

6 Financial Capital

Since its establishment, JBIC has maintained profitability and has thereby built an autonomous and stable financial foundation. To meet the diverse expectations of stakeholders, JBIC leverages this financial base to supply risk capital that supports private-sector finance and investment.

“Supporting future value creation based on a solid financial foundation”

Message

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Looking back on the past several years, investor confidence has been shaken by supply chain disruptions since the pandemic, Russia's invasion of Ukraine, subsequent energy and food problems, monetary tightening in response to rising inflation in several countries, the transformation of the international political economy resulting from changes in U.S. foreign policy, and the political and economic instability and rising tension in some countries and regions. This has in turn affected fluctuations in interest rates, foreign exchange rates, and other markets. These unpredictable risks have presented unprecedented obstacles to sustainable growth and a stable business environment.

Given such a market environment, JBIC will respond flexibly to changes in society and the market, by continuing its agile and stable fund procurement through dialogue with stakeholders. In FY2024, the first fiscal year of the Fifth Medium-Term Business Plan, stabilization of global inflation was observed, while major central banks entered a phase of interest rate cuts in light of the global economic slowdown. Against this background, JBIC issued a total of four government-guaranteed foreign bonds worth approximately 3.5 billion U.S. dollars. These bonds target a wide range of investors in Asia and the Americas, as well as in Europe, Africa, and the Middle East. Specifically, JBIC issued 10-year bonds denominated in U.S. dollars for the first time in three years to diversify and extend the maturity of its bonds. Moreover, in response to the growing demand for loans in Europe as Japanese companies expand their overseas infrastructure projects, JBIC issued its first euro-denominated green

bonds, along with its first British pound-denominated bonds in approximately four and a half years. In addition, JBIC remains focused on project support to meet various funding needs denominated in local currencies, including the Thai baht, Indian rupee, and other currencies of emerging countries, thereby carrying out agile and stable procurement of necessary foreign currency funds.

Since the beginning of FY2025, the uncertainty over the business and market environments surrounding companies and investors has become greater than before. All the more because of such circumstances, JBIC will hold more careful dialogues with investors, financial market players, and other stakeholders, taking the overseas business expansion of Japanese companies, various country and regional funding needs, and sustainability initiatives into consideration, JBIC will continue to strive for agile and stable fund procurement and continuously work on green bond issuance.

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

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



Basic Policy

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

Awareness of Current Conditions

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

As JBIC provides long-term financing with loan maturities of more than five years, it is essential that JBIC procures long-term funding corresponding to loan maturity, particularly US dollar-denominated long-term funds. These account for approximately 90% of its loan assets.

Since the second half of 2024, countries have entered a period of interest rate cuts due to easing inflation and a global economic slowdown. Meanwhile, the international situation has grown more uncertain because of Russia's invasion of Ukraine

and concerns over a worsening situation in the Middle East.

Despite these growing uncertainties, JBIC has been able to accurately ascertain the constantly changing market environment through ongoing dialogues with investors, financial institutions, and other market participants around the world. JBIC has secured a stable financial foundation that can provide long-term, large-scale funding by efficiently and stably raising foreign currency funds through a combination of means. These include currency swap transactions and borrowing from the Japanese government, with a focus on issuing government-guaranteed foreign bonds, all while avoiding market risks. Leveraging this financial foundation, JBIC proactively responds to the needs of Japanese companies and others engaged in overseas business as a policy-based financial institution connecting Japan with the world, as well as the public and private sectors.

Consolidated Operating Results and Financial Condition

In FY2024, JBIC recorded interest income including interest on loans of ¥984.2 billion, and ordinary income of ¥1,028.8 billion. Yet, JBIC recorded ¥946.1 billion in ordinary expenses, after having posted ¥867.1 billion in interest expenses including interest on borrowed money. As a result, ordinary profit amounted to ¥82.6 billion, and net income to ¥85.0 billion.

As of the end of March 2025, JBIC's total assets stood at ¥20,464.7 billion (with loans accounting for ¥15,414.4 billion of that). Total net assets were ¥3,245.9 billion, mainly due to the increase in paid-in capital as well as the net income recorded for the year. JBIC's capital adequacy ratio was 20.73% (non-consolidated, BIS basis), reflecting the continued soundness of its financial position.

Financial Strategy

As JBIC moves forward with various initiatives under the Fifth Medium-Term Business Plan (FY2024–2026), JBIC recognizes that it will be necessary to efficiently and stably manage the procurement of funding, while strengthening its financial foundation. Specifically, JBIC will pursue the financial strategy expected of it by its diverse stakeholders, focusing on the following four points.

» Ensuring a Strong Financial Foundation

JBIC exercises its risk-taking function by making full use of a wide range of financial tools, primarily in foreign currencies, in order to respond to global challenges and to needs in Japan and the international community. JBIC has actively implemented risk control and risk sharing by collaborating with host country governments and cooperating with other public, and international organizations. As a result, JBIC has established and maintained an autonomous profit structure, and has consistently been profitable since its establishment. JBIC has returned a portion of its profits to the national treasury while increasing its own capital. At the same time, because international and market conditions can significantly impact its financial balance, JBIC will continue its efforts in securing core profitability and capital adequacy, so as to maintain and strengthen our financial foundation.

» Agile and Stable Fund Procurement

As mentioned above, a majority of JBIC’s assets are foreign currency-denominated loans, principally in US dollars. Thus, ensuring stable foreign currency liquidity is a key issue in financial management. Based on its integrated relationship with the Japanese government, JBIC seeks to procure foreign currency in a flexible and stable manner by issuing bonds and engaging in currency swap transactions. For this reason, JBIC believes it is important to continue to deepen its ties with its key stakeholders, while holding regular dialogues with overseas investors and financial institutions. Further, to help realize a sustainable society and environment through climate change-related finance, JBIC will continue to issue green bonds, the use of which is limited to initiatives that contribute to climate change countermeasures and environmental conservation.

» Providing Support in Locally Denominated Currencies

In order to meet various country and regional funding needs, including support for infrastructure projects, where project income is usually denominated in local currencies, JBIC is focusing on local currency-denominated project support and has set up a system that can handle several currencies, including the Thai baht, Indian rupee, and Indonesian rupiah. Moreover, since communication with local financial institutions and financial authorities is important when providing local-currency-denominated assistance, JBIC will continue leveraging the relationships it has built with institutions in each country to further expand local-currency-denominated project support in line with local funding needs.

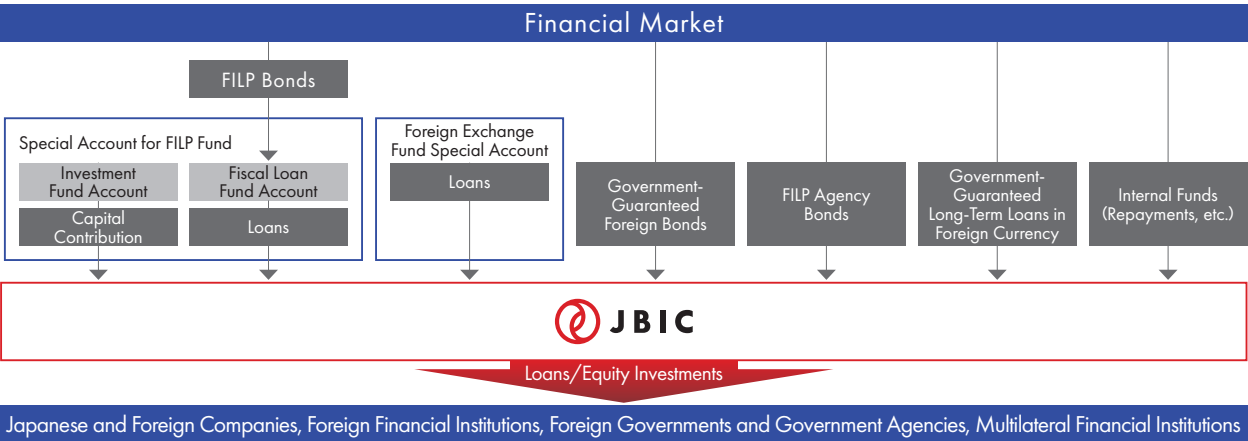
» Avoiding Market Risks

In the event of sudden changes in the financial market, such as those caused by market turmoil, losses may incur due to interest rate and exchange rate fluctuations. Regarding the exchange rate fluctuation associated with foreign currency lending, JBIC hedges these risks by adopting a full hedging policy that, generally, uses currency swaps, and other financial instruments. JBIC also generally manages funds with variable interest rates by adopting interest rate swaps and other methods. JBIC will continue to take appropriate measures to avoid market risks by using currency and interest rate swaps, while ensuring the soundness and propriety of its operations. In doing so, JBIC will fully utilize its risk-taking function.

Funding Sources

JBIC finances its operations through various sources, including borrowings from the Fiscal Investment and Loan Program (FILP), Government-guaranteed Foreign Bond Issuance, Government-guaranteed Long-term Loans in Foreign Currency, Non-guaranteed Domestic Bond Issuance, and Capital Contributions from FILP Industrial Investment. As JBIC provides long-term financing, its operations are financed by long-term funds to match maturities between funding and lending instruments.

Funding Sources



» Government-Guaranteed Foreign Bonds

JBIC raises part of its funds by issuing government-guaranteed global bonds in international capital markets. Outstanding government-guaranteed foreign bonds at the end of FY2024 amounted to ¥6,098.5 billion at face value, accounting for 41.07% of the total outstanding borrowings and bonds. JBIC provides foreign currency loans (primarily in US dollars) when necessary to effectively implement policy. The loans are sourced from funds raised by issuing government-guaranteed global bonds. In October 2021, JBIC developed the JBIC Green Bond Framework, which is aligned with the “Green Bond Principles 2021,” published by the International Capital Market Association and, in January 2022, JBIC issued its first green bond. This is Japan’s first government-guaranteed foreign green bond. JBIC went on to issue US dollar-denominated green bonds in October 2022 and October 2023 as well as the first euro-denominated green bond in October 2024, and plans to continue doing so. According to the JBIC Green Bond Framework, the proceeds from the issuance of these bonds will be used for renewable energy projects that help decarbonize society, and for finance to assist green mobility. In the FY2025 budget, JBIC plans to issue government-guaranteed foreign bonds for a maximum amount of ¥1,672.0 billion. JBIC’s government-guaranteed foreign bonds receive the same ratings as the Government of Japan from rating agencies. Since they are treated as assets for which the Bank for International Settlements assigns zero risk weight in calculating the capital adequacy ratio for depository institutions, these bonds provide a quality investment opportunity for investors in international capital markets.

» Non-Guaranteed Domestic Bonds

Since FY2001 and in compliance with the government policy to reform Fiscal Investment and Loan Program, JBIC has issued bonds without government guarantees (non-guaranteed domestic bonds) in Japan’s capital market. This has enabled it to raise funds based on its own creditworthiness. In May 2024, JBIC issued its first green bond as a non-guaranteed domestic bond, and it plans to issue them for a maximum amount of ¥20.0 billion in the FY2025 budget. Non-guaranteed domestic bonds that JBIC has already issued have received the same ratings as the Government of Japan (see below). They are treated as assets for which BIS assigns 10% risk weight in calculating the capital adequacy ratio for depository financial institutions.

Rating & Investment Information, Inc. (R&I)	AA+
Japan Credit Rating Agency, Ltd. (JCR)	AAA
Moody’s Japan K.K.	A1
S&P Global Ratings Japan Inc.	A+

(As of June 25, 2025)