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SUSTAINABILITY BRIDGE TO THE FUTURE



JAPAN BANK FOR
INTERNATIONAL COOPERATION

SUSTAINABILITY: BRIDGE TO THE FUTURE

Not a day passes without issues such as decarbonization, biodiversity, and human rights appearing in the news — sustainability has become a topic on everyone's mind. But regrettably, Japan's contributions to solving the world's sustainability issues are not that well known. In this issue's special feature, frontline sustainability management staff at the Japan Bank for International Cooperation (JBIC) speak about the current status of, and JBIC's support system for, such initiatives around the world that leverage Japan's strengths.



Illustration: MIYAZAKI Kouhei

JBIC's perspective on current global sustainability issues

- » Sustainability is shifting from the age of government-led initiatives to one in which companies take action.
- » The focus of sustainability has diversified, now covering not only climate change but also challenges including biodiversity and the circular economy.
- » JBIC has formulated an ESG policy and is facilitating financing to realize sustainable development.

Projects that do not consider sustainability no longer exist

"Sustainability" is a term that has come into global use relatively recently. UN conferences on the environment have been held since the 1970s, but it was the 1992 Earth Summit (Rio Summit) that spread the concept of "sustainable development," which aims for a balance between the environment and economic growth. And it was after Sustainable Development Goals (SDGs), to be achieved by 2030, were proposed at the UN Sustainable Development Summit 2015, that the word "sustainability" began appearing everywhere. Today, the concept of sustainability has broadened further and become more comprehensive, focusing on three aspects: environmental, social, and economic.

In the past, sustainability action tended to be government-led measures implemented through international agreements. But this has gradually shifted to a phase in which the private

sector needs to be proactive. The Japan Bank for International Cooperation (JBIC) released its ESG Policy in October 2021, followed by the establishment of the Sustainability Management Department to strengthen its sustainability governance and management systems in



Director
Division 2, Sustainability Management Department
Corporate Planning Group, JBIC
HAYASHI Kaori

Joined the bank in 2002. After assignments including the Environmental Assessment Office, International Finance Department I, and secondment to the OECD, she served at the JBIC Representative Office in Singapore where her broad range of responsibilities included surveys on Southeast Asia and Oceania's policy trends. Assumed her current post in July 2022.

June 2022.

"I have come to understand that pursuing and establishing sustainability is an area inextricably interlinked with the core of management," says HAYASHI Kaori of JBIC's Sustainability Management Department, reflecting back on her early days in the post and how her thinking has changed. "Sustainability is now a vital issue, and every day I consult with management about this. It is very rewarding work."

Though JBIC was focused on addressing global-scale issues even before the release of the ESG Policy, ahead of the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in Glasgow, UK, JBIC released its ESG Policy as a statement of its strong commitment to achieving sustainability, centering on its response to climate change. "After releasing our ESG Policy, we also accelerated efforts for sustainability management. We were the first among the policy-based financial

institutions of OECD member countries to make a disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we also released a human rights policy. We are developing such initiatives with domestic and international needs always in mind," says HAYASHI.

OKADA Yuno, who works with HAYASHI in the Sustainability Management Department, says, "We are also receiving casual inquiries more often—questions like, 'Is this related to sustainability?' This brings home the realization that we are involved in a project's decision-making."

HAYASHI adds, "Since the 1980s, JBIC has been offering preferential interest rates for eco-friendly projects, and conducting due diligence according to JBIC Guidelines for Confirmation of Environmental and Social Considerations. JBIC has been making continuous efforts to monitor such considerations and the impacts of these projects on the surrounding natural environment and social environment. I believe such ongoing initiatives also made it easier to get all departments on the same page when strengthening the sustainability governance and management systems."

Wide-ranging areas of support and addressing issues that are difficult to quantify

About a year and a half have now passed since the launch of the Sustainability Management Department. HAYASHI says that while she sees promising results, she is also keenly aware of the challenges that remain. "For areas where we have a track record, such as decarbonization, people in charge already have quite a high level of awareness. However, for example, for projects related to biodiversity, natural capital such as water, and the circular economy (economic activities creating new added value while circulating the use of resources), there are cases where the persons in charge fail to recognize that they are sustainability issues. I believe that there is a growing need to raise awareness and provide information on these areas from a sustainability perspective." OKADA adds, "Sustainability is a single word that covers a wide range of topics. Since all kinds of projects can fall under its scope, we keep learning constantly. We hope to stay aware of the connection between projects and sustainability, and steadily raise awareness."

JBIC's sustainability-related financing can be divided into three major categories: green finance, which supports efforts to reduce greenhouse gas emissions and popularize green innovation;



Division 2, Sustainability Management Department
Corporate Planning Group, JBIC
OKADA Yuno

Joined the bank in 2021. Assumed her current post following assignment to New Energy and Power Finance Department I, where she was charged with project financing for power generation businesses centering on renewable energy in the Middle East and North Africa regions.

transition finance, which supports shifts to energy with less environmental impact; and social impact finance, which supports resolving social issues for the realization of sustainable growth.

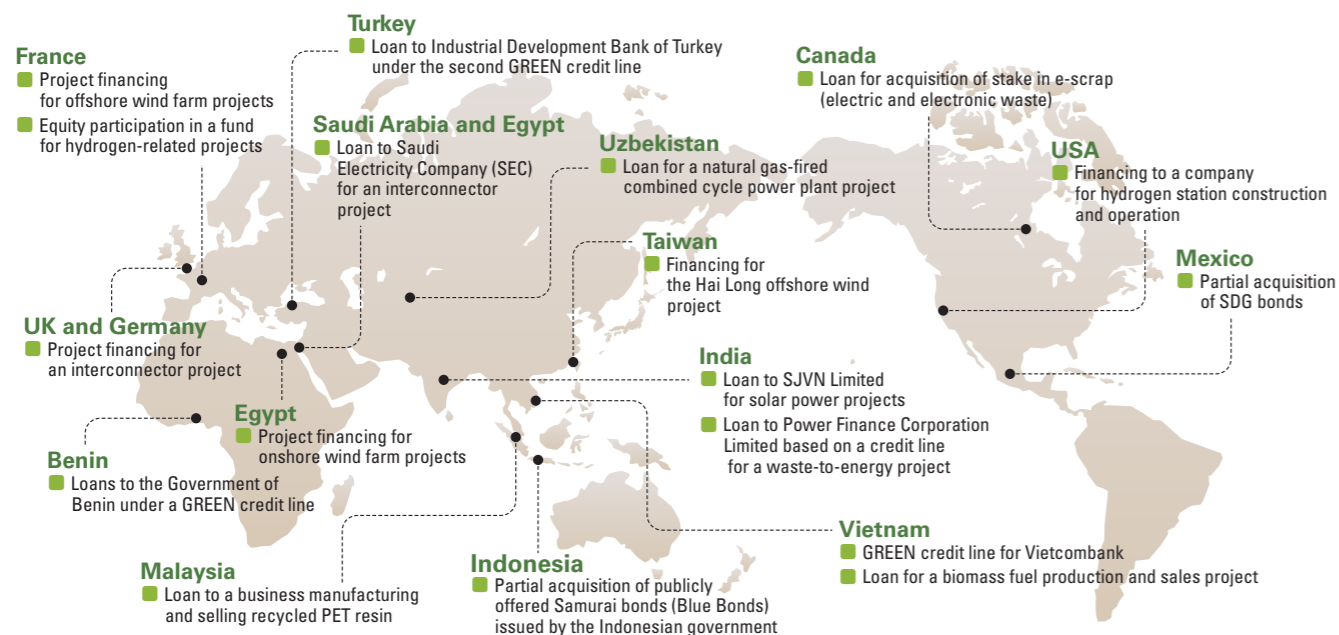
"Predictably, in the areas of green finance and transition finance, there are a large number of projects related to renewable and next-generation energy, particularly those around offshore wind power and hydrogen utilization," reports HAYASHI.

Inquiries are also increasing for projects that contribute to natural capital and a circular economy. For example, projects that indirectly support operations contributing to areas such as sustainable fishing and the recovery of biodiversity and ecosystems through partial acquisition of Blue Bonds issued by the Indonesian government (SDG bonds where use of funds is limited to the marine sector, such as protection of marine resources). "Compared to decarbonization, biodiversity and the circular economy are difficult to quantify through clear numerical data. And unlike global warming, these are areas that are difficult to sense on a day-to-day level. But they are without question globally important challenges," states OKADA.

In the area of social impact finance, business development that considers the perspective of sustainability to address various social challenges is on the rise. HAYASHI notes, "There are many countries that have unstable living environments because their medical systems have not been able to keep up with growing needs. For example, we have provided a loan for a business manufacturing and selling medical devices in Vietnam. And in Singapore, we are supporting a Japanese company's participation in business selling and marketing pharmaceuticals and medical devices in Asia. We are also promoting projects that contribute to improving



JBIC's key sustainability-related projects (environment area)



local health and hygiene standards.”

Toward the realization of a “colorful world” and how to put this into practice

In addition, with the aim of supporting female entrepreneurs in ASEAN and other Asian countries, JBIC is also investing in the Japan ASEAN Women Empowerment Fund (JAWEF), a fund that provides loans and equity to microfinance institutions. According to OKADA, “The aim is to support the promotion of gender equality. We are participating in this together with Japanese institutional investors who support its goals.”

Of course, positioning sustainability as a management challenge also makes it necessary for JBIC itself to enhance the resilience of its organizational foundation by ensuring that all of its employees can work sustainably. Indeed, one of the goals laid out in the

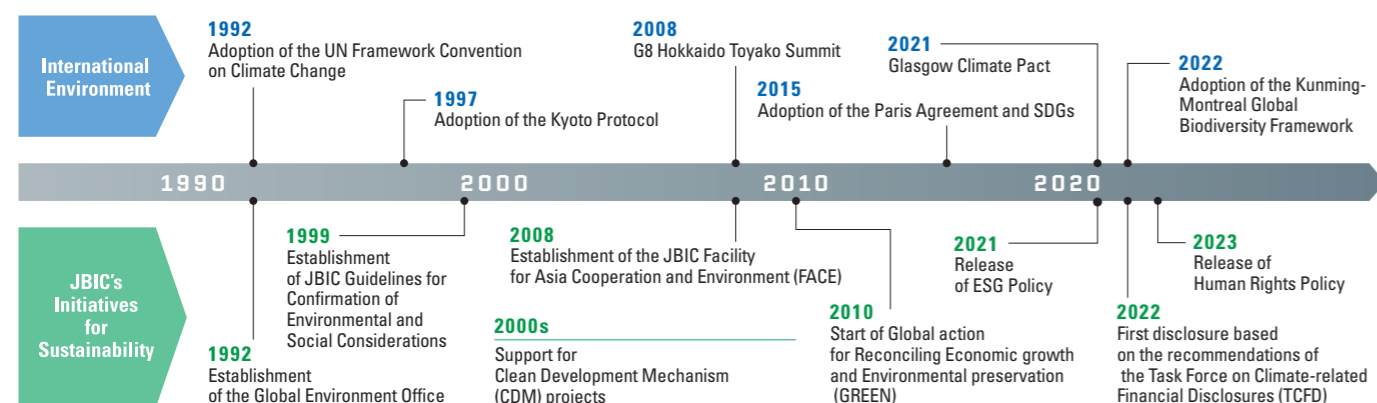
Fourth Medium-term Business Plan (FY2021-FY2023) is to achieve diversity and inclusion. “JBIC’s efforts to realize a ‘colorful world’ are also being put into practice internally both through a human resource development system that draws out the capabilities and vitality of its diverse range of employees, and the promotion of workstyle reform,” notes OKADA.

The situation has changed significantly from the days when sustainability was considered a charitable activity akin to volunteerism, to a stage where it is taken seriously as a business goal. HAYASHI also states emphatically, “I believe that commitment to and practice of sustainability will also become an even more important pillar of our new medium-term business plan from FY2024. The expectation on our department’s roles and responsibilities within JBIC will also rise.”

There is still much more that JBIC should do, and that only it can do. OKADA explains, “I believe our significance as a policy-based financial institution lies in the fact that we can deploy financing to areas that other institutions and companies are not yet tackling. While thinking a little ahead, we wish to realize projects to help solve environmental issues and social challenges.”

Japanese companies have built solid trust in the international networks, centering on Asia, and international expectations are high for hydrogen fuel and other new environment-related technologies from Japan. Based on the JBIC Policy designed to promote sustainability, JBIC will continue to provide support in countries and regions around the world. Using the power of Japan for the future of a sustainable world—the buildup of steady support will take the world another step forward.

Changes in the international environment in the area of sustainability and JBIC's steps



Waste-to-energy: tackling environmental issues in emerging India

India, home to 1.4 billion people, is growing rapidly. But urban waste is becoming a serious societal issue. Under the banner of “Clean India,” the Indian government is working to solve this problem while using heat from waste incineration for power generation. Japanese tech is supporting this initiative.



Power generation using waste has been used throughout Japan since its high-growth period of the 1960s. The spread of Japanese technologies is expected to contribute to solving India's economic and social infrastructure challenges.

About 70 percent of waste is buried in landfills, while energy issues and sanitation need addressing

Driven by the world's largest population, India now ranks fifth globally in terms of GDP. With that momentum behind it, some forecast it will surpass Germany and Japan in 2027 to become the world's third-largest economy. However, one problem emerging in parallel with rapid development and a huge population is waste.

India's urban waste is currently 0.4 kilograms per capita per day. This is expected to increase by 50 percent to 0.6 kilograms in 2030. The vast population inevitably makes waste disposal a critical societal problem. In addition, nearly 70 percent of waste in India is disposed of in landfills, a very high percentage by global standards, with the remaining 30 percent currently recycled or used for power generation. As urbanization is set to rise alongside population growth, concern about an increase in untreated waste is intensifying.

One solution is waste-to-energy, a power generation system in which household waste is processed and the emitted heat converted into electricity. While there are regional differences in collection methods, the post-collection process is basically the same, with the results depending largely on the operator's experience and matters such as technological capabilities in power generation efficiency.

The government announced the “Swachh

Bharat (‘Clean India’ in Hindi) Mission-Urban 2.0” in October 2021 as the second phase of the policy, with the aim of making cities across India waste-free and promoting the establishment of waste treatment facilities, including waste-to-energy plants. India depends on coal-fired power generation for more than half of its electricity, so the government has set a target of increasing power generation capacity from non-fossil fuels to 500 GW by 2030. Waste-to-energy not only contributes to that goal, but has other benefits as well. “Reducing landfills for waste disposal will also help improve India's sanitation problems,” explains YONEYAMA Satoru of JBIC's Infrastructure and Environment Finance Group, who has been conducting negotiations with India.

The government of India has allocated USD19 billion of its budget to waste-to-energy and recycling. Since the waste-to-energy market is projected to grow at about 20 percent a year, Japanese companies are naturally taking note of this expanding sector. JBIC also has a track record in waste-to-energy in other countries, providing support for such projects in the US in 2017, Sweden in 2019, and Dubai in 2021.

Overcoming India's unique challenges to promote renewable energy projects totaling 30 billion yen

In 2023, JBIC signed loan agreements with Indian government financial institution Power Finance Corporation (PFC) to support waste-to-energy projects in the central

states of Maharashtra (total loan: approx. JPY2.6 billion - JBIC portion: approx. JPY1.5 billion) and Karnataka (total loan: approx. JPY1.8 billion - JBIC portion: approx. JPY1.1 billion). These are individual contracts based on a credit line totaling up to JPY30 billion (JBIC portion: JPY18 billion) that was signed with PFC in July 2022 to provide funding for renewable energy projects, energy-efficient power generation and heat supply projects in India.

Waste-to-energy is an area in which the track record and advanced power generation technologies of Japanese companies can be leveraged. Such projects are also in line with JBIC's green finance objectives. However, some unique local issues emerged in negotiations with stakeholders, recalls YONEYAMA. “In a usual loan, we conduct negotiations with the borrower. But in this case, since we had to add the step of collecting information on each project from its operator through PFC, while checking the details of the loan agreements between PFC and the project operators, the coordination process was quite time consuming.” Smooth communication was also a challenge. “Due to the pandemic, meetings had to be held online, but we were unable to move forward with our talks even when contacting them through emails or phone calls. So, after travel restrictions were eased, I visited India repeatedly, and through direct negotiations, finally managed to reach an agreement.”

Although they involve confronting such unique challenges, YONEYAMA finds these waste-to-energy projects to be very meaningful. “Being able to contribute to solving India's environmental and social issues through waste-to-energy using Japanese technologies is meaningful for both India and Japan, and so is very rewarding.” With this as a first step, JBIC will continue to support India's promotion of renewable energy through various initiatives including use of the credit line with PFC.



Director
Division 2, Social Infrastructure Finance Department
Infrastructure and Environment Finance Group, JBIC
YONEYAMA Satoru



From Europe to Asia, from onshore to offshore — wind power is catching a tailwind

- »» The world's wind electricity generation has approximately tripled in the past decade. Due to the accelerated shift to renewable energy, it is expected that new construction of offshore wind farms will increase.
- »» Whether a site is suitable for a wind farm depends heavily on wind conditions. This requires the formulation of business plans that consider seasonal changes in addition to wind volume and direction.
- »» Unlike Europe, offshore wind farms in Asia must accommodate rough waves and typhoons, but there are expectations that knowledge gained abroad can be applied in Japan.

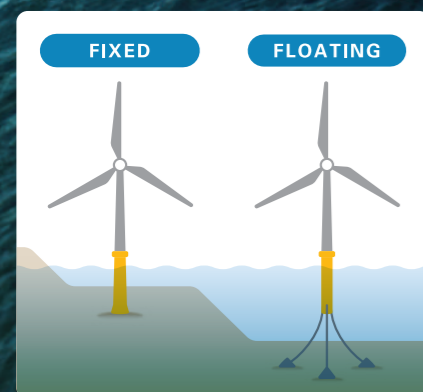


Europe is the home of offshore wind power. The race is on for sites with good wind conditions

Following solar power, the potential of wind power as a renewable energy source is attracting worldwide attention. Solar power requires expansive tracts of land or facilities to install panels, and becomes inoperable at night. In comparison, wind power has the advantage of being able to generate electricity day or night as long as there is a wind. According to the International Renewable Energy Agency (IRENA), global wind power generation approximately tripled in the 10 years from 2013 to 2022.

There are two types of wind power: onshore and offshore. Of the two, recent

“Fixed” and “floating” offshore wind turbines



Areas suitable for fixed or floating wind turbines depend on the depth of the waters. The floating type is very suitable for a country like Japan, where shallow waters are limited. Floating turbines are still in the pilot stage, with expectations rising for developments that also apply the strengths of Japanese technology in areas such as shipbuilding.

years have seen offshore wind power gaining traction, with Europe holding a majority share. Currently, offshore wind power is primarily the “fixed” type in which the turbine is mounted on a foundation affixed to the seabed. It is said that suitable sites for these fixed turbines are generally waters less than 60 meters deep. On the other hand, the “floating” type, where turbines float on the ocean surface, is seen as having greater future potential since it can be used in deep waters, increasing possible locations.

Offshore wind power is popular in the United Kingdom and Scandinavia as they are surrounded by the sea and lie within the zone of the prevailing westerly winds. In the UK, wind power accounts for more than a quarter of all electricity consumed. “I think this is largely due to the fact that Europe had good access to sites with good wind conditions,” explains IWAORI Kyohei of JBIC’s Infrastructure and Environment Finance Group. He says that because Europe had many places with suitable wind volume and direction, it was easy to make investments. “The key to wind power development is just how quickly you can find and secure sites with good wind conditions. Of course, in the case of Europe, I think the fact that a system was in place from early on to support the development of renewable energy was also instrumental.”

JBIC is also participating in this booming European market through French offshore wind farm projects. In April 2023, JBIC signed loan agreements for project financing (PF) of two French offshore wind farm projects (Noirmoutier and Le Tréport), in which

Sumitomo Corporation and other companies have also invested. Loans of up to approximately EUR1.1 billion will be provided to Noirmoutier (total co-financing amount: approx. EUR2.2 billion) and up to approximately EUR1.1 billion to Le Tréport (total co-financing amount: approx. EUR2.4 billion). They will each build, own, and operate an offshore wind farm with a generation capacity of approximately 500MW, and after the start of commercial operations, the electricity generated will be sold to state-owned EDF (Électricité de France) for a duration of 20 years.

The French government enacted the Law on Energy and Climate in 2019, which set a target of having renewables account for at least 40 percent of total electricity generation by 2030. This included a plan to increase offshore wind power capacity to 2.4GW in 2023 and to 5GW in 2028. As these two projects were a part of that plan’s measures, it was necessary to quickly finalize them.

SASAKI Kensuke, who worked with IWAORI on these projects, says, “This was JBIC’s first offshore wind farm project in France. As there was a large amount of money involved and challenges unique to France, while involving the Representative Office in Paris, we worked from various angles to finalize the scheme.”

One of the challenges JBIC faced was the fact that it did not possess the license required for direct financing in France. However, it was able to complete the deal by demonstrating that even such a foreign financial institution could quickly structure a project. According to SASAKI, “We gained their understanding by pointing to an offshore wind farm

Recent wind power projects supported by JBIC

Project Name	Le Tréport	Noirmoutier	Red Sea	Hai Long
Country / Region	Northern France	Western France	Eastern Egypt	Western Taiwan
Total loan (approx.) (JBIC portion in parentheses)	EUR2.4B (EUR1.1B)	EUR2.2B (EUR1.1B)	USD500M (USD240M)	TWD117.1B (Loan: JPY101.2B, Guarantee: TWD4.7B, Equity participation: TWD8.8B)
Power generation capacity (approx.)	500MW	500MW	500MW	1022MW
Onshore or offshore	Offshore	Offshore	Onshore	Offshore
Participating Japanese companies	Sumitomo Corporation	Sumitomo Corporation	Toyota Tsusho Corporation, Eurus Energy Holdings Corporation	Mitsui & Co.

*Reference: TWD1 = USD0.032 (as of January 2024)

project in the UK that we supported in 2018 as an example of our achievements in Europe, and proposing a PF project and financing scheme in collaboration with local financial institutions.”

The expansion of onshore wind farms in Egypt supports the transition from thermal power to renewable energy

Offshore wind is driving the market in terms of new construction starts, but with onshore turbines becoming larger, there is still room for more development of these wind farms if sites with good wind conditions can be secured. A case in point is a PF project for which JBIC signed a loan agreement in March 2023 with an Egyptian company. Investors include Toyota Tsusho Corporation and Eurus Energy Holdings Corporation.

“This second project builds on the success of the first one, for which we signed a loan agreement in 2017, by increasing the electricity generation capacity,” explains OGAWA Riki, who was in charge of this project for JBIC.

The Egyptian government aims to increase the share of renewable energy sources in the electricity mix to 35 percent by 2030, and to 42 percent by 2035. It is expected that this project will help promote Egypt’s shift to renewable energy from the thermal power generation on which it is heavily dependent. “The area where the wind farm will be located is subject to seasonal wind patterns, with conditions worsening in winter compared to summer. We put together a repayment plan that takes this into account so that the project can proceed smoothly,” says OGAWA.

A pioneering case of offshore wind power in East Asia with participation of multilateral stakeholders

A project supported by JBIC is also underway in Asia, a latecomer in offshore wind power. In 2023, JBIC participated in the Hai Long offshore wind farm project in Taiwan, in which Mitsui & Co. and other companies hold equity shares. PF agreements for loans of approximately JPY101.2 billion and guarantees of up to approximately TWD4.7 billion were signed in September, and a shareholders’ agreement for up to TWD8.8 billion was signed in October.

In March 2022, Taiwan announced “Taiwan’s Pathway to Net-Zero Emissions in 2050,” which calls for increasing the proportion of renewable energy in its power supply to 60-70 percent by 2050. The promotion of offshore wind power is in line with this renewable energy transition policy. In Taiwan, sites suitable for offshore wind farms are concentrated on the west side of the main island, which faces mainland China and where this project is located.

ITO Yuki of the Infrastructure and Environment Finance Group recalls, “In addition to being JBIC’s first offshore wind power project in Taiwan, it was a huge project in terms of the size of the loan. There were also many stakeholders involved so it took quite some time to structure the project.” Because there is a limit to the amount of money that a single financial institution can bear, the participation of multiple financial institutions becomes essential for large-scale projects. In the end, this project received



Suitable sites for onshore wind power are limited to open fields, but it has advantages over offshore wind power in terms of cost, construction, and maintenance.

loans from private financial institutions and other organizations, and obtained guarantees from seven institutions in six countries: the UK, Norway, Belgium, Canada, Australia, and Japan. TAMURA Masayuki, who was also responsible for the project, notes, “Offshore wind power projects in Taiwan attract a great deal of attention, but there are still few precedents, and the supply chain is also underdeveloped. We carefully proceeded to examine the feasibility of the project, centering on construction risks.”

Compared to Europe’s stable seafloor geology, Taiwan’s is more complicated. There is also the risk of typhoons and other natural disasters. In addition, coordination with the fishing industry is essential, presenting high hurdles to implementing a project.

“However, Taiwan is taking the lead in Asia’s offshore wind power, so there are high expectations that the expertise and experience gained there can be applied elsewhere, of course including Japan,” notes ITO.

Amid the global renewable energy transition, expectations for wind power are growing. JBIC will also support its promotion from both land and sea.

New Energy and Power Finance Department I, Infrastructure and Environment Finance Group



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JBIC engages in various projects around the world. Senior JBIC staff on the front line share their thoughts and stories behind their projects.

Financing a solar power project and an initiative for electrified lanterns in elementary schools in the Republic of Benin

The first GREEN initiative project for a government in Africa — an unexpected encounter kickstarts a project contributing to society

A financing deal for two projects in line with global ESG trends was signed with the Republic of Benin, a country in West Africa with a low electrification rate. FUKAYA Satoko and HIRATO Hitomi share their stories.

Steady efforts to build a relationship turned coincidence into opportunity

“Could you grant us an opportunity to meet with you...” Numerous letters and messages with this request were sent to the Republic of Benin’s Minister of Economy and Finance, but failed to produce a response. Deciding that they needed to go in person to make any progress at all, the director general of the Energy Solutions Finance Department flew to Benin. Accompanying him was HIRATO Hitomi, who had only joined JBIC three months before.

“By pure coincidence, Benin’s Economy and Finance Minister Romuald Wadagni, whom I had been trying to contact all this time, was on the same plane. Our director general, who was acquainted with the minister, called me to join him in an ‘in-flight meeting, starting now.’ Thanks to this brief meeting in a corner of the plane, we were able to arrange another official meeting with the minister in Benin.”

This unexpected encounter flung open the doors for a project that HIRATO was tasked with. Although JBIC had signed a credit line agreement with the government of Benin in March 2021, no significant progress had been seen

around talks on specific projects due to differences in time zones and business practices. It was initially assumed that the credit line would be fully utilized for financing an electrified lantern project for elementary schools. However, through the meeting on the plane and the ensuing meeting in Benin, it became clear that the government of Benin had other projects in mind requiring priority funding. After these meetings, numerous negotiations continuously took place, and eventually, in June 2023, a decision was made to co-finance two projects: providing EUR29 million for a solar power project and EUR1 million for an electrified lantern project.

This is the first loan for an African government to come under ‘Global action for Reconciling Economic growth and Environmental preservation’ (GREEN) operations, and is also JBIC’s first loan for Benin.

FUKAYA Satoko, Director of Division 3, Energy Solutions Finance Department, and HIRATO’s supervisor, explains the background to the agreement: “We had been receiving proposals from trading companies about loans for Benin, but none had been realized. However, we were aware that Benin was comparatively

stable both politically and economically compared to other African countries and that it had a lot of potential. Then, a high-level meeting with President Talon at the 7th Tokyo International Conference on African Development (TICAD 7) held in Yokohama in 2019 provided an occasion to build a relationship with the government of Benin. This agreement was the fruit of our work on this relationship over the past few years.”

Adjustments made after hearing Benin’s request Contributions also made for its promotion of renewables

Benin is located in West Africa and imports fossil fuels and electricity from neighboring countries such as Nigeria. It has a low electrification rate, in the 40 percent range, and its energy self-sufficiency ratio is only around 10 percent. The government of Benin had thus also been searching for solutions from the perspective of energy security.

In its national development plan, the government of Benin has set a goal of launching solar power generation facilities with a total capacity of 150 MW by 2026. Through this loan, a solar facility with a capacity of 25 MW and two substations



Director
Division 3
Energy Solutions Finance Department
Energy and Natural Resources Finance Group
FUKAYA Satoko

Joined the bank in 2005. She handled sovereign credit assessment in the Country Credit Department; launched policy dialogue with the Indonesian government at the JBIC Representative Office in Jakarta; and engaged in work including providing a guarantee for Indonesia’s Samurai bonds, co-financing with the World Bank, and projects in Russia, Central Asia, and Africa in the finance divisions. She is now doing an impressive job juggling her work and parenting.

Division 3
Energy Solutions Finance Department
Energy and Natural Resources Finance Group
HIRATO Hitomi

Joined the bank in 2022. Her responsibilities include setting up GREEN projects for African governments and managing existing projects. After graduating from Waseda University, School of Political Science and Economics in 2019, she moved to France and received her Master’s in Communications, Media, and Creative Industries from Institut d’études politiques de Paris (Sciences Po) in 2021.

are slated to be built within the grounds of an existing 50 MW solar plant, one of the country’s largest. “Expanding the supply of electricity produced by clean energy is expected to help promote Benin’s adoption of renewable energy and also improve the distorted energy structure that is dependent on other countries’ fossil fuels,” says HIRATO.

The electrified lantern project involved installing solar panels on the roofs of elementary schools in areas with no electricity access, and allowing students to take home lanterns that have been charged with the generated electricity. Japanese non-profit GOOD ON ROOFS consulted JBIC on the implementation of this initiative in Benin, and the credit line agreement was signed with this as a candidate project.

“However, when we spoke with the minister, we learned that in addition to the lantern project, there was a need for a larger scale solar power generation as well,” says FUKAYA. Moreover, the minister had expressed concern about the sustainability of the lantern project. “He pointed out that the lanterns supplied to the children could be stolen, broken, or sold to obtain daily food.”

Although it is important to adjust a project while ascertaining the needs of the loan recipients, a project’s social contribution must not be overlooked. In the case of the lantern project, more children will be able to attend elementary school. According to HIRATO, “In the GOOD ON ROOFS project, the lanterns that the children take home would not only provide light for their homes but can also be used to recharge their parents’ cell phones. This gives parents an additional motivation to send their children to school.”

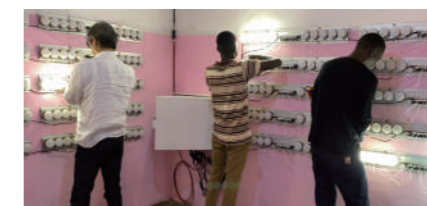
Recognizing the potential for social contribution via finance

This is a small project compared to other loans to African countries that have been handled by the Energy Solutions Finance Department. Nevertheless, with the growing global interest in ESG investment,

and the movement to push socially significant projects such as in environmental conservation and education, “we became aware of JBIC’s potential in this field as well,” notes FUKAYA.

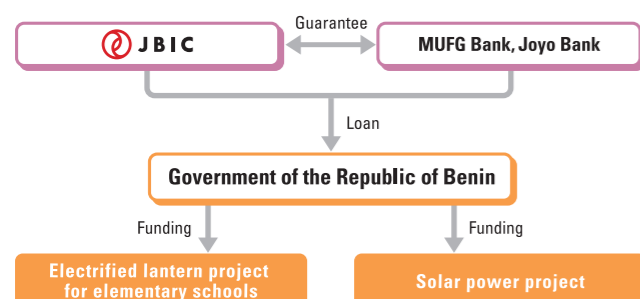
HIRATO, who handled the project on the ground, notes with pride that, “How serious the Benin government is about this can be seen from the fact that they opted for a loan, rather than aid or a yen loan. The fact that we could conduct discussions as equals should be mutually beneficial for further enhancing our bilateral relationship.”

The virtuous circle of social contribution through finance will continue to expand around the world as a means to support sustainable growth. HIRATO is also eagerly looking forward to JBIC, and herself as an employee, playing a role in supporting such activities.



(Left) Lantern recharging devices connected to solar panels installed on the school roof. (Right) Receiving lanterns from elementary school children.

Funds provided for two GREEN projects under a credit line with the Benin government



Project Summary

Using a credit line agreement signed with the Government of the Republic of Benin in March 2021, co-financing of EUR29 million (JBIC portion up to EUR14 million) for a solar power project and EUR1 million (JBIC portion up to EUR500,000) for an electrified lantern project for elementary schools was decided in June 2023.

Press releases on the solar power project (left) and the electrified lanterns for elementary schools project (right) >>>





President
KOBAYASHI Shingo
KOBAYASHI Shingo

Joined the company in 1989, and in 2004 became its third president. While aspiring to find solutions to social issues within and outside Japan, he is always attentive to detail when it comes to his employees, and is open and friendly with them in the office. He enjoys trail running, and it was during runs over uneven terrain that he noticed fields and paddies that had been abandoned. This was one reason why he began thinking about how to put unusable rice (that is not used as feed, such as old rice and crushed rice, or discarded during the distribution process) to good use.

| KOBAYASHI Co., Ltd. |

A long-established manufacturer of auxiliary materials for clothing seeks new opportunities by collaborating with other industries toward a decarbonized society

Working with the developer of Rice Resin, a biomass plastic made from unusable rice, the company is manufacturing and distributing the new material in Vietnam as part of its mission to address social issues through diversified business operations.

The DNA of innovative spirit started with woven clothes labels

KOBAYASHI Co., Ltd., headquartered in Kyoto, manufactures and markets all kinds of apparel-related auxiliary materials, such as the brand name and laundry care labels that are found on clothing, as well as packaging for garments.

This long-established materials manufacturer was established in 1947 as a wholesaler of woven labels (the small label displaying the brand name, usually affixed to the inside of the garment neck) for men's clothing. It now manufactures and sells bioplastics in Vietnam. The reason for this new direction lies in the company's business philosophy that keeps it in step with the times—a trait that has been carried forward since its founding.

Looking back at KOBAYASHI's history, almost all clothing was tailor-made

in its early years. But by the time the second president took over in the 1970s, mass production led to ready-to-wear garments appearing in department stores. KOBAYASHI had been selling labels mainly to tailors, but with that business declining, it turned its attention to shoes. Many shoes at that time were imported, making brand labels necessary. It quickly became a booming business for the company, boosting sales because each pair of footwear requires two labels, one for each shoe.

Subsequently, the Japanese fashion industry shifted much of its production overseas. Major companies in the apparel market handle a wide variety of garments and need to produce more than 100 million labels. As this is ancillary work for apparel manufacturers, there is a limit as to how much they can handle. Foreseeing this situation, KOBAYASHI took on the production of not

only labels, but other auxiliary materials such as garment packaging, and grew its business. "We have proactively engaged in new ways of business that are rarely seen in this industry. This might be due to the DNA passed down through the generations in this company," says KOBAYASHI Shingo, the third president of the company, reflecting on its history.

Confronting changes in the public's environmental awareness just as it began overseas production of plastic packaging

In response to requests from apparel manufacturers who had shifted their production overseas, auxiliary materials companies set up production facilities nearby. In 1995, KOBAYASHI established a manufacturing center in Shanghai, China, and in 2001, also began manufacturing packaging for garments in Qingdao, China. "I make decisions after



The Vietnam plant mainly supplies plastic manufacturers with Rice Resin as a raw material for biomass plastics.

looking at the site with my own eyes, while always being mindful about minimizing risk by being prepared to pull out at any time if something happens. I make it a point to remember this stance when expanding overseas."

In 2018, the company began film packaging production in Hanoi, Vietnam. One reason was that it was looking to diversify risk away from concentrating operations in China. But it was just around that time that growing awareness of environmental issues started a major movement in the world to reduce the use of plastics. "Although I felt that the fashion industry as a whole, which uses large amounts of plastic packaging, had to respond to this trend, since we had already established a plant, I was searching for some way to continue this business."

Manufacturing biomass plastic using unusable rice in Vietnam

KOBAYASHI was facing this dilemma

when he met KAMIYA Kazuhito, Representative Director & CEO of Biomass Resin Holdings Co., Ltd. KOBAYASHI was deeply moved by KAMIYA's passion to spread the use of "Rice Resin," a biomass plastic developed using old rice and other rice waste unsuitable for human consumption, and also help solve agricultural problems such as how to effectively use the increasing amount of idle farmland in Japan. It could also address the challenge confronting KOBAYASHI in becoming environmentally friendly. Says KOBAYASHI, "I want to make Rice Resin a global brand. To that end, I want us to work together to supply the product in Vietnam."

In 2021, KOBAYASHI and Biomass Resin established a joint venture in Vietnam to manufacture and sell biomass plastic, and began the manufacture of Rice Resin using the facilities of KOBAYASHI's existing plant. A loan from JBIC is also being used to spread the use of Rice Resin in Vietnam using locally grown unusable rice.

Going forward, the company also plans to manufacture in Vietnam a biodegradable plastic "Neoryza" derived from unusable rice. Taking the opportunity of its expansion into the bioplastics business, KOBAYASHI is making further advancements in manufacturing that incorporate a sustainable perspective. These include the creation of wallets and school satchels using "rice leather,"

a material made using Rice Resin. KOBAYASHI hopes to spread the use of Rice Resin as a new material that can be applied in the fashion industry and serve as a bridge in its efforts to reduce plastic use. "I would like to continue to fully use ideas for the creation of materials and products using Rice Resin." He already has his sights set on the next challenge.

KOBAYASHI Co., Ltd.	
1947	Company established
1995	Established a wholly owned subsidiary in Shanghai, China
2001	Established a packaging bag factory as a joint venture in Qingdao, China
2012	Established a joint venture in Indonesia
2018	Established a joint venture in Vietnam
2021	Formed a capital and business alliance with Biomass Resin Holdings



Rice Resin is a biomass plastic from Japan derived from rice. It is used not only in manufacturing packaging bags and stationery, but for a wide range of purposes ranging from rice leather school satchels to rice eyeglass frames (items in the photo were manufactured at the Biomass Resin Fukushima Plant).

Loan Summary

In January 2023, a loan agreement was signed with KOBAYASHI's subsidiary in Vietnam, HUARI (VIET NAM) PRINTING AND PACKAGING COMPANY LIMITED, for a loan of JPY80 million (JBIC portion). Co-financed with Resona Bank, Ltd. Through support for the manufacture and sales of biomass plastics, this contributes toward maintaining and improving the international competitiveness of Japanese industry.

1997

Asian financial crisis exposed global financial fragility JEXIM's central role in Japan's government support for the region

A financial crisis that started in Thailand in 1997 spread to other emerging markets. At that time, JBIC's predecessor, the Export-Import Bank of Japan (JEXIM), played a central role in Japan's support for Asia.



Meeting between Finance Minister MIYAZAWA Kiichi and U.S. Treasury Secretary Robert Rubin at the October 1998 IMF-World Bank Annual Meetings. The New Miyazawa Initiative was announced at the meeting of Asian finance ministers and central bank governors held that same month.

Photo: Reuters/AFLO

Accelerating trade and investment liberalization and the East Asian economic miracle

Following the appreciation of the yen that was triggered by the 1985 Plaza Accord, Japan rapidly expanded its foreign direct investment and became a major overseas investor. A core element of Japan's outward investment strategy was the establishment of production networks and export bases in Southeast Asian countries.

Trade and investment liberalization further accelerated in the 1990s, with the World Trade Organization (WTO) established in 1995. Financial markets became more globalized, and private capital investment in developing countries surged. Asian countries posted remarkable economic growth, and large amounts of highly liquid, short-term capital investment flowed into the region.

However, the Asian financial crisis struck in 1997. The "miracle" economic growth of Asian countries suffered a rude awakening. The background to this was the fragility of the international financial system, which had itself been weakened by economic and financial globalization. Most emerging market economies had by then liberalized domestic and foreign capital transactions, and the fragility of their balance-of-payments structure was exposed.

On July 2, 1997, the Thai government shifted the baht from a dollar-peg to a managed floating exchange rate system, and the currency plunged in value. Speculative selling immediately spread to neighboring ASEAN countries and South Korea. A serious economic crisis then swept over the countries of Asia, even causing political and social unrest. This crisis then spilled over to Russia and Brazil in 1998, intensifying global financial concerns. The contagion even reached Wall Street, leading to the collapse of major U.S. hedge fund LTCM.

As the financial crisis continued to spread, the New Miyazawa Initiative helped revive the regional economy

Japan's government responded swiftly to help Asian countries overcome their economic difficulties and stabilize international financial and capital markets through an international framework including the IMF and the World Bank, as well as with its own assistance. Meanwhile, JEXIM put its resources to work as part of the "New Miyazawa Initiative," a USD30 billion bilateral support program, the largest of its kind during the crisis. JEXIM played a central role in Japan's support for Asia, providing financial sector adjustment lending in cooperation with the World Bank and other institutions; loans to government financial institutions to support local

manufacturing industries (two-step loans); and capital assistance for infrastructure projects. Through provision of ongoing support totaling JPY3.5 trillion up to March 2000, JEXIM contributed to the subsequent revitalization of East Asia's economy.

On October 1, 1999, JEXIM was restructured with the birth of the Japan Bank for International Cooperation (the former JBIC) through the merger of JEXIM and the Overseas Economic Cooperation Fund (OECF). Until its final day, JEXIM provided support for Japan's policy challenge of navigating the turbulent waters of financial globalization.

Expansion of the Asian financial crisis and Japan's support

1997	July	Currency crisis in Thailand, the start of the Asian financial crisis
	October	Currency crisis in Indonesia
	November	Currency crisis in South Korea
1998	August	Financial crisis in Russia leads to global financial concerns
	September	Collapse of U.S. hedge fund LTCM
	October	Announcement of the New Miyazawa Initiative
1999	October	Export-Import Bank and Overseas Economic Cooperation Fund (OECF) merge to create the Japan Bank for International Cooperation (former JBIC)

