), a member of the World Bank Group.



Acquisition of Loan Assets and Public and Corporate Bonds

When JBIC provides export loans, import loans, overseas investment loans and untied loans, JBIC can also provide credits, in addition to providing loans and guarantees, by purchasing loan assets and acquiring public and corporate 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.

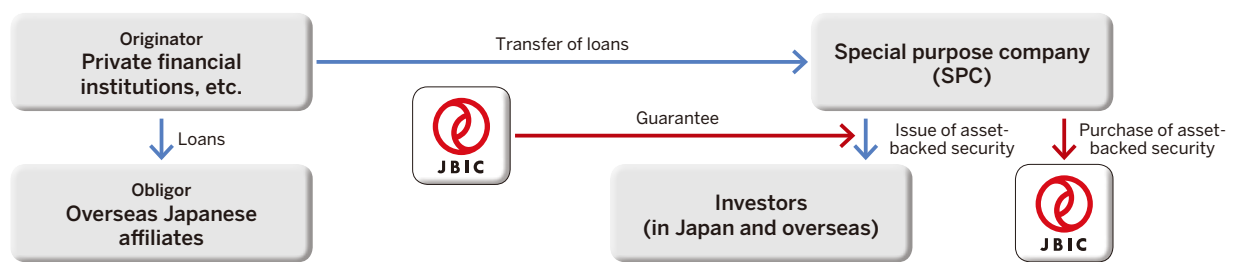
JBIC provides support for securitization, etc. in order to supplement and encourage the activities of private financial institutions.

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.

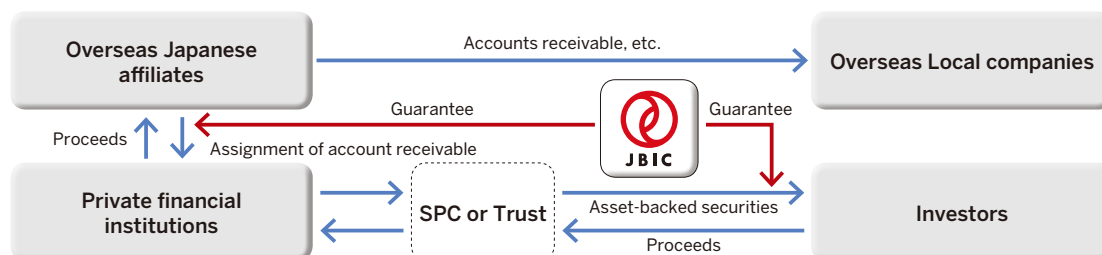


The above diagrams depict the schemes where SPCs are used, but the clients can also use schemes where trusts are used or JBIC acquires or provides guarantees for assets backed by securitization.

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 toward more rigorous environmental regulations. There are more than 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 its social reputation.

In conducting these operations, JBIC confirms whether the borrower has made appropriate consideration for local communities and the natural environment in all the JBIC-financed projects based on the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (Environmental Guidelines).

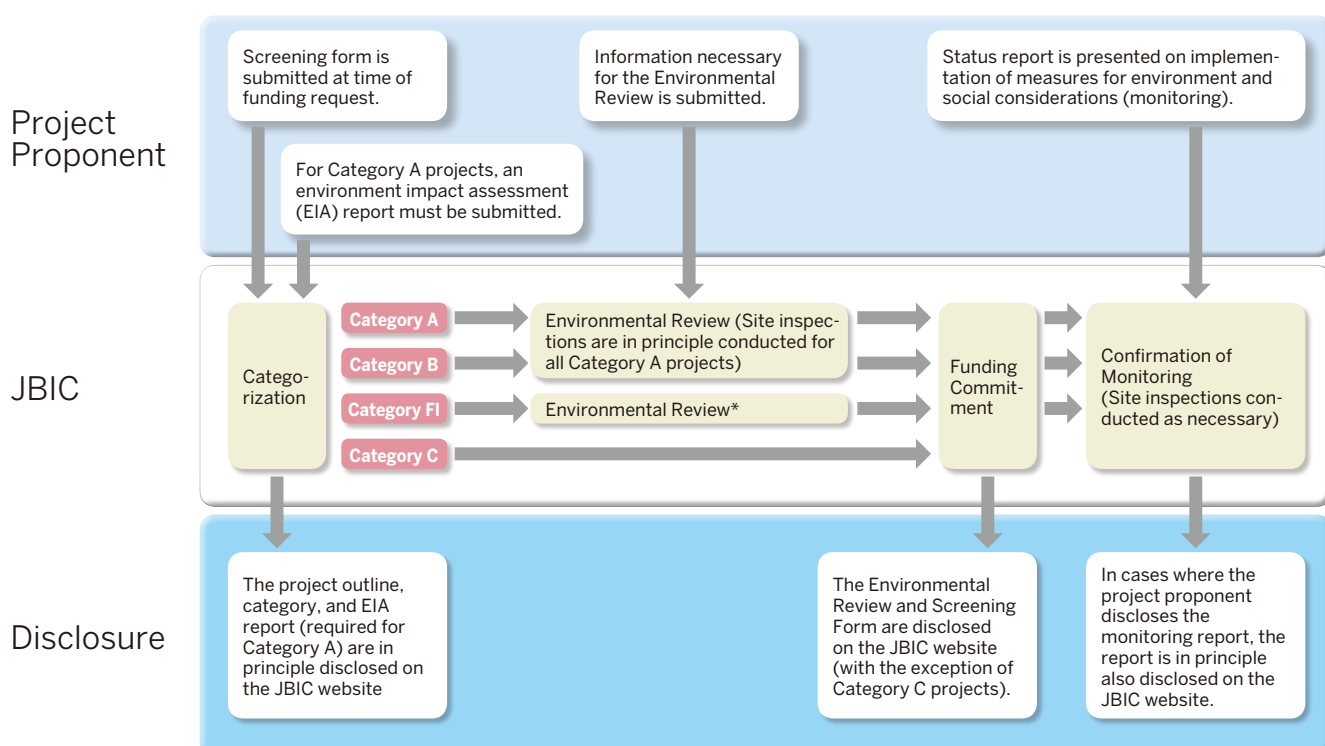
The Environmental Guidelines set out the procedures,

criteria, and requirements that JBIC-financed projects must meet in confirming environmental and social considerations. When JBIC judges that 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.

The Environmental Guidelines set forth that a comprehensive review should be conducted within five years of their enforcement and revisions may be made as needed. JBIC is currently carrying out a review and revision of the current Environmental Guidelines.

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

Although Japanese yen, the U.S. dollar, and the Euro are the standard currencies of JBIC's financing, JBIC is also responding positively to the increasing demand for financing denominated in other currencies, including the currencies of developing countries.

11 Currencies JBIC has supported

Thai baht	Mexican peso	Indian rupee
Indonesian rupiah	South African rand	Australian dollar
Malaysian ringgit	Pound sterling	Canadian dollar
Chinese yuan	Singapore dollar	

(As of the end of June 2014)

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 or branches of Japanese

private financial institutions, in Japanese yen or U.S. dollars; the local financial institutions 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 Finance Ministers' Meeting in August 2003, which included the ASEAN nations along with Japan, China, and the Republic of Korea.

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

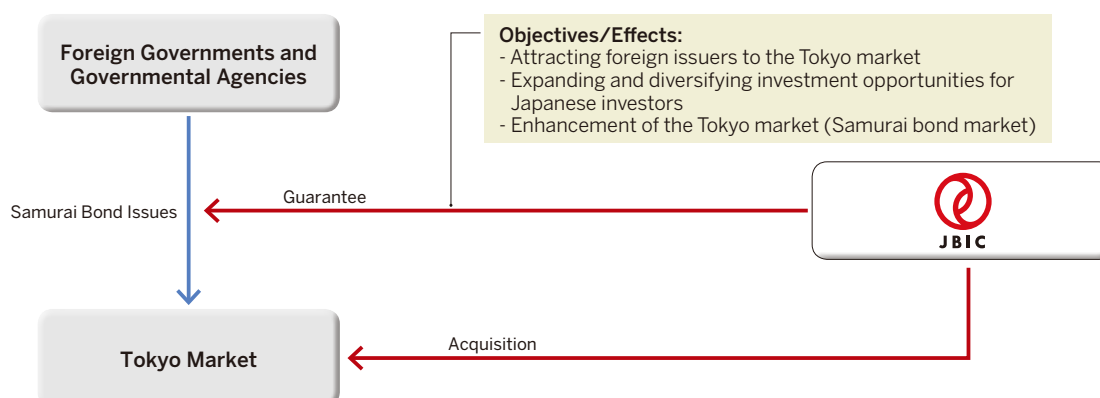
In April 2012, JBIC started guarantee operations for cross-currency swap transactions in order to facilitate funding of local currencies.

Guarantee and Acquisition toward Tokyo market Enhancement (GATE) Facility

JBIC's "Guarantee and Acquisition toward Tokyo market Enhancement (GATE)" facility is intended to support Samurai bond issuance and enables JBIC to acquire Samurai bonds where appropriate in addition to providing partial guarantees for Samurai bond issues. The GATE facility supports bond issues by foreign governments and government agencies in the Tokyo market. It is thereby expected to help attract foreign bond issuers to the Tokyo market; induce them to become long-time participants in the Tokyo market; and expand and diversify the range of investment opportunities available to Japanese investors, which will lead to an increase in activity in the Tokyo Samurai bond market.

Support through GATE during Fiscal 2013

Issuer	Instrument	Month of agreement
Government of Mexico	partial acquisition	July 2013
Central Bank of Tunisia	guarantee	August 2013
Development Bank of Mongolia (guaranteed by the Government of Mongolia)	guarantee	December 2013



Supporting Developing Countries in Addressing Climate Change

■ Actions for Cool Earth: ACE, the Proactive Diplomatic Strategy for Countering Global Warming

In November 2013, the Japanese government announced the proactive diplomatic strategy for countering global warming known as Actions for Cool Earth (ACE). This strategy sets forth a number of actions designed to achieve the goal of reducing GHG emissions by half globally and by 80% in the developed world, both by 2050. One of these actions is the Joint Crediting Mechanism (JCM) Special Financing Scheme (JSF; see the column at right) where the government promotes the formulation of projects under the JCM in collaboration with JBIC and Nippon Export and Investment Insurance (NEXI). Another action is to provide a total of 1.6 trillion yen for developing countries over a period of three years, from 2013 to 2015, to support them in addressing climate change. This assistance will be financed by mobilizing all kinds of public and private funds available.

In line with this strategy of the Japanese government, JBIC takes advantage of various financial instruments available under the existing framework to support the formulation of JCM projects and implement measures designed to support developing countries in the field of climate change. Under this strategy, JBIC supports, among other projects, renewable energy projects in India and Brazil (▶ see the case studies on page 65).

■ Joint Crediting Mechanism (JCM)

As part of the Joint Crediting Mechanism (JCM) Special Financing Scheme (JSF) of the Japanese government, JBIC supports projects registered for the JCM. The JCM offers different instruments depending on whether Japanese companies are to be involved and what aspect is to be financed (export, investment).

3. Framework for Supporting Globalization Efforts of SMEs

JBIC actively supports Japanese mid-tier enterprises and small and medium-sized enterprises (hereafter referred to collectively as “SMEs”) promoting overseas business deployment in response to the advancing globalization of the economy.

As a result of the economic growth of emerging countries, especially in Asia, since the 2000s the number of SMEs seeking not only to respond to the procurement needs of major Japanese companies with overseas production operations but also to expand their own business in emerging markets has been increasing. As a consequence of such business patterns, the financial needs of SMEs are diversifying as well.

In order to respond to this diversification of the financial needs of SMEs for their overseas deployment, JBIC is further enhancing cooperation with Japanese private financial institutions and local financial institutions in other countries and expanding its support, including two-step loans through private financial institutions, loans in cooperation with regional banks and credit unions (shinkin banks) and local currency-denominated loans.

■ Support for the Overseas Deployment of SMEs

Utilizing the know-how and experience of overseas financing that it has accumulated so far, JBIC supports the long-term finance required by Japanese companies, including SMEs, for overseas investment, the export of machinery, equipment, technology, and so on, and other activities through co-finance with private financial institutions in the form of overseas investment loans, export loans, and other loans.

As forms of support for the overseas business deployment of SMEs, JBIC implements the following six measures:

- (1) Application of preferential loan conditions: Long-term loans with preferential loan conditions (interest rates, etc.)
- (2) Response to small loans of several million to several 10 million yen: In addition to new capital investment, small loans for replacement of machinery, etc.
- (3) Local currency-denominated loans: Long-term local currency loans with fixed interest rates
- (4) Support for mergers and acquisitions overseas: Loans for acquisition funds required when entering overseas markets through M&As
- (5) Coordination and cooperation with private financial institutions (regional banks, credit unions, money center banks): Support for the overseas business deployment needs of SMEs all through the country
- (6) Utilization of networks of JBIC overseas offices: Information service on overseas investment environment; support for solving issues with foreign governments

■ Cooperation with Japanese Regional Financial Institutions

When SMEs seek to develop their business overseas, the

support of regional financial institutions, which are their main financing banks, plays an important role.

JBIC concludes business cooperation memorandum of understandings (MOUs) with regional financial institutions and provides wide-ranging support to facilitate the overseas development of local companies, such as joint seminars on overseas business deployment.

JBIC signed an MOU with The Gunma Bank, Ltd. in April 2013 and Seibu Shinkin Bank in May 2013 with the aim of collaborating to support the overseas business deployment of Japanese companies, especially SMEs, in their respective areas.

In addition, following revision of the ordinance on enforcement of the Shinkin Bank Act in March 2013, which enabled shinkin banks to make direct loans to the overseas subsidiaries of their customers, JBIC has strengthened cooperation with shinkin banks and provided fine-tuned response to small loans as well.

Furthermore, in October 2013 JBIC signed an MOU with the Japan Federation of Bar Associations (JFBA) aimed at business cooperation relating to the overseas business deployment of SMEs. JBIC and the JFBA are cooperating closely to support the overseas business deployment of SMEs. For example, JBIC provides information about JFBA's system to support the overseas business deployment of SMEs to SMEs requiring legal advice or other forms of support relating to overseas business deployment.

■ Cooperation with Local Financial Institutions in Developing Countries

It is also important for SMEs to ensure business support from local financial institutions in developing countries, which have wide range of local information. Therefore, while checking the needs of SMEs seeking to develop overseas business through Japanese regional financial institutions, JBIC has strengthened relations with local financial institutions in developing countries. JBIC signed MOUs with the Bank for Investment and Development of Vietnam (BIDV) in July 2013 and Vietcombank (VCB) in August 2013 to set up frameworks of support for Japanese SMEs starting local operations through Japanese regional financial institutions. Under such MOUs, JBIC encourages local financial institutions to set up and expand single



Signing ceremony with the Bank for Investment and Development of Vietnam (BIDV)

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	28
Indonesia	PT. Bank Negara Indonesia	July 2011	33
India	State Bank of India	August 2012	45
The Philippines	BDO Unibank, Inc. (BDO)	March 2013	7
	Metropolitan Bank and Trust Company (Metrobank)	March 2013	45
Vietnam	Bank for Investment and Development of Vietnam (BIDV)	July 2013	5
	Vietcombank (VCB)	August 2013	44

(As of July 2014)

contact points “Japan Desks” for Japanese companies and is building frameworks for consultations about specific cooperation and coordination together with the regional financial institutions, who have business relationship with SMEs in Japan.



Support for a project to manufacture and sell automobile engine parts with a local currency loan

■ Providing Local Currency–Denominated Loans

In response to expansion of the overseas business of SMEs, JBIC since 2012 has been offering loans in local currencies, such as the Thai baht, Indonesian rupiah, and Chinese yuan. When SMEs try to procure local currency funds in developing countries, they face typically the problems of short borrowing periods (basically up to one year) and high interest rates. In order to solve these problems, JBIC offers long-term and fixed-rate local currency loans to which preferential measures for SMEs apply directly to the local subsidiaries of SMEs in the form of co-financing with private financial institutions. The co-financing involves JBIC providing local currency-denominated loans and private financial institutions supplying yen-denominated loans via the parent company in Japan.

■ Information Services, Seminars, etc.

JBIC's specialized unit for SMEs provides information relating to overseas business deployment and, through outside experts, offers advisory services concerning legal, accounting, and tax affairs relating to currency regulations, employment and labor issues, contracts, company establishment, etc. in China, India, and the 10 member states of the Association of Southeast Asian Nations (ASEAN).

JBIC organizes seminars and consultation sessions on overseas business deployment in cooperation with other

Japanese entities, including regional banks and other regional 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.

Moreover, JBIC also 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.



Speech at the Nikkei Business Creation Forum on “New Trends in the Creation of Growth Opportunities and Management Support for SMEs”



The itinerant advisory service (booth exhibit) at a Yokohama Day event (“Overseas Development through Collaboration between Yokohama's Urban Development Experience and the Excellent Technologies of Private Companies”)

Operational and Administrative Policies

5

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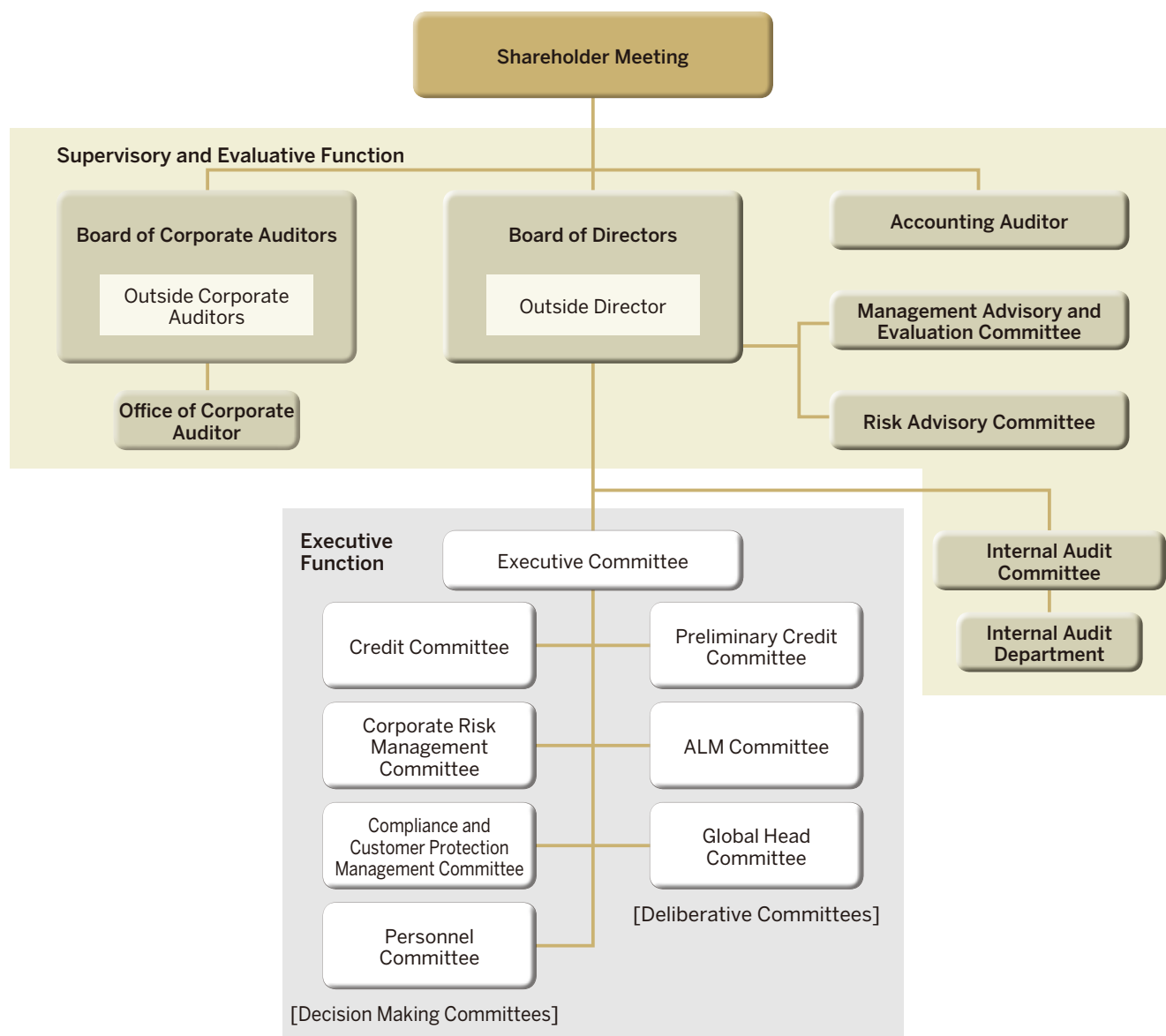


1. Corporate Governance

■ 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. 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 Evaluative Function and the Conduct of JBIC Operations

To strengthen the supervisory and evaluative function of the Board of Directors as well as conduct 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 is an outside director as set forth in the Companies Act. The outside 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 and 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. The Office of Corporate Auditor helps them execute their responsibilities.

(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.
◎ Eiji Ogawa	Professor, Graduate School of Commerce and Management, Hitotsubashi University
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
○ Keisuke Yokoo	Advisor of Mizuho Securities Co., Ltd.

◎ 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.

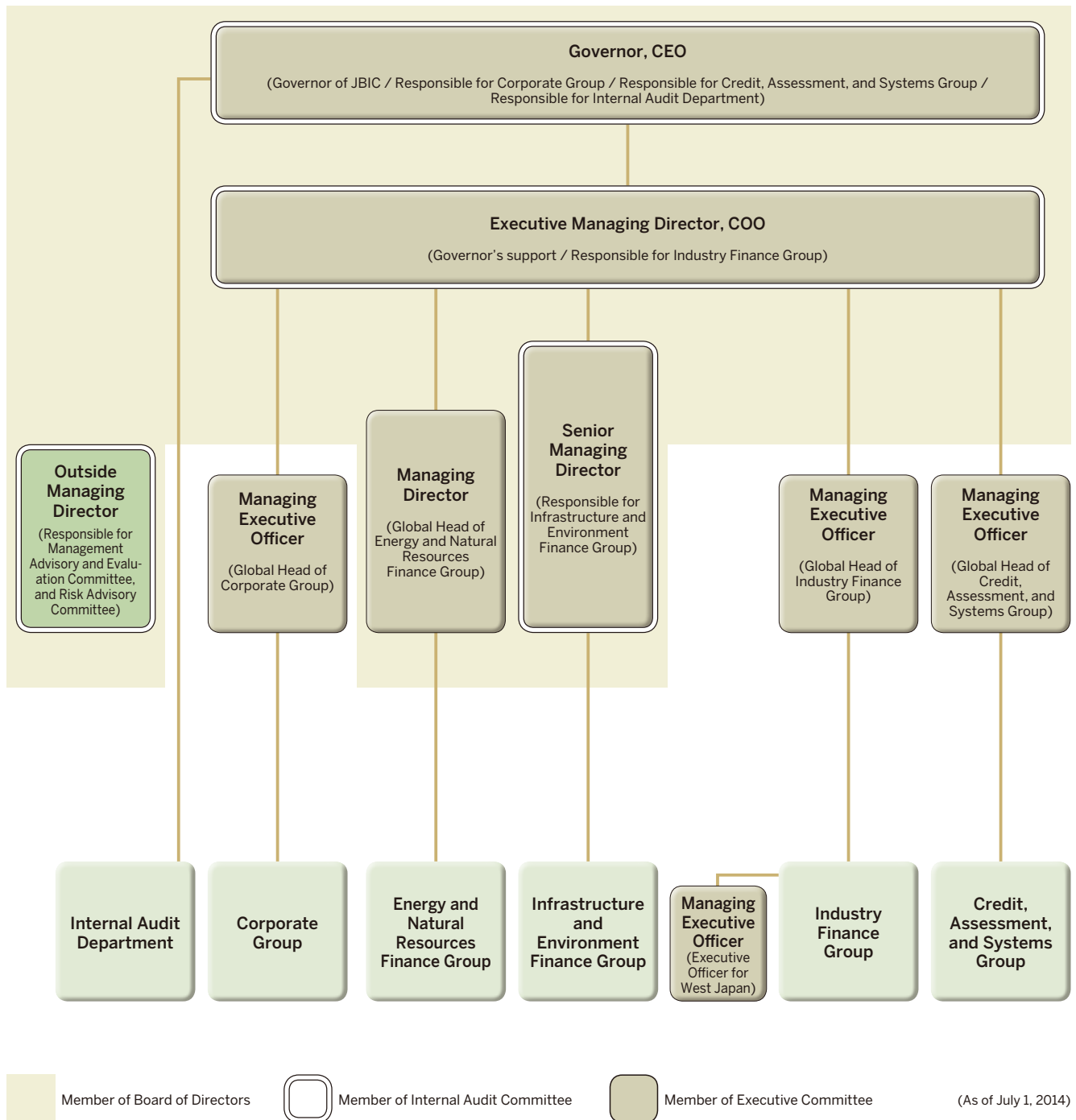
■ Adopting Mission/Sector-Specific Group Structure

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, Energy and Natural Resources Finance Group; Infrastructure and Environment Finance Group; Industry

Finance Group; Corporate 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 its Global Head. Each Group is managed in an integral manner under the Global Head of the Group in an effort to conduct flexible and efficient operations.



■ 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. 157 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. 159) 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. 160) 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.

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

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

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 as of March 31, 2014.

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.

Credit Risk of Derivatives, etc.

(As of March 31, 2014; 100 millions of yen)

	Contract Amounts / Notional Amounts	Credit Risk Amounts
Interest Rate Swaps	29,621	708
Currency Swaps	48,665	4,324
Forward Exchange Contracts	17	0
Other Derivatives	—	—
Credit Risk Reductions through Netting		(3,026)
Total	78,304	2,006

(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 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.

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.

► 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 various brochures, annual reports, public relations magazines, and other materials available to the general public. In addition, a variety of information about JBIC is provided publicly in Japan and overseas through the JBIC website (<http://www.jbic.go.jp/en/>).

■ Publications

JBIC publishes its annual operations and activities as well as its financial conditions in various disclosure materials, including annual reports, business reports, financial statements, and Form 18-K, submitted to the U.S. Securities and Exchange Commission.

Other publications available to the public include “*JBIC Today*,” a public information magazine that reports on 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’s Activities for Environmental Sustainability*.”



JBIC Today



JBIC Profile: Role and Function



JBIC's Activities for Environmental Sustainability

■ Website

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

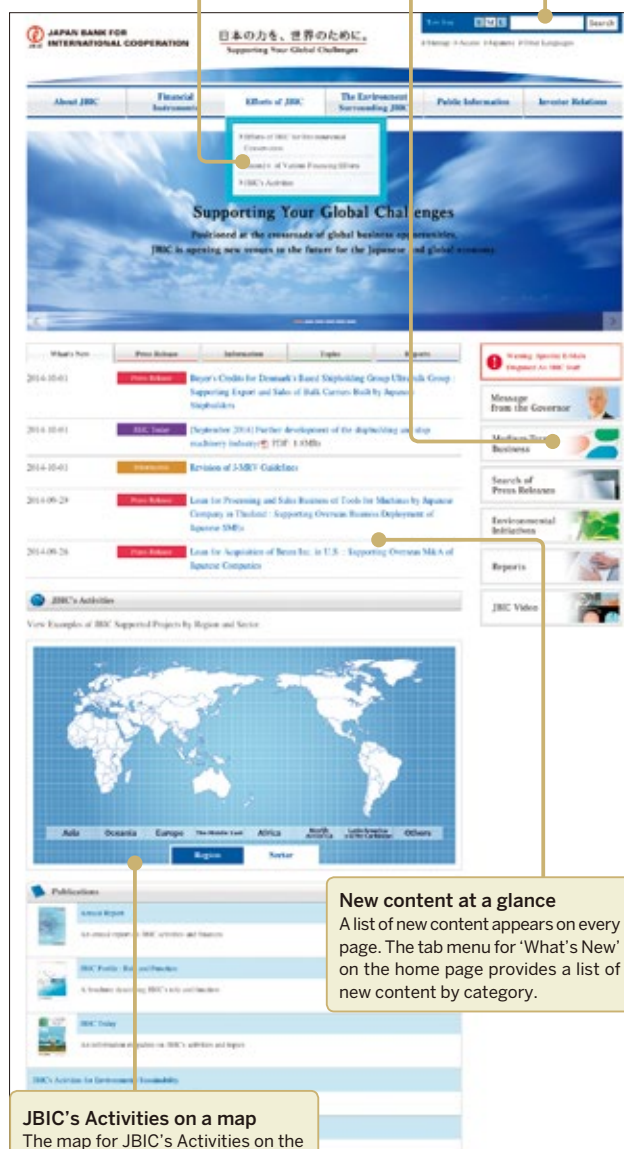
JBIC has reworked its website effective on November 1, 2013. In this revision, the search function has been strengthened for easier and faster operation, along with a revision of page design for easier viewing. Also, the contents have been expanded to better present JBIC operations. JBIC continues to provide updates with the latest information.

Quick access

The pull-down menu that appears when you touch the global menu allows quick access to the information viewers are looking for.

Enhanced search function

Searches by keyword and category (region, sector, etc.) are now possible for Press Releases, Reports, JBIC's Activities, and other types of content.



JBIC's Activities on a map

The map for JBIC's Activities on the home page allows access to project information by region and sector.

New content at a glance

A list of new content appears on every page. The tab menu for 'What's New' on the home page provides a list of new content by category.

JBIC website

■ Information Dissemination for the Media

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



Governor Watanabe at the press conference

■ Disseminating Information from Overseas Representative Office

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 on at the local grassroots level, such as individual consumption and information on taxation, etc.

■ Promoting International Exchange

Since 1976, JBIC has held annual 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, financial institutions, etc. The cumulative number of seminar participants is approximately 620 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 2013, JBIC participated in the Eco-Products 2013 exhibition, held in Tokyo, by setting up its own booth. In March 2014, JBIC held a Water Business Seminar at its headquarters on recent developments in the water business market and Japanese companies' engagement in it. Outside Japan, JBIC gave a seminar on Islamic finance at its Dubai Representative Office in November 2013. In February 2014, JBIC attended the Investing in African Mining Indaba 2014 conference, one of the world's largest mining conferences, held in Cape Town, South Africa. More information on these and other events that JBIC has participated in is available on the JBIC website.



Eco-Products 2013

■ Disclosure

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

(Principal) Materials for Providing Information

Source of Information	Access
Report on Settlement of Accounts	<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.
Annual Report Public Relations Magazine, etc.	<ul style="list-style-type: none"> Available at the Head Office, the West Japan Office and Representative Offices Distributed to interested persons/institutions
Website: <ul style="list-style-type: none"> Type of Business Operations, Operational Results, Overview of Organization, Financial Composition, etc. 	<ul style="list-style-type: none"> On the internet Address: http://www.jbic.go.jp/en/