

JBIC, Providing Back-Up For MTEs And SMEs As They Expand Overseas!

After two years of being tossed about by the COVID-19 pandemic, the world has started to move toward an era of living with the virus. A growing number of mid-tier enterprises (MTEs) and small and medium-sized enterprises (SMEs) are setting their sights overseas in search of new markets and manufacturing locations. Let's take a look at what kind of support JBIC offers these companies as they expand their businesses overseas in this spirit of challenge.

JBIC actively provides loans to support overseas business expansion not only by large enterprises but also MTEs and SMEs, which account for more than 99% of businesses in Japan. JBIC has been increasing its support for MTEs and SMEs every year since 2012. In FY2021, it supported 116 projects, which was approximately 55% of the total number of projects supported.

JBIC's support scheme for MTEs and SMEs is available for (1) SMEs and individuals with capital of JPY300 million or less or no more than 300 regular employees (in the case of manufacturing businesses) as a general rule, and (2) MTEs other than SMEs with capital of less than JPY1 billion. The kinds of projects that are eligible for support under the scheme include capital investments required for overseas business and M&As.

The scheme has three major features. Firstly, both cross-border loans and domestic finance are available through co-financing with private-sector financial institutions such as regional banks and shinkin banks. JBIC also provides two-step loans set up through some private-sector banks and leasing companies.

Secondly, JBIC is able to offer diverse financing schemes based on its extensive

experience in international finance. For example, JBIC provides loans in a variety of local currencies, such as renminbi, Thai baht, Indonesian rupiah, Indian rupee, Mexican peso, and South African rand, as well as in Japanese yen, US dollars, and euros, thereby reducing exchange rate risk.

Thirdly, JBIC provides support that leverages its strengths as a Japanese policy-based financial institution. Various forms of support can be accessed through JBIC's network of overseas offices. In any overseas business, many different applications and administrative processes will be needed, but the procedures required with regard to financing, such as approval from and registration with local authorities, vary from country to country. JBIC provides information on the overseas investment climate, as well as the support necessary in country, such as resolving problems with local governments. Furthermore, if the target market is a country that has concluded a bilateral tax treaty with Japan, withholding tax on interest will be exempted, reducing the interest burden.

The kinds of support that JBIC has provided in the past include helping overseas expansion of restaurants and service businesses, as well as manufacturers set up plants and develop new markets. No matter how big or small the loan, JBIC helps MTEs and SMEs venture into

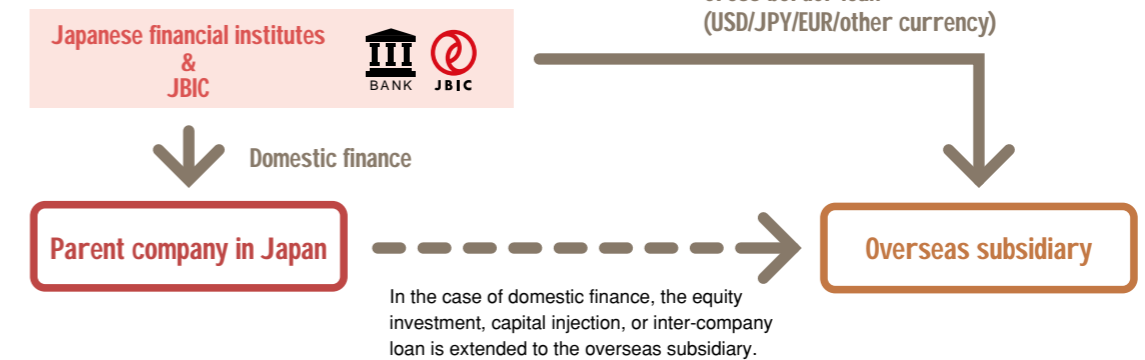
overseas markets in line with the businesses' own strategies. It also has a policy of actively supporting projects that have a major social impact, such as solving environmental problems and other social issues. JBIC has two points of contact for MTEs and SMEs, one in Tokyo and the other in Osaka, so please feel free to contact either of them.

The process until the loan is decided is as follows. First, JBIC interviews you to gain an overall picture of your project and to understand your preferred loan conditions. Then, based on that understanding, JBIC starts considering the loan framework, bringing in any private-sector financial institutions that will provide co-finance. Once all the parties are on the same page, the process moves through the loan application process and onto the loan screening. At the screening stage, the cooperation of the private-sector financial institutions that your company regularly does business with is essential, because you will need to prepare financial data and financial plans. Once the loan has been decided, JBIC will issue a press release to announce the project. These announcements have quite a substantial impact in that they generate a ripple effect, such as discovering new customers or suppliers.

Loan types

Both cross-border loans and domestic finance are available through co-financing with private-sector financial institutions (regional banks/shinkin banks/city banks, etc.). JBIC also provides support through two-step loans set up at certain private financial institutions and leasing companies.

Cross-border loan/Domestic finance



Co-financing is available even if the terms and conditions (currency, term, interest rate, etc.) of the loan from JBIC differs from the terms of the partnering private-sector financial institutions. The upper limit of the loan from JBIC is 70% of the required funds.

Loan amount

No specific limit has been set on the amount that can be loaned. Loan applications are screened, and decisions are made on an individual basis, with the loan applicants' preferences taken into account.

Loan currency

In addition to USD, EUR, and JPY, loans can be extended in various other currencies (Thai baht, Indonesian rupiah, renminbi, Mexican peso, Indian rupee, South African rand, etc.).

Collateral, guarantee

Collateral and/or guarantees will be determined based on the individual screening and upon consultation with the partnering private-sector financial institutions.

JBIC's Support Scheme for Overseas Business by MTEs and SMEs

JBIC has established the following loan scheme in response to the financing needs of the increasingly diverse overseas businesses being pursued by MTEs and SMEs.

Eligibility

- SMEs:** In principle, companies and individuals with capital of JPY300 million or less or with 300 or fewer regular employees (in the case of manufacturing).
- MTEs:** Companies with capital of less than JPY1 billion. *The definition of SMEs may vary in terms of capital size and employee numbers depending on the industry. This scheme is not available for certain sectors (agriculture, forestry, fisheries, finance, and insurance (excluding insurance agencies and insurance services), and real estate (limited to leasing business of residential property and land for residential property)). These sectors are treated in the same way as large enterprises. Please contact JBIC for details.



Uses of funds

In principle, this scheme is only available to fund the below-mentioned projects in developing regions. However, projects in developed countries may also be eligible for certain specific sectors. Please contact JBIC for details.

Capital investment, M&As, etc.



Administrative procedures

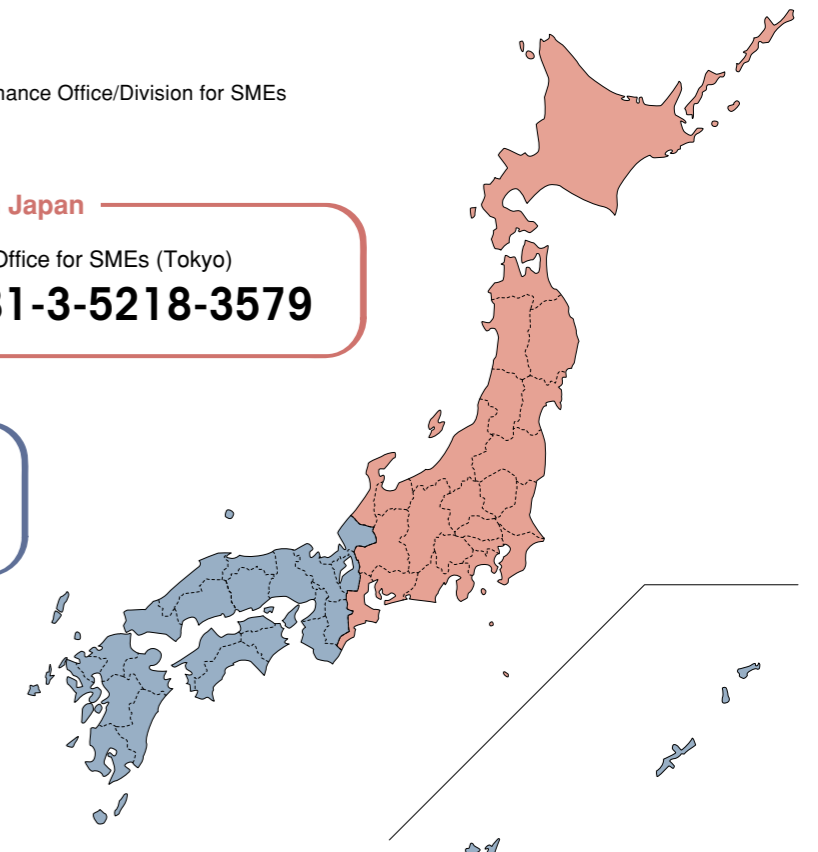
Please feel free to contact Finance Office/Division for SMEs in Tokyo or Osaka.

Eastern Japan

Finance Office for SMEs (Tokyo)
Tel: **+81-3-5218-3579**

Western Japan

Finance Division for SMEs (Osaka Branch)
Tel: **+81-6-6345-4100**

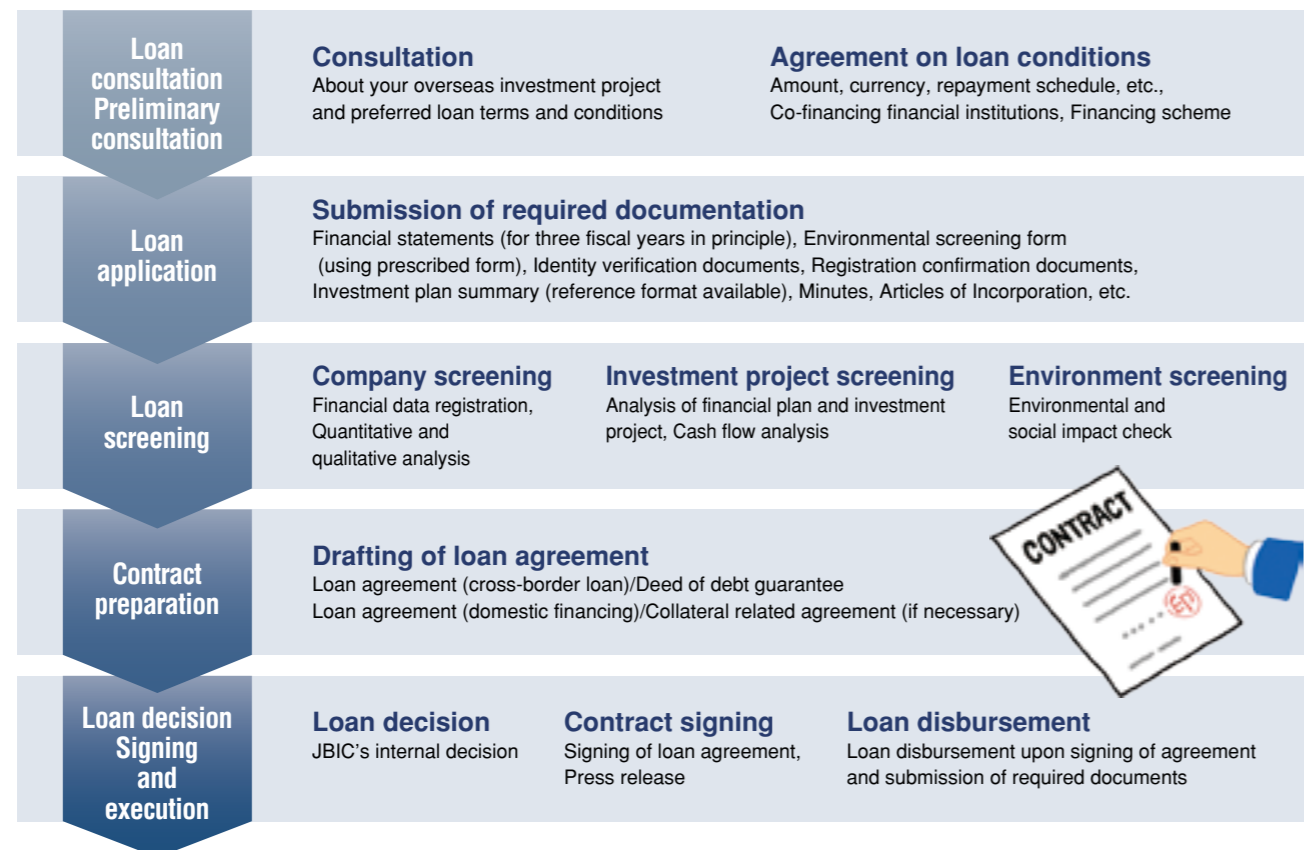




First, JBIC interviews you to gain an overall picture of your project and to understand your preferred loan conditions. JBIC then consults with the private-sector financial institutions with which JBIC will conduct co-financing (generally the financial institutions with which your company regularly does business). The specific steps leading to disbursement of the loan are as follows:

It usually takes around two months until the decision on the loan is made and two to three weeks until the loan is disbursed after that decision.

(*It may take longer depending on the loan processes of the partnering financial institutions and local registration procedures.)



FAQ

Q What kinds of loans can we consult with JBIC about?

A JBIC supports MTEs and SMEs in expanding their business overseas, through co-financing with private-sector financial institutions. In principle, the uses of funds are capital investment of overseas subsidiaries, leases, and business mergers and acquisitions (M&As). Eligible projects do not include those to be implemented in Japan, even if they are related to overseas business (e.g., production and R&D in Japan for the purpose of export business). Loans for export and import payments are handled separately as export finance and import finance. Please contact us about what we can offer specifically for your project.

Q Are there any rules for the amount and term of the loan?

A JBIC does not provide short-term loans of one year or less. Other than that, we have no specific rules regarding the amount and term of the loan. We screen applications and make decisions on each case, taking the loan applicants' preferences into account.

Q What kind of documents would we need to submit with our application?

A The documents required for an application include financial statements, investment plan summary, and registration confirmation documents. Please contact our office in Tokyo or Osaka for the specific documents you will need to submit.

Q Are there any limits on eligible sectors?

A JBIC's support scheme for MTEs and SMEs is available for a wide range of sectors, including manufacturing and services, but loans for certain sectors are treated in the same way as those for large enterprises. This includes agriculture, forestry, fisheries, finance and insurance (excluding insurance agencies and insurance services), and real estate (limited to leasing business of residential property and land for residential property).

Q What are the benefits of borrowing from JBIC?

A JBIC offers preferential interest rates to MTEs and SMEs. Also, JBIC's loans are available in various local currencies, as well as USD, EUR, and JPY. The other benefits can be broadly divided into the following three categories:

Category 1 Benefits

- Support that leverages JBIC's status as a policy-based financial institution
- ◆ Advice on overseas financing (external borrowing regulations, borrowing procedures, etc.) based on JBIC's experience and expertise
- ◆ Direct communication channels with local governments (handling of issues related to permits, approvals, etc.)
- ◆ Withholding tax on interest exempted under bilateral tax treaties
- ◆ Mitigation of political risks related to foreign currency exchange, remittance regulations, etc.
- ◆ Support for registration of foreign bonds

Category 2 Benefits

- Information about overseas markets
- ◆ Overseas investment seminars, etc.
- ◆ Information through JBIC's overseas representative offices
- ◆ Free investment climate reports



Category 3 Benefits

- Other support
- ◆ Free advice from accounting and legal experts (Available from the preliminary consultation stage for loan projects, etc.)
- ◆ Publicity through JBIC's announcements, press releases, etc.



Difficulties in making investment decisions under remote working conditions during the pandemic Development of new businesses starting in earnest as international travel resumes

There seems to be a common perception that JBIC's main targets are large corporations and key industries such as energy. In fact, since JBIC's reorganization into a joint-stock company in 2012, we have clearly positioned the provision of support for MTEs and SMEs as one of our key pillars. At that time, automobile suppliers were actively expanding overseas, and we provided 133 loans to MTEs and SMEs projects in FY2015. This accounts for about 46% of all loans made by JBIC.

Traditionally, JBIC has provided support for projects in developing countries, except for certain projects. However, due to the COVID-19 pandemic, no matter how big or small they were, many companies started needing a wide range of support, which is why we launched new measures, including the provision of support for projects in developed countries. As a result, although not quite reaching pre-pandemic levels, we were able to provide support to MTEs and SMEs in over 110 cases per year for the past two years.

Looking back at the 10 or so years since our reorganization, we can see an increase in the number of MTEs and SMEs that have taken on the challenge of doing business overseas, for a variety of reasons. Although the pandemic is not yet over, some countries have begun to shift their policies to one of living with COVID-19, and business activities are starting to become livelier. The

manufacturing industry and mobility industry, such as electric vehicles, are particularly noteworthy in this regard. As well as responding to the decarbonization trend, there is a growing momentum in these industries to seize new business opportunities. During the pandemic, even though companies had the will to invest, they were finding it difficult to make decisions with remote communications alone. However, we expect to see an increase in overseas transactions as travel restrictions ease.

While there are positive topics, it is also a fact that there are issues of concern, such as the Russia-Ukraine situation, soaring energy prices, and exchange rate fluctuations. As a Japanese policy-based financial institution, JBIC strives to provide appropriate information, taking the SDGs and geopolitics into account.

JBIC regularly publishes reports on the investment climate of each of seven countries, including China and Vietnam, and distributes them free of charge. We also hold online seminars on an ongoing basis, connecting with our representative offices overseas, including China and ASEAN member countries, to provide the latest local information. Companies looking to expand overseas for the first time would likely be unfamiliar with the local circumstances, and they may have difficulty formulating their business plans. If that is the case, they should feel free to consult with us.



NITTO Takaaki

Director General, Finance Office for SMEs (at time of writing)

Generally, JBIC provides loans through co-financing with private-sector financial institutions. In other words, JBIC finance would not be possible without the loans extended by these private-sector financial institutions. For this reason, we recommend to MTEs and SMEs that they build solid relationships with the private-sector financial institutions they deal with on a day-to-day basis for currency exchanges and deposits.



Local staff with rich knowledge provide support for local administrative procedures

Taking advantage of their local presence, JBIC's overseas representative offices take on various roles such as project support, research, and holding policy dialogues with the local government.

In Vietnam, when borrowing funds from overseas for a long-term (over one year), an application must be filed in advance with the State Bank of Vietnam. For various reasons, sometimes this application process does not proceed smoothly. To solve these problems, JBIC's local staffs support our clients in many ways, including making explanations to the State Bank of Vietnam directly.

Also, based on the tax treaty between Japan and Vietnam, interest owed to JBIC is exempted from withholding tax. However, the familiarity of the local tax offices with JBIC and such treaty varies among provinces, and in some cases the documentation may hold up the process. In such cases, our local staff provide flexible support, carefully explaining JBIC's loans in detail and preparing additional documentation from the JBIC side if needed.

Unlike large enterprises with many staffs specializing in accounting, finance, or research, many MTEs and SMEs conduct various operations with a limited number of personnel, so with the increasing number of SME projects,

we are also seeing increasing number of cases which they seek JBIC's overseas representative offices' advice. Vietnam's unclear legal/tax regulation and its execution has been regarded as a major issue by the corporates. For example, interpretation of a single regulation may differ by region or by the person in charge. Taking these unique local circumstances into account, JBIC's Representative Office in Hanoi provides support for overseas expansion of MTEs and SMEs and promotes the development of the business environment through policy dialogues with the Vietnamese government and other measures.

On the other hand, according to JBIC's "FY2021 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies," many companies saw Vietnam's "future growth potential of the local market" promising, despite the fact that the survey was conducted during the COVID-19 pandemic. The Vietnamese government chose to co-exist with COVID19, and this decision has boosted local economic activity. In the past, many companies started business in Vietnam because they were attracted by its low labor costs and the skillful and serious workforce. In recent years, however, in addition to these points, Vietnam's importance in the regional supply chains and its accessibility to neighboring countries have

featured increasingly, making the country more attractive as an overseas investment destination.

JBIC's Representative Office in Hanoi has long been focusing on supporting MTEs and SMEs, by presenting our support scheme and providing advice even before these businesses decide to venture into Vietnam. We can provide our support regardless of the size of investments, so please contact us to see what we can do for you.



AGUIN Toru, Chief Representative of JBIC's Representative Office in Hanoi (4th from right), IKENAGA Azusa, Representative (3rd from left), and the staff of the Representative Office. Our local staff, with their knowledge of local legal systems and business practices, are dependable partners.

Leveraging technologies forged in the Japanese market to venture overseas

Civil Engineering
and
Construction

SUGAWARA Industry Co., Ltd. [Miyagi Prefecture]

URL <http://sugawarakogyo.co.jp/>
Established July 1980 (Founded in October 1965)
Capital JPY20 million
President and CEO SUGAWARA Wataru
Employees 48
Business description Construction, industrial waste transportation, quarrying, civil engineering, paving work, etc.

Japanese Pavement Engineering Shining in Indonesia

'It's a lot like Japan was 20 years ago.' That is the impression that SUGAWARA Wataru, President of SUGAWARA Industry Co., Ltd., a Japanese company that operates a recycled asphalt business in Indonesia, gained when he visited the country for the first time.

In Japan, recycling of used asphalt for roadworks has become popular as a way to conserve resources and preserve the environment. On the other hand, there are many unpaved roads in Indonesia, and roadworks quality is poor. As existing roads were also in need of repairing, Mr. SUGAWARA was convinced that his company's engineering capabilities could be put to good use in this country.

For Kesennuma to remain the town of choice

However, because recycled asphalt introduced by other companies in the past had been expensive, yet of poor quality, the local government had a negative impression of recycled asphalt and was reluctant to grant approval. SUGAWARA Industry made various efforts to convince them, such as communicating the differences in construction methods and the quality of materials compared with other companies. They even paved a local industrial park with recycled asphalt free of charge to allow the locals to experience the actual product at first hand. Ultimately, those efforts paid off and SUGAWARA Industry's products are now even used for public works.

The origin of the business goes back to the Great East Japan Earthquake in 2011. Thanks to connections made when Indonesia provided support for reconstruction efforts, Kesennuma City now takes in a large number of technical intern trainees from Indonesia.



No.2 recycled asphalt plant built in Majalengka City, Indonesia



Paving works with recycled asphalt in Indonesia

SUGAWARA Industry also has many technical intern trainees. In addition to chronic labor shortages, the construction industry has been kept extremely busy with reconstruction work, so these trainees have been of great assistance. However, the future of the post-reconstruction market is uncertain, and, as Indonesia's own economy has grown, the number of technical intern trainees coming to Japan has waned. If nothing is done, the vitality of the region could deteriorate. It was for the good of the region and for the future of the company that Kesennuma remained the choice of the Indonesian people.

In the belief that it was essential to provide a place where Indonesian technical intern trainees returning to their home country could demonstrate the skills they had acquired in Japan, Mr. SUGAWARA immediately flew to Indonesia and met with the head of local organization that sends technical intern trainees. Coincidentally, the two had a mutual acquaintance, and that connection contributed to the establishment of a joint venture in Indonesia in 2015.

Technological development to improve environmental performance

With the completion of No.1 plant in the following year, the recycled asphalt business was launched. In December 2021, SUGAWARA Industry established a new joint venture in Majalengka City and built a new plant. The funds for this project were procured from a syndicated loan between JBIC and the 77 Bank, Ltd., but the benefits were not only financial.



SUGAWARA Wataru
President and CEO

JBIC's press release on this project had a greater response than expected, attracting inquiries from major general contractors with which SUGAWARA Industry had had no prior dealings.

With the aim of enhancing environmental performance even further, the new asphalt plant plans to switch to biomass fuels for its operation. The company has also switched to locally produced additives to be added to the recycled asphalt.

Many employees of the company have experience in paving works, but partly due to differences in the national character, there have been some problems on the management front, and the company is considering a gradual shift to a Japanese corporate style. Trainees who worked in Kesennuma return to Indonesia and teach the Japanese way, and locally hired personnel come to Japan to learn the Japanese way. President SUGAWARA hopes that such exchanges will bring about the revitalization of both his company and the local community.

What is the background behind decisions of mid-tier enterprises and small and SMEs (MTEs/SMEs) to set up business overseas? Without settling for stability, MTEs/SMEs aim to make the leap into the unknown. We interviewed MTEs/SMEs with this kind of challenging spirit who have expanded into overseas markets with JBIC's support, asking them to talk about the background, purpose, and future goals of their overseas expansion.

Biotechnology

Biotech Japan Corporation [Niigata Prefecture]

URL <https://www.biotechjapan.co.jp>
Established April 1994
Capital JPY100 million
Chief Executive Officer EGAWA Jo
Employees 45
Business description Development of fermentation technology utilizing some 3,000 company-owned strains of superior bacteria

Bringing good health to the world with foods made with plant-based lactobacilli

Bringing good health to the world with foods made with plant-based lactobacilli

Biotech Japan has been operating in the Philippines since 2015, producing and selling products such as low-protein rice, using the company's proprietary fermentation technology to process locally grown rice. Major uncertainty about the future of the Japanese market, with its aging and shrinking population, prompted the company to venture overseas.

Proprietary technology that leverages plant-based lactobacilli

Not only is Japan's population shrinking, but the aging of the population, which means that each individual is eating less, also results in a constant decline in rice consumption. In contrast, the average age of the Philippines' population is young at somewhere in the twenties, and per capita rice consumption is double that of Japan. In addition, friendly sentiment toward Japan and English being an official language make it easy to do business. There are also great expectations for economic development.

Unlike the animal-derived lactobacillus contained in cheese and other dairy products, the lactobacillus that Biotech Japan uses to process its rice is plant-based, grown on grains and vegetables. Plant-based bacteria can survive in low-nutrient environments, making it adaptable to the fermentation of a variety of foods. In food product development, control of microbial growth is key. In the case of pickles, salt is used in large quantities to suppress the

growth of all microbes except lactobacilli.

However, low-protein rice targets people who want to treat kidney disease and other illnesses with nutritional therapy. These people need to reduce their sodium intake as well as protein, so using salt in large quantities is not an option. Biotech Japan's proprietary technology solves the problem of causing fermentation while suppressing the growth of other microbes.

Using rice to alleviate the burden of hemodialysis

There are already well-established lactobacilli for reducing protein content in Japanese rice, as well as fermentation methods and cooking methods. However, in the Philippines, medium-grain and long-grain rice varieties are the most prevalent, which meant that Biotech Japan had to start their development venture by first searching for suitable lactobacilli. Moreover, locally procured rice was often contaminated with foreign objects such as pebbles and glass fragments and the grains of the rice cracked so they had to bring in sorting equipment to ensure the safety of the raw material.

By 2018, the business was finally on track, and Biotech Japan began to consider leaving the leased factory that they had been using until then and building their own factory.



The company now sells a wide range of packaged cooked rice made with fermentation technology that uses plant-based lactobacilli, supporting customers' diets. (Photograph) Rice products sold in the Philippines. From left: Low-protein food product "ECHIGO," regular "Insta RICE," low-carb/low-calorie food product "GOHAN Lite," disaster emergency food product "RICE to Go"



Low-carb/low-calorie food product, "GOHAN Lite"



EGAWA Jo
Chief Executive Officer

They mentioned these plans to the JBIC representative stationed in the Philippines, whom they had met locally. JBIC proposed a syndicated loan with the company's main bank, Daishi Bank (now Daishi Hokuetsu Bank), and a loan agreement was concluded in January 2020. The COVID-19 lockdown occurring just as they were relocating from their leased factory to their new factory was an unexpected hurdle, but the new facility is now up and running without issue.

Their most pressing challenge now is how to market their products. In Japan, low-protein rice is marketed from a preventive medicine perspective, as a way of avoiding hemodialysis, but in the Philippines, prevention awareness is low, and it is difficult to convey the value of low-protein rice, which is more expensive than regular rice. For this reason, Biotech Japan has tweaked its marketing message to convey the fact that eating low-protein rice is more economical than the annual cost of hemodialysis.

In the future, the company also wants to grow its own rice in the Philippines. As a company that originated in Niigata, a prefecture famous for its rice production, Biotech Japan's challenge to deliver healthy and delicious rice to all will continue.

ASANO CO., INC.

[Kochi Prefecture]

Website <https://shouga.jp/english/>
Established April 1950
Capital JPY10 million
CEO ASANO Heijiro
Employees 242
Business description Production and sales of ginger for the fruits and vegetable market, production and sales of frozen and processed foods, production and sales of company original products

Expanding sales of ginger, as a healthy food, to the world

Since its foundation in 1950, ASANO CO., INC. has consistently engaged in the production, processing, and sales of Japanese-grown ginger. The business began with the company's founder, himself as a ginger farmer, shipping ginger to the fruits and vegetable market in collaboration with neighboring farmers, and it gradually expanded into a processing business. The company has contributed to the development of the industry by paving the way in all-year-round availability with its cold storage method.

In addition to ginger for the fruits and vegetable market, the company has now diversified its product lineup to include ginger in many different forms, including pickled, grated, minced, powdered, and frozen. These products are packaged in a wide variety of forms, including in bulk for major food manufacturers, for commercial use, and for sale to individual consumers at volume retailers.

ASANO's ginger is grown by local contract farmers in Kochi Prefecture, Japan's top producer of ginger, using technology and know-how that they have cultivated since their foundation. According to conventional cultivation, the company works on the special and environmentally-friendly cultivation methods with

the aim of delivering safer, more reliable ginger nationwide. ASANO holds meetings of its local contract farmers three times a year, where they learn about technology and quality improvement from outside instructors that the company invites from fertilizer and agrochemical companies and related organizations.

The high-quality ginger thus produced, is being processed at ASANO's two production sites, the main factory and Shimanto factory, which are equipped with the latest in production machinery. They also pay thorough attention to hygiene and quality management on line operations. With an uncompromising traceability system, ASANO has established a production system for safe and reliable products of high quality.

The company began exporting its products to the United States and other countries around 2012. As their next step was to set up another food manufacturer company in southeast Asia, ASANO established "Asano SK Ginger Co., Ltd. (ASK)" in Thailand in 2021. It now aims to expand the



Ginger, which is grown in Thailand, ASANO's Thai subsidiary produces and sells frozen and processed foods for the Thai fruits and vegetable market according to its clients' needs.



Local Thai Staffs

business in the markedly growing Asian region. It has also established a production facility in Thailand, which ASANO has the intention to use as the base for its business global expansion.

In December 2021, ASK took a syndicated loan from JBIC and the Shikoku Bank. The borrowed funds, worth a total of THB76 million approximately, will be used for manufacturing and sales operations of its products such as processed foods in Samut Prakan province, Thailand.

Ginger is known as a healthy food that contains ingredients that warm the body and improve the immune system and metabolism. ASANO's aim is to help improve the health of people around the world through the expansion of overseas business.

Hakuzo Medical Corporation

[Osaka Prefecture]

Website <https://www.hakuzo.co.jp/>
Established January 1954
Capital JPY50 million
President HITOTSUBASHI Shunji
Employees 286
Business description Manufacture and sales of pharmaceuticals, quasi-drugs, medical equipment, and cosmetics, import and export of medical hygiene supplies

Quick response to needs of medical and nursing care settings

Hakuzo Medical Corporation handles a wide range of medical hygiene supplies, including gauze, dry cotton, and bandages, as well as pharmaceuticals, medical equipment, and hospital infection control products. It handles more than 10,000 items, which it supplies to over 6,000 medical institutions.

The strength of this company is that the sales, development, and manufacturing divisions are united as one in responding quickly to the needs of customers. Development staff visit medical and nursing care settings personally to obtain feedback directly from the company's customers. They explore issues and problems and quickly provide products that solve them. Sales staff hold "promoter meetings," in which they take initiatives to put the unique perspectives and ideas of the sales division to use in product development.

Recently, they are also placing efforts into the development of products that will save the time and effort required of healthcare and nursing care workers and improve operational efficiency in these settings through a combination of medicine and IT.

As they handle products that are deeply related to human life and health, ever since it was founded, Hakuzo Medical has been striving to improve the

standard of its factory management with the "3As: (Anshin (Reliability), Anzen (Safety), and Antei-kyokyu (Stable Supply))" as its motto. The company also complies with Good Manufacturing Practice (GMP), the standard for appropriate control of manufacturing and quality for pharmaceuticals, and has ISO 13485:2016 certification, the international standard for medical equipment. Leveraging the expertise, it has cultivated over many years, the company also conducts contract businesses on behalf of companies in non-medical fields, including manufacturing and sterilization treatment.

Hakuzo Medical started developing overseas markets about ten years ago and has exported alcohol swabs and other products to central Asia, Europe, and Australia. With the aim of capturing market share in southeast Asia, where medical needs are growing, the company established a local subsidiary, Hakuzo Medical Asia Co., Ltd (HMCA), in 2018.

In March 2020, it received funds totaling USD4.24 million approximately through a



Thai factory (WHA Chonburi Industrial Estate in Sriracha District)



From its manufacturing facility in Thailand, Hakuzo Medical rolls out hygiene products to southeast Asian markets to meet growing healthcare needs.

syndicated loan from JBIC and Sumitomo Mitsui Banking Corporation. The company used these funds to establish its Thai factory in WHA Chonburi Industrial Estate in 2021, from which it started rolling out first aid bandages and other hygiene products to ASEAN markets.

The trend of population aging is beginning to affect not only developed countries but also emerging countries such as the ASEAN member countries. The demand for medical and nursing care products is expected to grow even further in the future. As a good partner of healthcare and nursing care workers around the world, Hakuzo Medical strives to deliver products that meet the times.

SYS inc.

[Tokyo]

Website <https://www.sys-inc.jp/>
Established July 2002
Capital JPY30 million
President and CEO SHIMIZU Ikuo
Employees 192
Business description Planning of design and card games, production of trading cards, original playing cards, and original Japanese karuta cards, general commercial printing (brochures, leaflets, pamphlets, etc.), special printing (etching, film printing, holograms, PP/PET, etc.), sales promotion tools (planning of point of purchase advertisements, advertising and information media, etc.), assembly work (general internal work)/logistics, online sales

Aims to grow by seizing expanding demand for trading cards

SYS inc. is a special printing company. The company has proprietary techniques and know-how in high-quality special printing of foil processing such as a "quasi-embossing" technique, in which two varnishes are applied to the surface to express surface textures, "Lamicoat (laminating-coating)" and "cold foil," which are used to produce a gloss finish and hologram finish on the surface.

The company owns several factories, mainly in the Tokyo metropolitan area. In addition to large-lot printing, SYS accommodates many different requests with flexibility. They include "pillow pouch packaging," in which products are sealed with film that has been formed into a tube at its factory, which has a clean room installed, and assembly work to suit the printing process employed.

With such technical capabilities and responsiveness, SYS has positioned "trading cards" as a core business. It offers one-stop shop services from design and planning of cards to pillow pouch packaging.

With excellent design and durability based on special printing techniques as its strengths, the company has produced many different types

of trading cards at the request of various clients, including individuals who enjoy using them in groups of enthusiasts, as well as toy manufacturers and publishers.

SYS accommodates global printing needs by making use of its overseas network, with a factory in Malaysia and an office in Singapore. In addition to delivering products and services at the request of overseas companies, SYS also supports overseas expansion of Japanese companies. It imposes thorough quality management on its Malaysian factory to the same standard as its Japanese facilities, which has earned the company a high degree of trust from major manufacturers.

In March 2022, GORIN TECHNICAL INDUSTRY (MALAYSIA) SDN. BHD. (GTIM), SYS's Malaysian subsidiary, received a syndicated loan through co-financing by JBIC, Resona Bank, and the Shoko Chukin Bank. The loan totaled JPY520 million. The company plans to use these funds to build additional facilities for its printing and processing operations for trading cards in Malaysia.

With the expansion of their use, including in card games and as collectables, trading cards



Inside SYS inc.'s Malaysian factory

have now become very popular as a form of culture around the world. SYS aims to grow this business even further by steadily seizing demand in a rapidly growing trading cards market.

Nasa Corporation

[Tokyo]

Website <https://www.nasaco.com/e/index.html>
Established September 1980
Capital JPY17 million
CEO AGATA Tsutomu
Employees 42
Business description Sale of tea and coffee bag packing machines and materials

Contributing toward the development of tea and coffee culture

Nasa is an export trading house that handles tea and coffee packing machines and materials. The company holds the top share in the global market for its main product, packing machines for pyramid tea bags, which originated in Japan. In recent years, it has also been focusing on the manufacture and sales of packing machines, filters, etc. targeting the drip coffee market.

Nasa was established in 1980. The company started out as a trade desk for nine industrial machinery manufacturers who invested in it as shareholders. Since then, it has expanded its business by acquiring manufacturers and cafés as customers in more than 60 countries, centering on Europe and North America.

The company's long-standing business challenge was to establish a system that would enable it to provide sophisticated, inherently Japanese service to its many customers scattered across various locations far from Japan. As part of the development of such a system, in 2007, it established a local subsidiary in Beijing, China. In 2009, it also set up and started operating a joint-venture manufacturing facility for tagged filters in Morocco.

As the company had little knowledge on how to

manage overseas locations in those early days, it made mistakes in terms of personnel, finance, sales, and marketing, and other areas. By learning from these mistakes and with the support of trusted local partners, it eventually managed to get its overseas operations firmly on track.

In 2014, Nasa established a sales company and a second overseas joint-venture factory for tagged filters in Shanghai, China. More recently, the company has been accelerating the establishment of a manufacturing and sales framework overseas, including establishing local subsidiaries in Taiwan, Shanghai, and Germany between 2016 and 2018.

In June 2021, Nasa Deutschland GmbH (NDGH) concluded a loan agreement worth a total of up to EUR1 million through a syndicated loan provided by JBIC and Resona Bank. In December 2021, Nasa CORPORATION (CHINA) concluded a loan agreement worth a total of up to RMB6.2 million through a syndicated loan provided by



Inside Nasa's Moroccan factory



Product display at local subsidiary in China

JBIC and the Chiba Bank. The funds will be used for the business of selling packing machinery and materials in the European and Chinese markets, with the aim of further growth in the global market.

Going forward, Nasa plans to propose packing machinery and materials to businesses around the world that will enable people to enjoy a new style of drinking tea and coffee, under its slogan of "Bringing Japanese food culture to the world." By tailoring the provision of services and marketing to individual markets, Nasa strives to contribute toward a satisfying tea and coffee time for people around the world.

To support the passion of locally based companies

As economic growth in domestic markets slows, more and more companies are looking for ways to extend their businesses overseas. We interviewed financial institutions and public organizations whose work focuses on supporting mid-tier enterprises (MTEs) and small and medium-sized enterprises (SMEs) with which they have close associations, asking them about their overseas support efforts and about working with JBIC.

The Amagasaki Shinkin Bank

Aim to become an “indispensable presence” Contributing to the development of the local economy through a “side-by-side” style of support

—The business environment surrounding MTEs and SMEs has become increasingly harsh, due to a variety of factors such as the COVID-19 pandemic and the Russian invasion of Ukraine.

Mr. SAKUDA Just as they were thinking about rebuilding after the COVID-19 pandemic, many companies still find themselves facing extremely harsh circumstances, such as the Russian invasion of Ukraine, soaring crude oil prices, and the weakening yen. The Kansai region, where inbound tourism was strong before the pandemic, has been hit particularly hard, and the restaurant and service industries have been in distress. However, there have been relatively few bankruptcies, and I sense signs of economic recovery with gradual improvements in the flow of people and goods.

On the other hand, in the manufacturing sector, companies that have business connections with Russia are suffering the direct impact of the invasion of Ukraine. Some companies have suspended their operations due to difficulties in obtaining resources such as semi-conductor chips. Financial institutions tend to assess risk based on past scenarios, but these days, events that we would not have thought possible are actually happening, so I believe it is important to keep unforeseen risks in mind in preparation for structural change in the world.

—Your bank has declared a “side-by-side” style of support for your customers.

Mr. SAKUDA Shinkin banks have always been financial institutions that are close to their customers. In our operations, instead of merely focusing on their financial situation, we have always worked alongside our customers to consider the future outlook for their business. This “side-by-side” style of support is a unique strength of The Amagasaki Shinkin Bank, and we believe that now is our time for us to come to the fore. In fact, many of our customers who are facing pandemic-induced difficulties have come to ask us for help, which has made us realize the extent of their trust in us and how high their expectations are of us. These kinds of interactions have given even more strength to our relationships of trust with our customers. It is at times of adversity such as these that we gain a true sense of the significance and rewarding nature of our business as a shinkin bank, as well as a sense of mission, that we are the one who are able to support our customers. I believe that all of us here at the bank, from our newest recruits to the directors of the company, need to share a recognition of that mission.

—Amid a changing business environment, have there been any changes in companies’ aspirations to venture overseas?

Mr. SAKUDA In the past, many companies ventured overseas as a way of reducing their costs by establishing manufacturing bases in areas with cheaper labor. In recent years, however, more and more companies are aiming to expand their sales channels to countries and regions with growing populations where consumer confidence is strong. As the restrictions on movement between Japan and overseas countries are gradually

easing, some of our customers that already operate overseas are saying that they are noticing a trend toward recovery. Businesses that have particular future potential include, I believe, those that can expect greater needs in overseas markets than in Japan, such as propane, and businesses where a model of local production for local sale is more effective, such as food products.

—What kind of support does The Amagasaki Shinkin Bank offer to companies that are venturing overseas?

Mr. SAKUDA We offer various kinds of consulting support, such as introducing office space for lease, opening accounts at local financial institutions, providing information about labor and the investment environment, and offering services including incorporation paperwork, in collaboration with external specialized agencies. For example, we have an extensive track record in collaborating with the overseas representative offices of the Shinkin Central Bank, and we also provide security-related support at local bases overseas in collaboration with security companies and non-life insurance companies. Our customers have a wide variety of other needs in areas such as IT support and labor management. To meet all manner of requirements, we are enhancing our services while increasing our own capabilities.

—In 2020, The Amagasaki Shinkin Bank conducted its first syndicated loan with JBIC.

Mr. SAKUDA One of our corporate customers was planning to use an inter-company loan, in which the parent company would take on the capital investment for its local subsidiary in Thailand. In that process, one of our directors, during a visit to the parent company, heard that the company was considering the prospect of the local subsidiary borrowing as a way of streamlining its finances. With our connections with JBIC, we thought that we could assist the company in that regard, so we proposed a syndicated loan.

Some of the loan in question may not have been achievable through our bank alone. Given that there are few government-affiliated financial institutions that have specialized knowledge and information in areas such as overseas affairs, this new collaboration with JBIC enabled us to provide that support, which made us happy, too.

Going forward, we will strive to be recognized by our clients as an “indispensable presence” and for our relationships with them to be “an unbreakable bond” by supporting them closely, listening carefully to their needs, and building up a track record of support. We hope to continue to partner with JBIC in this kind of support for our corporate customers and start-ups.

Tokyo Metropolitan Small and Medium Enterprise Support Center

Hands-on support for overseas expansion by SMEs, from strategy design to office establishment

—Could you give a brief summary of your overseas market channel development support operation and describe its key features?

Ms. HOKKIRIGAWA This operation was launched in earnest in 2006 as part of our support program. The operation’s initial focus was on public relations support using international trade fairs and similar events, but we are now working on providing hands-on assistance so we can provide more comprehensive support. This includes the formulation of strategies for overseas expansion, business matching with prospective overseas buyers and agents, and the enhancement and expansion of overseas business by establishing local offices. We achieve these things by recruiting as “navigators” former employees of trading companies and manufacturers who are familiar with overseas business trends. Instead of our involvement ending once business negotiations with an overseas company have been settled, any issues that arise after that, right up to the point of support for their final exit, are handled by a single navigator. This is a key feature of our operation. Because we provide support for SMEs’ issues in general, and as well as their overseas expansion, we also respond as far as possible to other management-related issues that may arise in the course of providing that support.

—In March 2021, through an intermediary of Tokyo SME Support Center, JBIC concluded a loan agreement to provide funds in local currency for the Thai subsidiary of an SME that manufactures and sells packaging materials. Could you describe the background that led to the conclusion of this agreement?

Mr. KUBO I had the impression that JBIC was a public financial institution that provides long-term loans for large-scale overseas projects, but when I attended a webinar session held by the Japan External Trade Organization (JETRO) three years ago, I learned that JBIC has also been engaging in loan projects for SMEs in recent years. I immediately contacted them and confirmed that JBIC had schemes that were easy for SMEs to access, such as its Emergency Window for Overcoming the COVID-19 Crisis. After that, we held a number of workshops to which we invited JBIC staff, which ultimately led to the successful conclusion of the agreement for a Thai project involving overseas business expansion that was under consideration. The loan is provided in local currency to avoid foreign exchange risk. The loan can be used for a wide range of purposes, not only for capital investment. The loan has a grace period for repayment of approximately two years. These three points were major deciding factors in the conclusion of the agreement.

—What do you see as the challenges and points that SMEs should be careful of when venturing overseas?



HOKKIRIGAWA Yuko,
Manager
International Business Section

KUBO Masahiro,
Global Navigator
International Business Section

Ms. HOKKIRIGAWA The shortage of human resources tends to become a disadvantage for SMEs when venturing overseas as well. Because they find it difficult to assign people exclusively for their overseas operations and they are too busy with their operations in Japan, they tend to let their overseas expansion fall by the wayside. When that happens, things will not go well.

Mr. KUBO If they are serious about expanding overseas, it would be better for them to entrust the project to a talented staff member who would work as a right-hand person of the president.

There are more than a few SMEs that aim for overseas expansion without proper thought when their goods have not sold well in Japan, with very little in the way of strategies or planning. They have the order all wrong. Instead, they should give priority to creating products and services that will sell well in the domestic market. If they have strengths in their business and products and they assign their No. 2 personnel to the overseas project, as long as the top management has passion and determination, I am certain that they will

succeed in overseas expansion, even though it may take some time.

—Finally, can you tell us your expectations and requests for JBIC going forward?

Ms. HOKKIRIGAWA Currently, our support operation is focused on the ASEAN region, but going forward, we want to also cover western markets, where a growing number of SMEs want to set up business. As our knowledge of those markets is limited, we would appreciate it if there were more opportunities for JBIC to share its knowledge with us. We hope to be able to provide smoother support for SMEs that are venturing overseas by our staff gaining a deeper understanding of JBIC’s loan schemes through workshops and other initiatives.

Mr. KUBO In reality, JBIC is not very well known by most SMEs. It would be good if JBIC could place more efforts into communicating information, so that SMEs in general can understand its strengths and what it has to offer compared with other public financial institutions. We at Tokyo SME Support Center are very happy to help JBIC communicate information by holding workshops for SMEs, and hope to collaborate with JBIC.

SAKUDA Seiji, President
The Amagasaki Shinkin Bank



Mid-tier enterprises (MTEs) and small and medium-sized enterprises (SMEs) can be the real heroes in the promotion of SDGs. Their sincere approach will lead to the enhancement of corporate value

Adopted at the United Nations Summit in September 2015, the Sustainable Development Goals (SDGs) are shared international goals for achieving a sustainable world. The word "United Nations" may make it sound like something of immense scale, but I believe that the key is to identify precisely how things have changed in our familiar surroundings in the seven years since the SDGs were declared.

The largest change is the changes in the values of stakeholders surrounding companies. All stakeholders, including consumers, business partners, financial institutions, investors, and employees, have become interested in the SDGs, and how companies are approaching the SDGs has become a central factor in how these stakeholders select companies to support. Promoting the SDGs through business activities and meeting the expectations of stakeholders will enhance companies' corporate value and bring about economic benefits, such as increases in net sales and preferential treatment in financing. Instead of seeing them as lip service or social do-gooding, the SDGs must be recognized as critical management issues.

Another important change is that the promotion of the goals established as the SDGs has come to be strongly required from the

aspect of social rules, such as laws and regulations. For example, Goal 13 of the SDGs calls for urgent action to combat climate change. In Europe and the United States, there has been an acceleration in the trend of requiring companies and financial institutions to disclose the impact of climate change on their financial positions. In Japan, companies listed on the Prime Market of the Tokyo Stock Exchange have been required to step up their disclosures of climate risks since April 2022. This trend is likely to be extended to other markets besides the Prime Market, so it is important to be prepared in this regard.

Another benefit of engaging in the SDGs that MTEs and SMEs should not forget is that it will help them to secure outstanding talent. People in the younger generation known as "Generation Z" have become familiar with the philosophy of the SDGs in a natural way at school and in their daily lives. They are highly sensitive to social themes such as climate change, biodiversity, LGBTQ+, and Diversity & Inclusion. They also tend to factor in companies' SDGs efforts when deciding on prospective employers. However, young people will be turned off by any perception of "SDG-washing." This is a term used when businesses over-emphasize their own initiatives in their marketing, without any actually achieving anything. It is important for companies to make sincere efforts based on management-level commitment.

MTEs and SMEs have an extremely significant role to play in the promotion of the SDGs. It has been said that MTEs and SMEs account for about 99% of all Japanese businesses. They support local communities and are the closest to people's daily lives. Among the goals of the SDGs such as "No poverty," "Good health and well-being," "Gender equality," and "Sustainable cities and communities," there are many things that MTEs and SMEs, not large companies, are better positioned to solve by virtue of their smaller size, which enables them to approach people in local communities directly. It may also be important to re-examine the value generated by their current businesses in the context of the SDGs. It is also important for companies to communicate actively, both internally and externally, to ensure that each and every person who supports the company is convinced of the importance of the SDGs.

In October 2021, JBIC announced its "ESG Policy," declaring its firm commitment to sustainability initiatives, such as fostering global sustainable development and resolving global challenges. I work in the area of sustainability promotion, and I personally hope to contribute to building a society in which children in the future can live in comfort, by acting with a sense of responsibility toward future generations. Going forward, I will strive to contribute to JBIC's SDGs promotion initiatives with a sense of ownership and to deepen my insights into various issues in society.



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