CHAPTER 3 2

Infrastructure and Environment Finance Group

Group Outline

- Support for overseas expansion in the areas of infrastructure and environment, to maintain and improve the international competitiveness of Japanese industry
- Support for overseas projects aimed at protecting the global environment
- Value of Infrastructure and Environment Finance Group loans, equity investment, and guarantees : approx. ¥2.6 trillion (80 projects in the past five years)

The Infrastructure and Environment Finance Group's primary role is to support overseas business expansion involving high-quality infrastructure that utilizes Japanese companies' advanced technologies, as well as overseas projects aimed at protecting the global environment.

Comprising the New Energy and Power Finance Department Ⅰ, New Energy and Power Finance Department Ⅱ, and Social Infrastructure Finance Department, the Group is engaged in supporting the development of highly reliable infrastructure that contributes to the realization of safe and secure digitalized societies. In addition, to help create a more sustainable tomorrow, we are also "co-creating" realistic decarbonization pathways with Japanese companies that reflect each country's needs, with emphasis on energy security as well as on balancing decarbonization with economic growth.

" Technological innovation is driving the emergence of new demand in the international community. We will take the lead in addressing challenges through supporting the development of high-quality infrastructure overseas and leveraging our ability to form multilateral partnerships "

SEKINE Hiroki
Senior Executive Managing Officer,
Global Head of Infrastructure and Environment Finance Group

Message

Many in the international community are working tirelessly to advance technological innovations and establish a sustainable society. These efforts are expected to accelerate digitalization, decarbonization, and other areas of social transformation, resulting in a growing global need for the development of infrastructure that incorporates entirely new technologies. As the urgency of solving social issues continues to rise in each country, it is essential to respond swiftly to current realities, including social adaptation to climate change and the provision of assistance to those recovering from the damage from war, conflict, and natural disasters. It is essential for us to work together with the international community to secure a future-oriented, peaceful, and stable international climate and to establish a more favorable economic environment.

In addition, against the backdrop of structural changes in the infrastructure market, it is becoming increasingly important to move swiftly to identify the needs of clients seeking solutions and to convert this information into business opportunities for Japanese companies in collaboration with the international community. Uncertainty in the current global landscape continues to increase, however, and the international business environment is becoming ever more opaque for Japanese companies.

In this context, the Infrastructure and Environment Finance Group is working on initiatives aligned with the Fifth Medium-Term Business Plan (covering FY2024 through FY2026), published in June 2024. With regard to climate change countermeasures, we are engaged in the "co-creation" of realistic decarbonization pathways that reflect the specific circumstances of each country, with emphasis on energy security as well as on balancing decarbonization with economic growth. In particular, we aim to help address issues by presenting concrete solutions leveraging the technologies and expertise in which Japanese companies excel.

To achieve these goals, JBIC will leverage its unique strengths with the following three approaches. First, we will engage in dialogue to identify the wide range of social issues facing each country. Second, we will utilize JBIC's global network and draw on our multilateral coordination capabilities to address issues that would be difficult to tackle alone. Third, we will monitor technological innovation trends that could contribute to resolution of a range of issues and, through the daily accumulation of knowledge beyond the boundaries of finance, we will propose custom-made solutions. With these three approaches we intend to stay closely attuned to the challenges facing countries around the world amid constantly changing international conditions, and play a leading role in the development of global infrastructure by Japanese companies.

In FY2024, the first year covered by the above-mentioned Medium-Term Business Plan, we worked to establish a framework for high-level dialogue with other Asian governments under the Asia Zero Emission Community (AZEC)* initiative advocated by the Japanese government. We have been engaging in close policy dialogue and will continue to work on further promotion of this initiative.

* The Asia Zero Emission Community (AZEC) is a framework to provide support and cooperation for efforts for energy transition by Asian countries by leveraging the strengths of Japanese companies, such as their technology and expertise.

> As the world becomes increasingly multipolar, and infrastructure-related needs grow more diverse, we will work together with Japanese companies to lay the groundwork for future endeavors and cultivate "Co-Creation" with the international community

01 Strengths

- **Ability to engage effectively in multilateral coordination supported by global networks**
- **Accumulated knowledge transcending the boundaries of finance, including in areas such as innovative technologies**
- **Ability to solve issues based on trusting relationships with project host countries, leveraging our public-sector status**

02 Assessment of the External Environment

A cascading shift from free trade to protectionism is currently underway, leading to a deepening of divisions in global values while the rise of the Global South is contributing to increased global multipolarization, resulting in major changes to the geopolitical environment.

In the global infrastructure market, competition with emerging market companies that are achieving rapid growth is intensifying. At the same time, risks related to the investment and business environment, including country risks, are increasing, and aspects such as economic security and national security are also becoming increasingly important considerations. Social transformation in the areas of green transformation and digital transformation continues to gain momentum, and infrastructure-related needs in host countries are becoming increasingly diverse. Although business opportunities in the infrastructure market are expanding globally, it is expected to become even more difficult for Japanese companies to capture these opportunities on their own amid the growing uncertainties associated with such structural changes.

As these changes in the global landscape continue, the global community is looking to Japan with heightened expectations. By engaging in close policy dialogue with host countries and moving swiftly to identify their increasingly diverse needs while also taking into account economic security and national security considerations, JBIC, as a policy-based financial institution, believes its role is to work together with the international community to "co-create" business with a high degree of predictability, in which Japanese companies can also participate.

03 Growth Strategy

Through a comprehensive approach aimed at realizing a sustainable future, we have actively pursued engagement-based approaches under the AZEC initiative, which led to the successful development of a project in Indonesia. We will further expand such initiatives by, for example, supporting the development of a power grid that enables wide-area power exchange facilitating continued investment in power-intensive data center businesses. To realize safe and secure digital societies while taking protection of the global environment into account, it is essential to pursue integrated low-carbon development across the entire value chain from power generation and fuel production, to transmission, transportation, and consumption of power and fuel. It will also be crucial to address broader social issues such as securing water resources and managing waste with an eye toward adaptation to climate change.

In the digital era, efforts to support the information and communications infrastructure that underpins socioeconomic activity are also essential.

By taking a broad view of the entire supply chain, we will support the overseas expansion of Japanese companies' businesses and innovative technologies in all areas of communications infrastructure, including data centers, mobile networks, submarine communications cables, and satellite communications, thereby promoting the development of highly reliable infrastructure.

In FY2024, JBIC established a credit line with the Black Sea Trade and Development Bank (BSTDB) as part of efforts to support the reconstruction of Ukraine and provide support to other neighboring countries. To address a wide range of shared global challenges and promote the development of infrastructure essential for stability and growth, it is vital to fully mobilize all available financial tools. JBIC will work to formulate projects by sharing risks through coordination with international organizations and multilateral cooperation frameworks such as the Quad Alliance (Australia, India, Japan, and the U.S.).

PROJECT HIGHLIGHT

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Project Financing for Muara Laboh Geothermal Power Expansion Project in Indonesia

–Supporting Japanese companies in expanding renewable energy generation project–

JBIC provided a loan to a joint venture company funded by Sumitomo Corporation, INPEX Corporation, and others, for the Muara Laboh geothermal power expansion project. In this way, we are supporting Japanese companies' overseas infrastructure deployment under the AZEC framework, and the transition to carbon neutrality and decarbonization in Indonesia, a key AZEC partner country.

Along with the expansion of power generation capacity, electricity will be sold to Indonesia's state-owned power company through 2052.

Loan to United Internet AG of Germany

–Supporting Japanese companies' German operations by building 5G network infrastructure with Open RAN technology–

JBIC provided a loan to German company United Internet AG for the development of 5G network infrastructure in Germany using Open RAN technology. The project will utilize a software suite developed by Rakuten Symphony, Inc. for use in fully virtualized networks.

JBIC is supporting the overseas expansion of Japanese companies aimed at developing reliable infrastructure in the digital sector.

Project Financing for Geothermal Power Generation and District Heat Supply Project Implemented by German Company

–Supporting overseas business expansion of Japanese companies–

JBIC provided a loan to Eavor Erdwärme Geretsried GmbH & Co. KG, a German company in which Chubu Electric Power Co., Inc. holds equity, for a district heat supply business and the first geothermal power generation business to commercialize closed-loop geothermal utilization technology.

The Group supports Japanese companies in deploying innovative technologies for overseas infrastructure projects, thereby contributing to the stable supply of renewable electricity and heat in Europe.
(Source : Website of Chubu Electric Power)

Credit Line for BSTDB to Address Global Financial Turmoil and Preserve Global Environment

–Supporting Ukraine's reconstruction and mitigation of climate change in Ukraine and neighboring countries–

JBIC has established a credit line with BSTDB to support (1) projects contributing to the reconstruction of Ukraine, including the agriculture and food sectors, transportation and logistics, digital infrastructure, and medicine in Ukraine and neighboring countries; and (2) projects focused primarily on renewable energy and other climate change mitigation efforts within BSTDB's member countries.

BSTDB is an international financial institution with a track record of providing loans to countries neighboring the Black Sea, including Ukraine, in areas such as power generation and transportation.

Details about these and other projects can be found here ▶ https://www.jbic.go.jp/en/information/press/resources.html