

JBIC supports overseas business operations of Japanese manufacturers through FY2018 JBIC Survey

Strategic Research Department
Corporate Planning Group

More than 600 Japanese manufacturers responded to the FY2018 JBIC Survey. Reflecting the current status of Japanese manufacturers' overseas business operations, the survey has drawn attention from various fields including corporations, researchers and foreign governments. Here, the research team which conducted the survey talks about their views on the survey and its key findings.

Long-running survey backed by many manufacturers



Kasumi Yamazaki

Deputy Director
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good feedback that the survey contains valuable data that promptly reflects the impact of the current business environment on manufacturers. The FY2018 Survey made clear that Japanese manufacturers intend to maintain or expand their business both in Japan and overseas, leveraging their good business performance in the past year. However, throughout the report, you can also see their wariness toward external factors such as trade friction between major countries.

Ikenaga Our survey is unique in that it has 30 years' worth of chronological data. Meanwhile, to maintain continuity, we have certain limitations on changing the survey questions, so it depends on the researchers' skills to offer new and timely analysis each year. In the FY2018 survey, we tried to analyze the relationship between the percentage shares gained by the top countries in our Promising Country/Region Survey and the actual amount of outward FDI from Japan, using long-term data. As a result, we found that during the initial stage of investment from Japan, the percentage shares in our Survey tend to rise ahead of the



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actual inflow of direct investments by Japanese manufacturers. Looking at these data, we feel that our Survey generally reflects the direct investment trends of manufacturers.

Inclusion of timely topics, such as the impact of protectionism and the deployment of environmental business

Yamazaki Independent survey topics differ each year, and are selected to reflect major concerns felt by the industries at that time. The survey takes more than six months from designing the questionnaire to publishing the results, which makes it difficult to decide what to ask. Topics that are affected by political relations between major countries, like this year's "Impact of protectionism," may become out of date after several months. After discussing with our management and doing thorough research on the international political situation, we considered that this topic would continue to draw strong attention throughout FY2018, and gave a go. It was such a relief when our Survey findings were widely covered in the media!

Ikenaga Sometimes the companies' responses prove contrary to our expectations in a good way. When we chose "Views on environmental regulations and development of environment-related business" as one of our independent survey topics this year, we expected that the survey result would highlight the negative effects of, for example, tougher regulations in countries like China. On the contrary, an unexpectedly high number of companies answered that environmental regulations have had positive effects on their overseas business. It turns out that Japanese manufacturers regard the growing momentum toward environmental stability as a business chance, more than we

had expected, and these responses showed their strength. Also it became clear that the electric vehicle-related business in China is attracting interest not only from automobile-related companies but also from other industries.

Research team interviews companies to hear their opinions directly

Yamazaki After aggregating data, we also interview the target companies face-to-face or by phone. From these interviews, we gain precious information that cannot be obtained through data, such as their story behind the numbers or the newest industry trends. We try to present in-depth survey results by incorporating such information into our reports and presentations.

Shimizu Since joining JBIC, I have had few opportunities to meet the managers of other companies, but this time I conducted some interviews with them. Their words and stories made me realize Japanese companies' philosophy toward manufacturing.

Ikenaga We sometimes share the survey data with our finance groups so that they can use it for policy dialogue with other countries' governments. The rankings in our Promising Countries Survey and the issues felt by the companies in each country are drawing strong attention, and chances to explain the survey results directly to foreign government officials have increased. Our research team's mission is to support Japanese companies by conveying their opinions to the countries they invest in, and I truly believe that our Survey has the potential to benefit both Japan and the host countries.



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JBIC Today

April 2019

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JBIC Today

Japan Bank for International Cooperation

April 2019

Special
Feature

A Review of Overseas Business Operations by Japanese Manufacturers in the Past 30 Years

Results of
FY2018 JBIC
Survey on Japanese
Foreign Direct
Investment

Our Global Challenges

OKAMURA FOODS CO., LTD.

(Aomori City, Aomori Prefecture)

OKAMURA TRADING CO., LTD. (Chuo-ku, Tokyo)

**From Trout Salmon Farming to Processing and Sales:
Seamless Supply System Meets
Asian Demand**

News in Depth

**First project financing for
Asia's gas-to-power project:
the Jawa-1 Project in
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SPOT LIGHT

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Special
Feature

A Review of Overseas Business Operations by Japanese Manufacturers in the Past 30 Years

Results of FY2018 JBIC Survey on Japanese Foreign Direct Investment

In November 2018, the Japan Bank for International Cooperation (JBIC) released the results of the "FY2018 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies". This year marks the 30th year of this survey since it was first conducted in 1989. In addition to the usual survey topics such as "Business Performance Evaluation," "Overseas Business Prospects" and "Promising Countries/Regions over the Medium Term," the survey for FY2018 includes the following special topics: "Impact of Protectionism," "Views on Environmental Regulations and Deployment of Environment-related Business" and "Time Series Analysis." This issue looks back on the development of overseas business operations by Japanese manufacturers in the past 30 years.

Survey overview

Objective and targets of survey

Objective: Analyzing the current status and future prospects of overseas business development of Japanese manufacturing companies.
Targets: Japanese manufacturing companies that have three or more overseas affiliates (including at least one production base).

Number of companies questionnaires were mailed to:

1,012 companies

Response status

(1) Number of valid responses: 605 companies (330 companies responded by post and 275 online)
(2) Valid response rate: 59.8%

Period of survey

June–September 2018

Survey topics

- (1) Basic Data
- (2) Business Performance Evaluation
- (3) Overseas Business Prospects
- (4) Promising Countries/Regions over the Medium Term
- (5) Impact of Protectionism*
- (6) Views on Environmental Regulations and Development of Environment-related Business*
- (7) Time Series Analysis*

(*Independent topics of this year)

Definition of "Overseas business"

"Overseas business operations" is defined as production, sales and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement overseas.

Polarizing promising countries

Ranking of promising countries/regions over the medium term in FY2018

China and India gain far larger percentage shares

China maintained the lead for two consecutive years in the ranking of promising countries/regions over the medium term (next three years). Its percentage share increased by 6.5 points from the previous year to 52.2%, which was the largest among the major countries. India dropped from first place to second in FY2017, but this year its percentage share rose to 46.2%. Thus, the gap in the percentage shares between these two countries and the

rest significantly widened. There are high expectations for the market's growth potential and current size of both countries.

There seem to be two factors behind China's increase in the percentage share. First, the boost in capital investment in China under the "Made in China 2025" plan, the Chinese version of Industry 4.0, has generated strong and growing demand for the products and technologies of foreign companies, and sales of Japanese semiconductors and machine tools have been good for the past year. Second, income levels have risen in China, and consumer goods, including hygiene products through

e-commerce, and durable goods, including passenger vehicles, have sold well. From these factors, we can see that Japanese manufacturing companies view China not only as a production base but also as a large and promising market.



Commentator
of the survey

Takeshi Kasuga

Director
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Figure 1: Promising Countries/Regions for Overseas Business over the Medium Term (next 3 years, or so) (Multiple answers allowed)

Ranking			Country/Region (Total)	No. of companies		Percentage share(%)	
2018	←	2017		2018	2017	2018	2017
				431	444		
1	—	1	China	225	203	52.2	45.7
2	—	2	India	199	195	46.2	43.9
3	↑	4	Thailand	160	153	37.1	34.5
4	↓	3	Vietnam	146	169	33.9	38.1
5	—	5	Indonesia	131	147	30.4	33.1
6	—	6	US	124	116	28.8	26.1
7	—	7	Mexico	59	81	13.7	18.2
8	—	8	Philippines	43	47	10.0	10.6
9	—	9	Myanmar	37	40	8.6	9.0
10	↑	12	Malaysia	36	26	8.4	5.9

Changes in the percentage shares of promising countries/regions over the medium term

Global economic and political trends reflected in the shares of promising countries/regions in the medium term

This year marks the 30th year of this survey since it started in 1989, so this issue looks back on the changes in the percentage shares of promising countries/regions in the medium term during the period between 1992 and 2018 (Figure 2). Major economic and political events are listed below the figure. Time series analysis will help understand the effects of global economic and political trends on Japanese manufacturing companies, as well as which countries are promising in the future.

Polarization of percentage shares again: China and India in the lead

The percentage shares tended to converge for several years, but polarization of the percentage shares of the top six countries and the rest in the list became pronounced in 2018. In particular, the gap between the top two (China and India) and the other countries widened.

China's percentage share sharply rose after it joined the WTO in 2001, but then dropped until 2013. The reasons for the recovery in recent years are considered to be the expansion of e-commerce, and increase in attractiveness as an R&D base in some sense. India is also likely to maintain a substantial share, as the consolidation of industries is underway.

Rivalry among Thailand, Vietnam and Indonesia

Thailand, Vietnam and Indonesia are listed in the top six countries from the ASEAN region. Thailand rose to third place, overtaking Vietnam, with the percentage share of 37.1%. This rising tendency is largely due to the strong performance of the automobile industry.

The three countries have so far had different features: Thailand is attractive as an export base, Vietnam as the supplier of a cheaper, well-trained workforce, and Indonesia as a large market volume. For these reasons, companies from diverse industries have expanded to these countries. However, such characteristics will become less distinctive along with industry consolidation, geographical supply chain expansion, further investment in labor-saving, and the entry of Chinese firms. As a result, competition among the three countries is expected to become more intense.

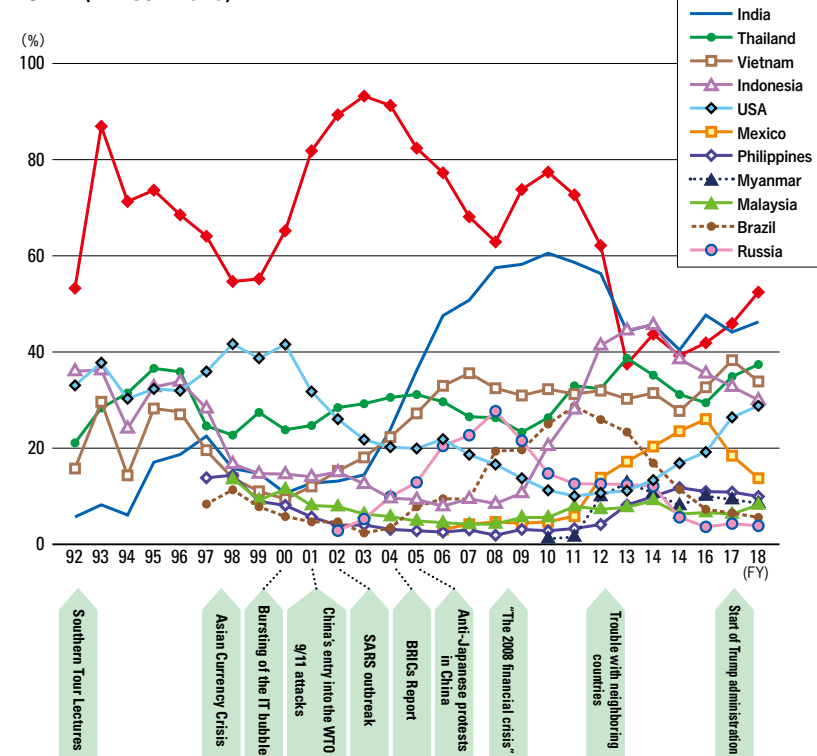
The percentage shares of Russia and Brazil had increased for some time since 2000, but have been falling in recent years. The percentage share in 2018 was 3.7% in Russia and 5.6% in Brazil. This is probably because Japanese manufacturers are cautious about geographical expansion.

Widening gap between US and Mexico

The US joined the top-six group, but Mexico did not. The US remained in sixth with the percentage share of 28.8%, up 2.7 points from the previous year. However, this increase is modest compared to that in the previous survey (6.8 points). Mexico stayed seventh, but its percentage share dropped by 4.5 points from the previous year to 13.7%.

The gap between the two countries is expected to narrow if the uncertainty in trade negotiations between them is dispelled. However, many Japanese companies are taking a wait-and-see attitude toward the Trump administration's protectionist policy. Therefore, it will take time for Mexico's percentage share to regain momentum.

Figure 2: Changes in the Percentage Shares of Promising Countries/Regions over the Medium Term (FY1992-2018)



Changing balance between domestic and overseas business

Overseas business prospects

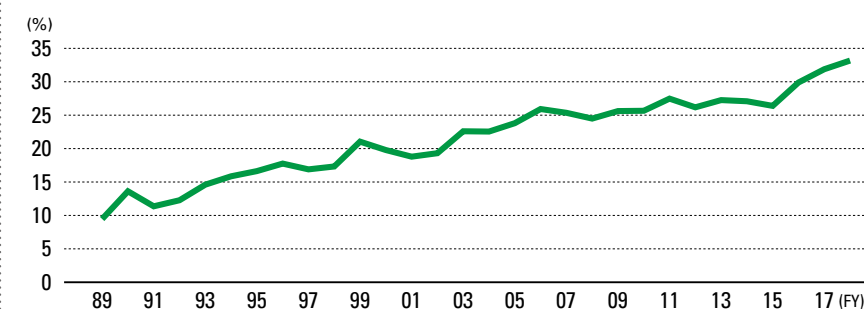
Ratio of companies intending to "strengthen/expand" both domestic and overseas business hits a record high

The response rate of "strengthen/expand overseas business" had slowly been dropping from 87.2% in 2011 due to the integration of production bases and the focus on existing bases, but in 2018 it increased to 75.6%.

On the other hand, the response rate of "strengthen/expand domestic business" rose from 37.7% in 2017 to 45.9% in 2018, recovering to the level prior to the 2008 global financial crisis. This indicates that companies put more focus on domestic operations by investing in equipment renewal, promoting R&D, developing new business and winning customers. This also suggests that they are taking a pause from expanding their overseas production and are flexibly changing their way of business to maximize earnings.

The bar graph in Figure 3 shows the difference between the overseas "strengthen/expand" ratio and the domestic "strengthen/expand" ratio. Both ratios were around 50% in 2000 when the questionnaire began, but the former gradually

Figure 4: Percentage of MTEs/SMEs among the Respondents



increased. The difference between them became the largest in FY2011 when the Great East Japan Earthquake happened. The changes over the past 18 years are largely correlated with the dollar-yen exchange rates. The attitude toward strengthening overseas business, though it weakened temporarily after the global financial crisis in 2008, has remained high, supported by the strong yen and the high growth in Asia. However, in recent years Japanese companies have begun to focus on domestic business, which may be the result of *Abenomics* and the inbound effect. According to the 2018 survey, Japanese companies are tending to allocate

more of their resources to domestic business.

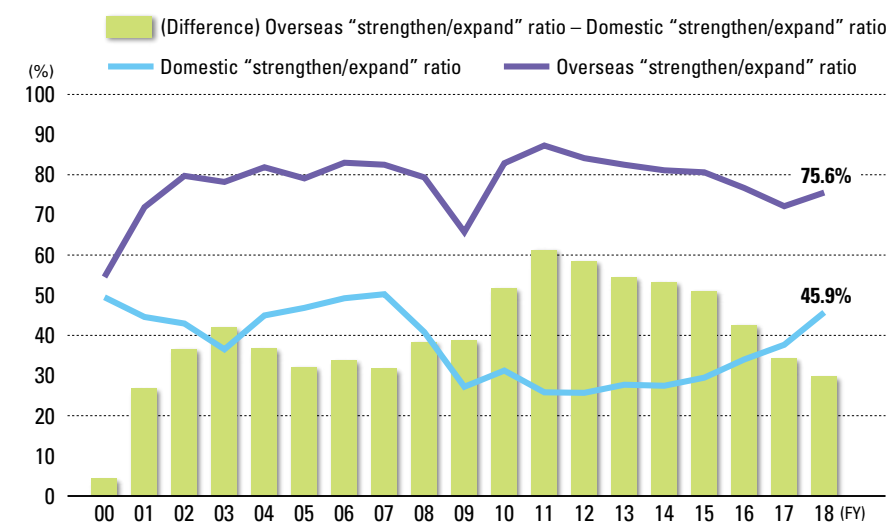
230 companies (53.4%) said that they would "strengthen/expand" both overseas and domestic business over the medium term. This ratio is the highest since the relevant survey started in 2010.

Response ratio of MTEs/SMEs increases threefold

The ratio of mid-tier enterprises (MTEs)/small and medium-sized enterprises (SMEs) (with capital of less than 1 billion yen) among the total respondents rose from 9.7% to 33.2% over the past 30 years. They tend to be less keen to expand overseas compared with larger companies, but for FY2018, their overseas "strengthen/expand" ratio increased to 69.2%, up 8.6 points from the previous year. Given that the survey targets are companies with three or more overseas affiliates, this development implies that overseas business operations in the manufacturing sector have expanded even among the MTEs/SMEs.

For MTEs/SMEs that are strengthening their overseas business, their main business partners are Japanese affiliates in foreign countries. As the integration of industries is underway mainly among large corporations, the number of local human resources who understand Japanese manufacturing technology and practices is growing. Moreover, the expansion of IoT has made it possible to control quality remotely from Japan. These factors have helped increase the percentage of responses from MTEs/SMEs among the respondents.

Figure 3: Shift in intentions to Strengthen/Expand Businesses (FY2000-2018)



Independent survey topics reflecting the situations of the times

Changes in the independent survey topics in the past 30 years

When the survey started in 1989, Japanese companies were seeking opportunities to expand overseas as the yen's value appreciated rapidly after the Plaza Accord in 1985. Since the start of the survey in 1989, JBIC has conducted the survey on the same topics every year regarding the overseas business operations in the manufacturing sector.

Such survey topics are "Business Performance Evaluation," "Overseas Business Prospects," and "Promising Countries/Regions over the Medium Term." In addition to those annually surveyed items, the survey has also examined independent topics reflecting the situations of the times. The following table shows the independent topics that were surveyed from 1989 to 2018. The changing trends in overseas business operations during this period are outlined below.

Specific survey items by fiscal year

1989	● Trend in localization
1990	● Japanese companies' strategy in Europe
1991	● Regional integration in EC and NAFTA, and foreign direct investment
1992	● Current status and future of the production/sales network of overseas affiliates, and their contribution to exports
1993	● Issues faced by Japanese companies operating overseas business and their solutions, points to note over the long term, and long-term business strategy
1994	● Strong yen and corporate strategy for overseas business (Japanese companies undertaking structural adjustments in Japan and abroad amid the appreciation of the yen)
1995	● Effects of the rapid appreciation of the yen on manufacturing, and how to deal with them
1996	● The effect of foreign direct investment (FDI) on domestic production
1997	● Degree of interest in regional integration
1998	● Effects of the Asian crisis and the future investment strategy
1999	● Effects of European and US companies' expansion to Asia
2000	● Efforts to restructure overseas business operations ● Introduction of IT for overseas business operations
2001	● Attractiveness of China and ASEAN4 as a production base over the medium term (next 3 years)
2002	● Attitude toward expanding business operations in China and ASEAN ● Approach to restructuring business overseas and concrete restructuring plan
2003	● (Free trade agreements, the impact of China's WTO entry)
2004	● (Chinese operations and risks, free trade agreements (FTAs))
2005	● (China and ASEAN, economic partnership agreement and free trade agreement in East Asia, EU enlargement)
2006	● Maintaining/securing international competitiveness, and localization of management, procurement, and R&D
2007	● Competition and international competitiveness
2008	● International competitiveness and competition
2009	● The markets of emerging nations and efforts involving eco-businesses
2010	● Business development & competition in emerging markets ● Human resources for overseas expansion & approaches to R&D ● Results of urgent additional questionnaire survey — Views on business in China after the Senkaku Islands problem arose —
2011	● Supply chains since the Great East Japan Earthquake ● Overseas infrastructure development — From the perspective of the manufacturing industry — ● Results of additional questionnaire survey — The impact of flooding in Thailand on production —
2012	● Current status and issues of business operations control of overseas local subsidiaries ● Competition in the global market and action plan for improving competitiveness ● Results of additional questionnaire survey — Influence on business operations in China, Taiwan, and Korea —
2013	● Business prospects in China ● Infrastructure needs & issues in business operation countries ● Global management issues and future strategies
2014	● Competitiveness of Japanese manufacturing companies and trends in global production systems ● Involvement of Japanese manufacturing companies in overseas infrastructure-related business
2015	● Major topics related to overseas business operations
2016	● Status of cross-border M&A and issues ● Current state of supply chain and roles of production/R&D bases ● Competition in the global market
2017	● Services provided by manufacturing companies ● Services received by overseas affiliates of manufacturing companies ● Business management of overseas affiliates
2018	● Impact of protectionism ● Views on environmental regulations and development of environment-related business ● Long-term time series analysis

1989 - 1998

Concern over the hollowing out of the domestic industry, and the Asian currency crisis

The specific topic for the first survey was the "trend in localization." The yen-dollar exchange rate moved into the 100 yen per USD range in 1994, and appreciated further to 80 yen in 1995. Therefore, the 1994 survey examined concerns over the hollowing out of the domestic industry due to the strong yen, and the differences in companies' strategies for overseas business operations.

In 1998 after the Asian Currency Crisis occurred, the specific survey topic was the "effects of the Asian crisis and the future investment strategy."

From 2000

Increasing need for analysis of the investment climate

In this period, more emphasis was placed on Asia and its recovery from the recession following the Asian Currency Crisis. Against this backdrop, the following independent topics were surveyed: "Efforts to restructure overseas business operations" (2000), "Attractiveness of China and ASEAN4 as a production base over the medium term (next 3 years)" (2001), and "Maintaining/securing international competitiveness, and localization of management, procurement, and R&D" (2006).

From 2011

Changes in overseas business operations after the earthquake

The Great East Japan Earthquake which happened on March 11, 2011 highlighted the vulnerability of supply chains and the need for restructuring. The 2011 survey addressed the two additional topics: "Supply chains since the Great East Japan Earthquake" and "The impact of flooding in Thailand on production."

From 2018

Earnings and trade expected to decline by 30% due to protectionism

In FY2018, "impact of protectionism" and "views on environmental regulations and development of environment-related business" were examined through the survey. Much attention has been paid to the survey results, particularly on the impact of protectionist policies that are creating increased concern under the Trump administration.

As mentioned above, the survey has included high-interest topics for Japanese manufacturing companies for 30 years. Since the start of the survey, independent survey topics have been selected each year from policy perspectives. More survey data is collected and accumulated year after year, increasing the accuracy of the analysis of the survey.

30 years of the JBIC survey

The survey results are used for developing mid- and long-term business plan by examining the changes in the survey data collected every year.

Motoshige Itoh, Ph.D.

Professor Emeritus
The University of Tokyo

Professor
Faculty of International Social Sciences
Gakushuin University

Overseas business strategy needs to quickly respond to international policies and policy changes

Analyzing global economic trends is essential for planning a business strategy. Particularly when developing an overseas business strategy, it is necessary to quickly know the changes in international trade policies and economic policies of countries. Companies need to conduct their businesses in a cautious or dynamic manner based on various information, whereas in some cases they need to decide to withdraw from business.

One of the topics of the 2018 survey is protectionism. When these survey results are reviewed again in several years later, they may show a turning point in the international trade system which has been built since the end of World War II. The survey findings on another topic, "environment-related business," indicate the possibility of growth in environmental business in China. This may suggest a worldwide shift from the 20th-century growth model to a 21st-century recycling-oriented growth model, as described by such key words as Quality of Life and Sustainable Development Goals. Analyzing the major trends of the times is very important for Japanese companies to further expand overseas business.

Utilize 30 years of valuable survey data

I think the JBIC survey, which has been conducted for 30 years, contains a lot of valuable information that may help Japanese enterprises to understand business trends. While conducting the survey on the same topics for many years, JBIC has added to the independent survey items specific to each year to analyze the trends of the times. As described by the old Japanese proverb, "Continuance is power/strength", I believe the JBIC survey can provide Japanese companies more accurate information used for predicting the changes in the times, through the analysis of the survey data accumulated for many years. In this respect, this survey is unique in the world.

Although there is growing uncertainty in the current business environment, I hope this survey will be used to know how Japanese companies have viewed the circumstances of the times.

The survey draws more attention from host countries

A characteristic of this survey is that the same survey topics on foreign direct investment by Japanese manufacturers have been examined for 30 years. There are many countries and regions seeking to attract direct investment from abroad. Under such circumstances, the number of inquiries from host countries, for example, through their embassies in Japan, is increasing every year. This indicates that the survey continues to draw high attention from countries around the world.



Our Global Challenges

OKAMURA FOODS CO., LTD. (Aomori City, Aomori Prefecture)
OKAMURA TRADING CO., LTD. (Chuo-ku, Tokyo)



Asian Seafood Culture Backed by Customer-Oriented Value Chain

From Trout Salmon Farming to Processing and Sales: Seamless Supply System Meets Asian Demand

Raw trout salmon is a popular food as a sushi topping and *sashimi* (sliced raw fish). OKAMURA FOODS CO., LTD. (Okamura Foods) is a vibrant small and medium-sized enterprise engaged in the farming, processing and sales of trout salmon for which demand is growing worldwide. OKAMURA TRADING CO., LTD. (Okamura Trading), an affiliated company specialized in the trading of processed seafood products, established its own trout salmon processing factory in Myanmar in 2019. With this factory and a processing subcontractor in Vietnam, Okamura Foods is ready to respond to accelerating demand for trout salmon in Asia. The company seeks to expand its business in Asia through its value chain which has been carefully built from the customer's perspective.

Customer-oriented value chain

Okamura Foods' business ranges from trout salmon farming and fish processing, to running Japanese restaurants in Vietnam and retailing in Japan. Established in 1971 as a fish processing company in Aomori, the company has expanded to cover broad business areas from upstream to downstream as Okamura Foods Group. "We've succeeded because we have created a value chain from the customer's viewpoint," said the company's CEO, Mr. Koichi Okamura.

"Demand for trout salmon is growing by 10% a year. In order to ensure a stable supply to our customers, we have no choice but to secure resources ourselves. We began trout salmon farming in Denmark in 2004, then in 2014 we started the marine farming of domestic trout salmon in Aomori. We expect to ship

this product to market in 2019," he added.

If domestic farming works well, it is possible to build a more flexible supply system, which will also lead to local revitalization. The same is true with the fish processing industry. Okamura Foods Group has improved its processing technologies to satisfy customers' needs, including customized processing for meeting the specific needs of conveyor-belt sushi restaurants.

"We process raw fish according to customers' needs so that they can do the conveyor-belt sushi business without a skilled sushi chef. With the global boom of Japanese food, we provide "Japanese quality" products for food service companies operating in Asia, as well as trading firms," said Mr. Okamura, whose vision has always been a step ahead.

Responding to vigorous Asian demand through a new factory in Myanmar

At present, Okamura Foods Group processes trout salmon in Vietnam that have been farmed in Denmark, for the purpose of export to Japan and other Asian countries. But as demand for processed seafood grows due to the global boom of Japanese food, some of our customers are becoming concerned about the dependence on one country for customized processing, which plays a crucial role in the distribution of processed seafood. Under such circumstances, the company established a new trout salmon processing factory in Myanmar, which is run by OKAMURA TRADING MYANMAR CO., LTD. (OTM). To set up the factory, Okamura Trading used a co-financing scheme offered by The Aomori Bank, Ltd. (Aomori Bank) and JBIC. "We were impressed with JBIC's

- A Various fish and eggs are processed at Okamura Foods in Aomori
- B Opening ceremony of OKAMURA TRADING MYANMAR CO., LTD. held in Myanmar in January 2019.
- C Trout salmon processing factory established in the Thilawa Special Economic Zone (SEZ) on the outskirts of Yangon, the biggest city in Myanmar.

broad network of contacts in Southeast Asia. We also received support in areas other than finance, such as obtaining the latest information about the legal system and social situation in Southeast Asia," said Mr. Okamura.

Established in January 2019, the new OTM's factory has an annual production capacity of 1,882 tons, which has enabled us to be ready for meeting brisk demand in Asia.

Mr. Okamura said, "The reason for the growing demand for trout salmon in Asia is not only the Japanese food boom, but also religious reasons for those who are not permitted to eat beef and pork. We now process mainly raw fish for sushi toppings, but I expect that as more women enter the work force, ready-to-serve seafood products such as grilled or boiled fish without bones, will become popular." It is thought that many people do not like fish because of the difficulty of removing fish scales, innards and bones and keeping the fish fresh, as well as the smell. If these problems can be solved by processing technology, seafood dishes other than sushi will also be accepted more widely. "We can help the seafood culture take root in Asia," said Mr. Okamura confidently.

To achieve this goal, he also expressed his wishes for JBIC, saying "I would like JBIC to support us in the following three areas: i) providing detailed, accurate information about the

business environment, ii) negotiating with the local government in case of trouble and iii) accessing funding to further expand overseas."

Another mission of Japanese companies operating overseas

Okamura Foods Group is currently focusing on developing human resources in Myanmar. Local employees are earnest and willing to work. They quickly understand the processing techniques and acquired enough skills. However, industrial development in Myanmar has just begun. It is important to foster a sound corporate and industrial culture from now on.

"We have found it more difficult than expected to make them recognize the importance of a disciplined working environment and hygiene control, but Myanmar people have something pure and positive that enables them to do so. I hope to focus on training middle managers too in the future," said Mr. Okamura. "Employees need to keep the same goal in mind and think for themselves what needs to be done. We should not only create local employment, but also develop business leaders who will contribute to the economic development of Myanmar. These are important roles that should be played by Japanese companies," he emphasized. CEO Okamura is continuing to work on industrial education in Myanmar.



Koichi Okamura

CEO
OKAMURA FOODS CO., LTD.

Management Director
OKAMURA TRADING CO., LTD.



Company Profile

Name	OKAMURA FOODS CO., LTD.
Established	1971
Capital	90 million yen
CEO	Koichi Okamura
Number of employees	120 (include part-time employees)
Business lines	Purchase of marine raw materials from global vendors, including Musholm A/S, and sales of processed seafood products.
Headquarters	1-6-11 Yaeda, Aomori 030-0912
Overseas Group Companies	Musholm A/S: Farming trout salmon and producing trout salmon roe in Denmark TVN JV (Tokyo deli): Operating Japanese restaurants in Vietnam TRUNG SON CORP: Processing and selling products in Vietnam

Aomori Bank, a co-financing partner

JBIC's financing and its abundant know-how are a great asset for us

We proposed to CEO Koichi Okamura a co-financing scheme using JBIC because we thought the company needed to gain information about the local country through JBIC's network. The experience and expertise gained through coordination of this financing have become a great asset for us. As enterprises in Aomori are showing greater interest in overseas markets, we would like to support them in expanding into the markets.



Tomoya Harako

Assistant Manager
Regional Development Division
The Aomori Bank, Ltd.

Relationship with JBIC

In January 2018, JBIC and Aomori Bank provided co-financing for Okamura Trading, an affiliate of Okamura Foods, which planned to construct a trout salmon processing factory in Myanmar. JBIC's portion of the loan amount was 224 million yen. This is the first co-financing with Aomori Bank and the first partnership with a local bank in the three prefectures of the northern Tohoku region: Aomori, Akita and Iwate.



First project financing for Asia's gas-to-power project: the Jawa-1 Project in Indonesia

Electricity demand in Indonesia is rapidly increasing due to high economic growth and the government plans to develop additional power sources totaling 56 gigawatts over the next 10 years. In particular, LNG-fueled thermal power generation, which has low impact on the environment, is regarded as a key intermediate power source. JBIC is supporting the Jawa-1 Gas-to-Power Project in Indonesia through project financing. Our staff in charge of this project reveal behind-the-scenes stories that do not appear in the news, including the significance of this project finance and how the loan agreement for such a complex project could be concluded so quickly, within six months of negotiations.

An article related to this project was published in the morning edition of The Nikkei on October 21, 2018.

— Please explain an outline and the features of the Project Financing for Jawa-1 Gas-to-Power Project in Indonesia.

Oishi This project undertakes integrated development of power generation facilities and gas-related facilities in West Java Province, Indonesia. PT Jawa Satu Power (JSP), an Indonesian corporation funded by Marubeni Corporation, Sojitz Corporation and PT Pertamina (Persero), an Indonesian national oil company, will construct, own and operate a gas-fired combined cycle power plant. Meanwhile, PT Jawa Satu Regas (JSR), an Indonesian corporation funded by Marubeni, Sojitz, Mitsui O.S.K. Lines and other firms, will construct, own and operate an offshore floating LNG storage and regasification unit (FSRU) to supply fuel to the power plant. In addition, the electricity produced by these facilities will be sold to PT PLN (Persero), a state-owned power company in Indonesia, for a period of 25 years after completion. This large-scale project will vertically integrate upstream and downstream functions ranging from procurement of fuel to sale of electricity.

In addition to being the world's first large-scale gas-to-power project with a power generation capacity of 1,760 megawatts, this project is also the first project financing for a gas-to-power project in Asia. One of the advantages of FSRU is that it can be constructed faster and cheaper than onshore regasification facilities. Amid the loosening supply and demand balance of natural gas on the back of the shale gas revolution as well as rising environmental awareness, this gas-to-power project has become a promising option for Asian countries in formulating their power source development plans. Highly regarded as an outstanding project finance deal against this background, this

financing was selected for the "Asia-Pacific Power Deal of the Year 2018" award by Project Finance International, the major project finance market journal.

Matsumoto The difficult part was that it was project financing for a joint project between two companies, a power generation company and an FSRU operating company. It took a lot of effort to bring the companies and lenders together and develop a structure that would ensure the unity of the two businesses. I heard that the project also attracted much attention from industry officials.

— The agreement for this complex project was concluded in about half a year. How were you able to accomplish it so quickly?

Oishi In the case of project financing, it often takes an enormous amount of time to reach agreement if the terms and conditions are not agreed among participating companies. However, I believe that project financing can be arranged in a constructive and speedy way if the major points associated with financing are agreed among the participants during the initial stage of the loan agreement negotiations.

In this project, JBIC consulted and agreed with project sponsors on the major points that are critical to structuring a loan scheme during the initial phase of the negotiations. This led to the signing of the loan agreement in only half a year, with neither side raising any major issue in the final stage. Another major factor was that as we were fortunate in having such good partners, we could expedite loan negotiations to implement the project without wasting time discussing trivial issues. Since it is not easy to identify important issues associated with project financing far in advance before

Project Financing for Jawa 1 Gas-to-Power Project in Indonesia

First Project Financing to Support Japanese Companies Participating in Gas-to-Power Project in Asia: Flagship Project of the newly launched QI-ESG

The Japan Bank for International Cooperation (JBIC) signed on October 18, 2018 a loan agreement for project finance amounting up to approximately USD604 million (JBIC portion) with PT Jawa Satu Power (JSP) and PT Jawa Satu Regas (JSR) for the Jawa 1 Gas-to-Power Project in Indonesia. The project financing is provided as part of JBIC's newly launched Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG). Both JSP and JSR are Indonesian companies: the former invested in by Marubeni Corporation, Sojitz Corporation and PT. Pertamina (Persero), the state energy company of Indonesia; the latter by Marubeni Corporation, Sojitz Corporation, Mitsui O.S.K. Lines, Ltd., PT. Pertamina (Persero), and other firms.

The loan is co-financed by Mizuho Bank, Ltd., MUFG Bank, Ltd., and other banks. The total co-financing amount is approximately USD1,312 million, the portion co-financed by private-sector banks is covered by Nippon Export and Investment Insurance (NEXI).

In this Gas-to-Power Project, JSP will construct, own and operate a 1,760 MW gas-fired combined cycle power plant while JSR will construct, own and operate an offshore floating LNG storage and regasification unit (FSRU) to supply fuel to the power plant. The electricity produced by these facilities will be sold to PT PLN (Persero), a state-owned power utility in Indonesia, for a period of 25 years.

This loan will contribute to Japanese industry maintaining and enhancing its international competitiveness by financially supporting those Japanese companies that invest in overseas infrastructure projects as well as operate and manage these facilities on a long-term basis.

In particular, its significance lies in the fact that this is the first project financing provided for gas-to-power projects to be implemented in Asia as well as the first time for JBIC to finance such a project. In addition, this will be the flagship project of QI-ESG as well as the first project in Asia under QI-ESG for the purpose of preserving the global environment.

* Source: JBIC's press release issued on October 22, 2018



the negotiations make headway, I think I was able to utilize my experience from previous project financing deals I was involved in.

JBIC has a track record of financing many Independent Power Producer (IPP) projects in Indonesia, including three geothermal power generation projects. It was also very helpful that the Indonesian government and sponsors trusted and treated JBIC as a key partner, valuing our experience and knowledge on project financing.

Matsumoto The signing ceremony for the financing was held in Indonesia the other day, and many officials from participating organizations marveled in their speeches at how fast the project reached agreement despite its complex structure. I think their comments aptly reflect the characteristics of this project.

— What effects might this project have on the overseas infrastructure business development of Japanese companies in the future?

Matsumoto In July 2018, JBIC established the "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth" (QI-ESG), and has since been widely supporting infrastructure development for the purpose of preserving the global environment, in keeping with the global trend of ESG (environmental, social and governance) investment. This gas-to-power project became the first flagship project in Asia financed under QI-ESG.

Oishi The power plant, which began construction at the end of 2018, is scheduled to start operations in 2021. Gas-to-power projects such as this one, which provide integrated development from fuel procurement to power generation, can spread outwards to other countries and regions with a tight

electric power supply and demand situation such as Indonesia.

In line with the "Strategy on Infrastructure System Export" promoted by the Japanese government, this project is a good example of an overseas infrastructure project where Japanese companies participate as investors and the project's operators. JBIC will continue to support Japanese companies' participation in infrastructure projects, by utilizing its capability to structure a financing scheme based on its knowledge and experience accumulated so far and performing its risk assuming functions.



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