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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 18-K**

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*For Foreign Governments and Political Subdivisions Thereof*

**ANNUAL REPORT**

of

**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
(Name of registrant)

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Date of end of last fiscal year: March 31, 2023

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**SECURITIES REGISTERED\***  
(As of the close of the fiscal year)

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Titles of Issue	Amounts as to Which Registration is Effective	Names of Exchanges on Which Registered
N/A	N/A	N/A

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Names and addresses of persons authorized to receive notices  
and communications from the Securities and Exchange Commission:

**NOSE Nozomi**  
Chief Representative in New York  
Representative Office in New York  
(Regional Headquarters for the Americas)

**Japan Bank for International Cooperation**  
712 Fifth Avenue 26th Floor  
New York, NY 10019 U.S.A.

*Copies to:*

**Jesse S. Gillespie**  
Morrison & Foerster LLP  
Shin-Marunouchi Building, 29th Floor,  
5-1, Marunouchi 1-chome  
Chiyoda-ku, Tokyo 100-6529

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\* The registrant is filing this annual report on a voluntary basis.

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This Annual Report on Form 18-K of Japan Bank for International Cooperation (the “registrant”) is intended to be incorporated by reference into Registration Statement No. 333-250107 of the registrant and Japan filed on November 16, 2020, as amended by the Pre-effective Amendment No. 1 thereto filed on December 23, 2020 (as so amended, the “Registration Statement”).

*The information set forth below is to be furnished:*

1. *In respect of each issue of securities of the registrant registered, a brief statement as to:*

(a) *The general effect of any material modifications, not previously reported, of the rights of the holders of such securities.*

Not applicable.\*

(b) *The title and the material provisions of any law, decree or administrative action, not previously reported, by reason of which the security is not being serviced in accordance with the terms thereof.*

Not applicable.\*

(c) *The circumstances of any other failure, not previously reported, to pay principal, interest, or any sinking fund or amortization installment.*

Not applicable.\*

2. *A statement as of the close of the last fiscal year of the registrant giving the total outstanding of:*

(a) *Internal funded debt of the registrant. (Total to be stated in the currency of the registrant. If any internal funded debt is payable in a foreign currency, it should not be included under this paragraph (a), but under paragraph (b) of this item.)*

Reference is made to pages 52 to 53 of Exhibit 2 hereto.

(b) *External funded debt of the registrant. (Totals to be stated in the respective currencies in which payable. No statement need be furnished as to intergovernmental debt.)*

Reference is made to pages 52 to 53 of Exhibit 2 hereto.

3. *A statement giving the title, date of issue, date of maturity, interest rate and amount outstanding, together with the currency or currencies in which payable, of each issue of funded debt of the registrant outstanding as of the close of the last fiscal year of the registrant.*

Reference is made to pages 52 to 53 of Exhibit 2 hereto.

4. (a) *As to each issue of securities of the registrant which is registered, there should be furnished a breakdown of the total amount outstanding, as shown in Item 3, into the following:*

(1) *Total amount held by or for the account of the registrant.*

Not applicable.\*

(2) *Total estimated amount held by nationals of the registrant (or if registrant is other than a national government by the nationals of its national government); this estimate need be furnished only if it is practicable to do so.*

Not applicable.\*

(3) *Total amount otherwise outstanding.*

Not applicable.\*

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\* No securities of the registrant are registered under the Securities Exchange Act of 1934, as amended.

- (b) *If a substantial amount is set forth in answer to paragraph (a)(1) above, describe briefly the method employed by the registrant to reacquire such securities.*

Not applicable.\*

5. *A statement as of the close of the last fiscal year of the registrant giving the estimated total of:*

- (a) *Internal floating indebtedness of the registrant. (Total to be stated in the currency of the registrant.)*

None.

- (b) *External floating indebtedness of the registrant. (Total to be stated in the respective currencies in which payable.)*

None.

6. *Statement of the receipts, classified by source, and of the expenditures, classified by purpose, of the registrant for each fiscal year of the registrant ended since the close of the latest fiscal year for which such information was previously reported. These statements should be so itemized as to be reasonably informative and should cover both ordinary and extraordinary receipts and expenditures; there should be indicated separately, if practicable, the amount of receipts pledged or otherwise specifically allocated to any issue registered, indicating the issue.*

Reference is made to page 7 of Exhibit 2 hereto.

7. (a) *If any foreign exchange control, not previously reported, has been established by the registrant (or if the registrant is other than a national government, by its national government), briefly describe such foreign exchange control.*

None.

- (b) *If any foreign exchange control previously reported has been discontinued or materially modified, briefly describe the effect of any such action, not previously reported.*

Not applicable.

This annual report comprises:

- (a) The cover page and pages numbered 2 to 6 consecutively.
- (b) The following exhibits:
- (1) Description of Japan Bank for International Cooperation (“JBIC”) dated August 7, 2023.
  - (2) Audited consolidated financial statements for the fiscal years ended March 31, 2023 and 2022 of JBIC and its consolidated subsidiaries (the “JBIC Group”) prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”).\*
  - (3) Consent of Ernst & Young ShinNihon LLC related to audited consolidated financial statements for the fiscal year ended March 31, 2023 of JBIC and its consolidated subsidiaries prepared in accordance with Japanese GAAP.\*
  - (4) Excerpt of General Rules of the National Budget, which relates to the registrant for the fiscal year ending March 31, 2024 (in Japanese only).\*\*

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\* The registrant has adopted Japanese GAAP for reporting purposes.

\*\* Filed under cover of Form SE on August 7, 2023.

- (5) Japan Bank for International Cooperation Act (Act No. 39 of 2011), as amended (English translation).
- (6) Certificate of Nagashima Ohno & Tsunematsu.
- (7) Audited consolidated financial statements of the JBIC Group as of and for the fiscal years ended March 31, 2023 and 2022 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”).\*\*\*
- (8) Consent of Ernst & Young ShinNihon LLC related to audited consolidated financial statements as of and for the fiscal year ended March 31, 2023 prepared in accordance with IFRS.\*\*\*
- (9) Reconciliation of assets, liabilities and equity of the JBIC Group as of March 31, 2023 and 2022, and reconciliation of net profit of the JBIC Group for the fiscal years ended March 31, 2023 and 2022, between Japanese GAAP and IFRS.\*\*\*

This Annual Report is filed subject to the Instructions for Form 18-K for Foreign Governments and Political Subdivisions Thereof.

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\*\*\* Audited consolidated financial statements of the JBIC Group as of and for the fiscal years ended March 31, 2023 and 2022 prepared in accordance with IFRS as issued by the IASB are being disclosed for reference purposes in order to improve comparability with international issuers. The registrant’s financial statements for reporting purposes are prepared in accordance with Japanese GAAP (see Exhibit 2).

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, at Tokyo, Japan on the 7th day of August, 2023.

JAPAN BANK FOR INTERNATIONAL COOPERATION

By: /s/ KITAJIMA Toshiaki \_\_\_\_\_

*KITAJIMA Toshiaki*

*Executive Officer*

*Director General*

*Treasury Department*

*Treasury and Systems Group*

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
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**Japan Bank for International Cooperation**

This description of Japan Bank for International Cooperation is dated August 7, 2023 and appears as Exhibit 1 to its Annual Report on Form 18-K filed with the U.S. Securities and Exchange Commission.

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\* JBIC's financial information as of and for the fiscal years ended March 31, 2022 and 2023 in Exhibit 1 has been derived from its financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP").

THE DELIVERY OF THIS DOCUMENT AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS DOCUMENT (OTHERWISE THAN AS PART OF A PROSPECTUS CONTAINED IN A REGISTRATION STATEMENT FILED UNDER THE U.S. SECURITIES ACT OF 1933) DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF JAPAN BANK FOR INTERNATIONAL COOPERATION.

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## FURTHER INFORMATION

This document appears as an Exhibit to the Annual Report of Japan Bank for International Cooperation (“JBIC”) filed with the U.S. Securities and Exchange Commission (the “Commission”) on Form 18-K. Additional information with respect to JBIC is available in such Annual Report, in the other exhibits to such Annual Report and in amendments thereto. Such Annual Report, exhibits and other amendments may be inspected and copied at the public reference room maintained by the Commission at: 100F Street, N.E., Washington, D.C. 20549. Information regarding the operations of the public reference room can be obtained by calling the Commission at 1-800-SEC-0330 or, without charge, from JBIC by telephoning 813-5218-3304. Such Annual Report, exhibits and other amendments are also available through the Commission’s Internet website at <http://www.sec.gov>.

*In this document, all amounts are expressed in Japanese Yen (“¥” or “yen”), except as otherwise specified. The spot buying rate quoted on the Tokyo Foreign Exchange Market on July 31, 2023 as reported by the Bank of Japan at 5:00 p.m., Tokyo time, was ¥142.17= \$1.00, and the noon buying rate on July 28, 2023 for cable transfers in New York City payable in yen, as reported by the Federal Reserve Bank of New York, was ¥140.72= \$1.00.*

*Unless otherwise specified, references in this document to “\$” are to U.S. dollars.*

*References in this document to fiscal years are to the 12-month periods commencing on April 1 of the year indicated.*

*References in this document to “JBIC” are to “Japan Bank for International Cooperation.”*

*References in this document to the “JBIC Group” are to JBIC and its subsidiaries. As of March 31, 2023, JBIC had two subsidiaries, JBIC IG Partners and Russia-Japan Investment Fund, L.P.*

*References in this document to “JBIC Operations” are to “Japan Bank for International Cooperation Operations.” References in this document to “JBIC Operations” (i) prior to April 1, 2012 are to the JBIC Operations as conducted by the Predecessor, (ii) on or after April 1, 2012 until March 31, 2017 are to the JBIC Operations as conducted by JBIC and (iii) on or after April 1, 2017 are to the JBIC Operations as conducted by the JBIC Group.*

*References in this document to the “Predecessor” are to “Japan Finance Corporation.”*

*Figures in tables included in this document may not add up to totals due to rounding.*

*Except where otherwise specified, financial information as of and for the fiscal years ended March 31, 2022 and 2023 is presented on a consolidated basis.*



*JBIC's financial information as of and for the fiscal years ended March 31, 2022 and 2023 in this document has been derived from its financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). Japanese GAAP differs from generally accepted accounting principles in other countries, such as the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"), or generally accepted accounting principles in the United States.*

## JAPAN BANK FOR INTERNATIONAL COOPERATION

Pursuant to the Japan Bank for International Cooperation Act (Act No. 39 of 2011), as amended (the “JBIC Act”), which was passed into law on April 28, 2011, on April 1, 2012 and subsequently amended on May 30, 2014 by Law No. 44 of 2014 and June 27, 2014 by Law No. 91 of 2014, the Predecessor spun off two of its operations: (i) the JBIC Operations and (ii) the Financial Operations for Facilitating Realignment of United States Forces in Japan (the “Financial Operations for Facilitating Realignment of United States Forces in Japan”). Effective the same date, the JBIC Operations and the Financial Operations for Facilitating Realignment of United States Forces in Japan were transferred out of the Predecessor to establish Japan Bank for International Cooperation (“JBIC”), a joint-stock corporation wholly owned by the Japanese government.

Pursuant to the JBIC Act, on April 1, 2012, all of the assets and liabilities relating to the JBIC Operations and the Financial Operations for Facilitating Realignment of United States Forces in Japan were assumed by JBIC. Upon the same date, with respect to bonds issued by the former Japan Bank for International Cooperation prior to the establishment of the Predecessor on October 1, 2008 and subsequently succeeded to by the Predecessor, JBIC and the Japan International Cooperation Agency, jointly and severally, assumed the obligations under such bonds. With respect to bonds issued by the Predecessor prior to the establishment of JBIC on April 1, 2012, the post-spin off the Predecessor and JBIC, jointly and severally, assumed the obligations under such bonds. The guarantee of the bonds by the Japanese government remains in effect under the same conditions and such bonds continue to rank senior in terms of payment to unsecured general obligations not represented by debt securities.

The Financial Operations for Facilitating Realignment of United States Forces in Japan were discontinued at the end of September 2012 based on the joint statement by the Japan-US Security Consultative Committee dated April 27, 2012. In accordance with Article 23 of the Special Measures Act, on November 30, 2012, the residual assets were paid to the national treasury, and the Financial Account Related to the Financial Operations for Facilitating Realignment of United States Forces in Japan was abolished.

As part of the Japanese government’s “Partnership for Quality Infrastructure” initiative in May 2015, the Act for Partial Amendment of the Japan Bank for International Cooperation Act (the “Act for Partial Amendment of the JBIC Act”) was enacted on May 11, 2016 to further support the overseas business expansion of Japanese companies by strengthening JBIC’s functions. Consequently, in October 2016, a new account for financing overseas infrastructure projects (“Special Operations”) was established separately from the account for JBIC’s existing operations (“Ordinary Operations”). In June 2017, together with Industrial Growth Platform, Inc., JBIC established its subsidiary, JBIC IG Partners, with the goal of providing support for foreign-directed investment funds.

### **JBIC Operations**

#### *Ordinary Operations*

Pursuant to the JBIC Act, JBIC conducts the JBIC Operations to fulfill the following four missions in order to contribute to the sound development of Japan and the international economy and society: (a) promoting the overseas development and securement of resources which are important for Japan, (b) maintaining and improving the international competitiveness of Japanese industries, (c) promoting the overseas businesses having the purpose of preserving the global environment, such as preventing global warming, and (d) preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption.

In order to execute the above missions, JBIC conducts the following seven principal operations by way of financing instruments such as loans, guarantees, acquisition and securitization of public/corporate bonds, assignment and securitization of loan assets and equity participations.

- *Export Loans.* For the purpose of promoting exports of Japanese plants and for the purpose of securing equally competitive conditions in terms of financing when Japanese exporters compete with other developed countries, export finance provides loans and guarantees of funds to importers and financial institutions to support exports of plants and technologies by Japanese companies mostly to developing countries. In particular, products such as power generation facilities, communication equipment, and marine vessels.
- *Import Loans.* For the purpose of securing a stable supply of resources for Japan, import finance provides loans and guarantees of funds to support imports of oil, LNG, iron ore, other rare minerals and other strategically important materials to Japan. Apart from natural resources, the guarantee facility supports imports of goods and services for which there are crucial domestic needs for the sound development of the Japanese economy, such as aircrafts.
- *Overseas Investment Loans.* For the purpose of promoting Japan’s overseas business activities, overseas investment finance provides loans and guarantees of long-term business funds to support foreign direct investments undertaken by Japanese companies, overseas Japanese affiliates and foreign governments or financial institutions that have equity participations in or provide loans to such overseas affiliates. The eligible purposes include local manufacturing, resource development and other business ventures.

- *Untied Loans.* Untied loans provide loans and guarantees of funds to support improvements in the overseas business environment or to stabilize their currencies to facilitate Japanese trade, investments and other overseas business activities by foreign governments and foreign government agencies. Untied loans also support projects that have a strong impact on preserving the environment.
- *Bridge Loans.* Bridge loans provide short-term financing for developing country governments facing balance-of-payments difficulties or other emergencies until international agencies can provide economic support funds.
- *Equity Participations.* Equity participations are equity investments in Japanese joint ventures conducting business overseas or overseas companies in which Japanese companies have invested for the purposes of a business tie-up, and equity investments in funds in which Japanese companies or international institutions participate.
- *Research and Studies.* JBIC conducts research and studies to support its operations.

### *Special Operations*

The JBIC Act (Act No. 39 of 2011), which regulates JBIC's financial operations, was amended as of May 18, 2016 with the object, inter alia, of enhancing JBIC's capacity to finance overseas infrastructure projects through the newly established "Special Operations." The amendment came into force starting October 1, 2016 together with relevant implementing decrees. JBIC is thereafter required to maintain separate accounts for the Ordinary Operations and the Special Operations to ensure transparency of both operations. In line with the Japanese government's initiative to promote development of quality infrastructure, the JBIC Group intends to leverage every tool at its disposal, including the Special Operations, to further mobilize the requisite funds to support private sector investment in infrastructure projects worldwide.

The Special Operations enable JBIC to finance overseas infrastructure projects with risks that JBIC is unable to assume under the Ordinary Operations. Under the Special Operations, JBIC considers projects that involve risks new to JBIC, to the extent that JBIC is in a good position to control or mitigate such risk throughout the tenor of the financing by way of close dialogue with the host-country government. As part of the due diligence for providing financing under the Special Operations, JBIC takes into account the credit policy of other financial institutions for comparable cases. JBIC also requires appropriate risk sharing among the parties involved and endeavors to mobilize adequate private funding to the relevant project.

Examples of projects under the Special Operations include finance for governments, government agencies or local governments with a risk profile that does not fall into the scope of the Ordinary Operations and finance for public-private partnerships with the principal cash-flow entailing the risk of fluctuations in demand.

Both the account for Ordinary Operations and the account for Special Operations are required to conduct sound and efficient operations based on the principle that expenditures should not exceed revenues ("sufficient revenues to cover expenditures") according to the JBIC Act. The account for Ordinary Operations is additionally subject to the principle that repayment from the loans and the performance of the obligations under the guarantees should be ascertained ("certainty of repayment").

### *Average Yield in the JBIC Operations*

With respect to the account for Ordinary Operations, the average yield of loans made by JBIC was 3.50% as of March 31, 2023. With respect to the account for Special Operations, the average yield of loans made by JBIC was 5.55% as of March 31, 2023. The spread of each loan made by JBIC depends on the purpose of the loan, maturity date and the borrower.

As a general matter, JBIC currently makes loans at fixed or floating interest rates, based on the request of the borrower, regardless of the term of the loan.

### *Allowance for Loan Losses of the JBIC Operations*

The JBIC Group provides an allowance for possible loan losses, pursuant to the relevant cabinet order and related regulations.

Allowance for loan losses is recognized in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("bankrupt borrowers") or substantially bankrupt ("substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described as below and the deductions of the amount expected to be collected through the disposal of collateral and the execution of guarantees. The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

Of potentially bankrupt borrowers with restructured loans and others, (excluding foreign governments and other governmental entities) whose loans exceed a threshold amount, if it is possible to reasonably estimate cash flows from the collection of principal and the receipt of interest, the allowance for claims on such debtors is provided based on an approach whereby the difference between the amount of cash flows discounted by the original contractual interest rates and the carrying amount of the claims is determined to be the allowance for loan losses (the “cash flow estimation approach”).

The allowance for claims on debtors other than bankrupt borrowers, substantially bankrupt borrowers and potentially bankrupt borrowers is provided primarily in consideration of the expected loss amount over the average remaining periods of loans, and the expected loss amount is calculated primarily based on the probability of default which is based on the actual bankruptcies during a certain period in the past. The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments, and the allowance is provided based on the results of the assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the residual book value of the claims, after deducting, the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written off. There were no such amounts written off during the year ended March 31, 2023.

The spread of COVID-19 has had an adverse effect on the governments and economies of the countries and regions in which JBIC has made loans, as well as individual borrowers thereof. Whether a borrower is categorized as substantially or potentially bankrupt is determined in consideration of the information currently available to JBIC.

In 2023, the global economic growth rate is expected to continue to recover to some extent. Currently, the allowance for loan losses is provided based on the assumption that the level of the credit risk of outstanding loans and other investments will be the same as the historical level for the near future, and is calculated based on the items including the probability of default that is based on the actual number of bankruptcies during a certain period in the past.

As the future outlook is uncertain, the status of the COVID-19 outbreak, the ongoing Russian invasion of Ukraine, or its impact on the international situation, as well as the related economic impact, may differ significantly from the assumption above. In such a case, the allowance for loan losses may change going forward.

With regard to the ongoing Russian invasion of Ukraine, the governments of various countries, including the Government of Japan, have taken various measures such as economic sanctions against Russia. JBIC is closely monitoring the trends in sanctions imposed by governments and other entities with respect to Russia, including by reflecting the impact of the situation in Ukraine on JBIC’s loan loss reserves, by examining the impact of sanctions measures on the business and performance of borrowers in determining borrower classification, and assessing the impact on credit risk on a case-by-case basis.

## **Recent Developments**

### *Amendment of the JBIC Act*

On April 7, 2023, the National Diet of Japan enacted the Act for Partial Amendment of Japan Bank for International Cooperation Act. In light of the changes in international conditions surrounding Japan’s economy, this Act enhances the scope of JBIC’s operations in the following areas:

- Strengthening resilience of the supply chain that contributes to maintaining and improving the international competitiveness of Japanese industries.
  - Permit financing to foreign companies supporting Japanese companies’ supply chains and industrial bases.
  - Permit import loans to be used for goods acquired overseas by Japanese companies.
  - Permit financing to large Japanese domestic companies for uses relating to overseas businesses that are related to the resilience of Japanese companies’ supply chains.
- Supporting further risk-taking by Japanese companies, including start-ups, with a focus on growth areas such as digital and green business areas.
  - Permit investments in and purchases of corporate bonds from domestic start-ups and small-and medium-sized enterprises engaged in overseas business.

- Expand the scope of the account for the Special Operations to include resource development, commercialization of new technologies and business models and investment in start-ups.
- Participation in Recovery Assistance to Ukraine through international cooperation
  - Permit guarantees to international financial institutions to enable JBIC can guarantee loans to Ukraine made by international financial institutions.

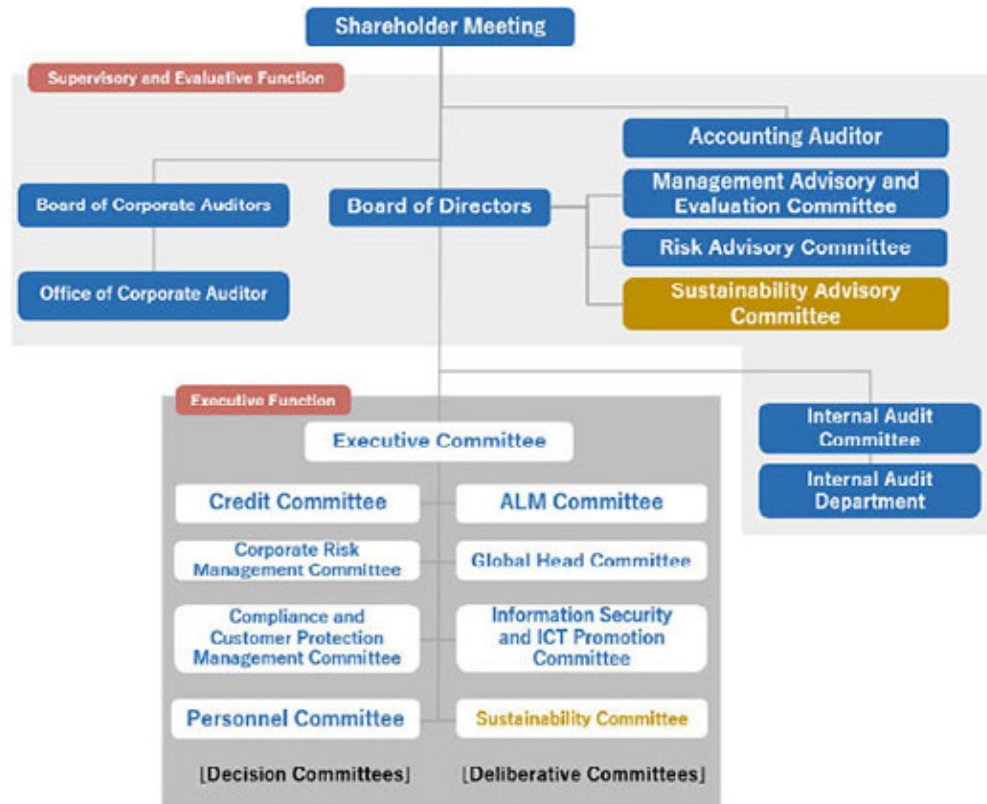
*Updates to Approach to Sustainability*

- *Governance and Management Systems*

In June 2022, JBIC newly established the Sustainability Advisory Committee, Sustainability Committee, and Sustainability Management Department as part of JBIC’s efforts toward strengthening its sustainability governance and management systems as set out in JBIC’s ESG Policy. Under the supervision of multiple organs, including the Board of Directors, important matters related to sustainability, including those concerning climate change, are discussed at the Executive Committee, Sustainability Committee and Corporate Risk Management Committee.

Under its new sustainability governance and management systems, JBIC strives to proactively contribute to fostering global sustainable development and resolving global challenges, ensure the realization of sustainable societies by actively supporting Japanese companies and the global economy and society in their efforts to achieve decarbonization and the SDGs and appropriately disclose the outcomes of such support to its stakeholders.

The following graphic shows the organization of JBIC’s sustainability governance and management systems.



The following table contains information regarding the roles of each organ concerning sustainability-related matters, including climate change.

Board and Committees		Role
Supervisory and Evaluative Function	Board of Directors	Passes resolutions on basic matters and changes thereof related to policies toward the realization of sustainability, including the ESG Policy
	Sustainability Advisory Committee	Provides advice on matters inquired by the Board of Directors related to policies for advancing initiatives toward the realization of sustainability

Executive Function	Executive Committee	Determines and deliberates on matters of managerial importance that relate to policies for advancing initiatives toward the realization of sustainability, as delegated by the Board of Directors
	Sustainability Committee	Deliberates on policies for advancing initiatives toward the realization of sustainability and other important matters, as delegated by the Executive Committee
	Corporate Risk Management Committee	Determines and deliberates on important matters related to management of corporate risks (including climate change-related risks), as delegated by the Executive Committee

- *Strategies*

With respect to strategies related to climate change, in its fourth medium-term business plan, titled the “JBIC Fourth Medium-term Business Plan (FY2021 – FY2023)”, which runs through the fiscal year ending March 31, 2024, JBIC identified addressing “global issues toward realizing sustainable development for the global economy and society” as its first key focus area. JBIC regards climate change as an opportunity to accelerate energy transition toward a decarbonized society and actively works to support this global agenda through the proactive provision of green finance, transition finance, and social impact finance, as well as through strengthening its organizational structure. In addition, as one important role of JBIC as Japan’s policy-based financial institution, JBIC is promoting engagement with the host countries’ governments and authorities and collaboration with overseas governmental organizations and international organizations for achieving global carbon neutrality.

- *Risk Management*

Recognizing the importance of managing risks related to climate change, JBIC has designated climate-related risks as one of the top risks and monitors them. JBIC periodically monitors the social and regulatory trends related to climate issues, and at the same time, is advancing the use of scenario analysis to evaluate the potential impacts of climate-related risks on JBIC's portfolio as well as developing climate-related risk management processes. Moreover, JBIC uses scenario analysis on transition risks of climate change in order to identify and assess the impact of climate change on its portfolio over time.

- *Metrics and Targets*

JBIC has set targets for green finance and transition finance under one of the action plans in its fourth medium-term business plan, "Respond to energy transformation toward the realization of a decarbonized society". JBIC has defined targets for the numbers of projects committed and structured for the period of the business plan as well as for each fiscal year during the business plan. JBIC monitors the status of achievement of such targets at the Executive Committee level.

### *Recent Public Health Developments*

The COVID-19 outbreak and infection prevention measures caused various restrictions on socio-economic activities and have had an adverse impact on the global economy. In Japan, the central and local governments imposed a number of measures to help contain the spread of the disease, including the declaration of multiple states of emergency and other restrictive measures aimed at preventing the spread of infections. The significant disruption in economic activity as a result of the COVID-19 outbreak and the measures taken in response to the outbreak had a significant negative impact on overall economic conditions in Japan. Although preventative measures, such as restrictions on international travel, have been relaxed, the possibility of the spread of new COVID-19 variants or another pandemic disease remains. Accordingly, additional restrictive measures may be imposed in the future, including the declaration of a state of emergency for all or parts of Japan, based on certain factors such as an increase in infection rates. Accordingly, the duration and extent of the economic impact of COVID-19 in Japan remain uncertain.

### *Establishment and Launch of Global Investment Enhancement Facility*

On July 1, 2022, JBIC launched its new Global Investment Enhancement Facility. Similar to the Post-COVID-19 Growth Facility established on January 29, 2021, the Global Investment Enhancement Facility comprises two windows intended to support Japanese companies in (i) contribution toward preserving the global environment, including decarbonization (the "Sustainability Window") and (ii) enhancement of supply chain resilience, the expansion of high-quality infrastructure and the creation of new overseas markets (the "Global Value Chain Resilience Window").

Eligible projects and investments under the Sustainability Window include those that are expected to reduce greenhouse gas emissions, including those related to renewable energy, energy savings, green mobility solutions (such as a modal shift in transportation and electric vehicles), carbon dioxide capture and reduction, and low-carbon technologies and materials. The window also covers other projects that are expected to contribute toward preserving the global environment, including those related to air pollution prevention, water supply, water pollution prevention, waste disposal and measures to address marine plastic pollution. Overseas investment loans and import loans in connection with energy and natural resources finance, for projects relating to non-fossil energy sources, are also covered.

The Global Value Chain Resilience Window focuses on projects to provide funding for Japanese companies or their affiliates starting or expanding overseas business, or improving the efficiency of overseas businesses, including through investments or other business tie-ups with certain foreign companies, as well as energy and natural resources finance. The window also focuses on financing activities to support Japanese companies in the enhancement of supply chains, thereby serving to maintain and improve the international competitiveness of Japanese industry, and projects where a Japanese company's technology or business model will be implemented, thereby contributing to creating a new market in the relevant region.

Under this financing facility, the deadline for signing a financing agreement is June 30, 2025.

### *Bond Issuances*

On April 14, 2022, JBIC issued \$1.5 billion of 2.875% government-guaranteed bonds due April 14, 2025. On June 1, 2022, JBIC issued €1.0 billion of 1.500% government-guaranteed bonds due June 1, 2029. On September 16, 2022, JBIC issued \$1.5 billion of 3.875% government guaranteed bonds due September 16, 2025. On October 5, 2022, JBIC issued \$0.5 billion of 4.375% government guaranteed bonds due October 5, 2027. On January 26, 2023, JBIC issued \$2.5 billion of 4.250% government guaranteed bonds due January 26, 2026. On February 15, 2023, JBIC issued €1.0 billion of 3.125% government guaranteed bonds due February 15, 2028. On April 27, 2023, JBIC issued \$2.5 billion of 4.250% government guaranteed bonds due April 27, 2026. The bonds have been admitted to the official list of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market.

### *Common Stock Issuance*

On March 24, 2023, JBIC issued new shares of its common stock to the Japanese government for an aggregate issue price of ¥85.0 billion. The proceeds from the issuance will be used for strengthening JBIC's financial foundation in order to support Japanese companies' overseas business expansion including in the field of infrastructure.

### *Medium-term Business Plan*

On June 29, 2021, JBIC announced its fourth medium-term business plan, titled the "JBIC Fourth Medium-term Business Plan (FY2021 – FY2023)", which runs through the fiscal year ending March 31, 2024.

In the fiscal year ended March 31, 2021, economic activities faced an unprecedented degree of restrictions due to the COVID-19 pandemic. Amidst expectations of strong recovery of the global economy after such a year, the international community is confronted by common challenges: (1) exploring a way toward sustainable growth and development that achieves a balance between the economy, society and the environment; (2) accelerating the energy transition toward the realization of a decarbonized society; and (3) responding to industrial and social transformation due to advancement in digitization. Taking these challenges into consideration, JBIC has set out the following objectives, from the perspective of policy-based finance. These objectives have been incorporated as action plans into the fourth medium-term business plan.

- With a view to achieving the Sustainable Development Goals (the "SDGs") and realizing a decarbonized society, address global issues such as the formation of ecosystems that deploy decarbonized innovation created by Japanese companies, and effective energy transformation in the host country and resolution of social issues.
- Offer proactive support for the overseas businesses of Japanese companies that are developing new global alliances with a view to realizing digital transformation and are reviewing and optimizing global supply chains.
- While keeping in mind the needs of the host country and awareness of international cooperation, promote strategic initiatives to promote investment in quality infrastructure that gives consideration to openness, transparency, economic viability, and debt sustainability.
- Exert the risk-assuming function, as well as policy-based finance functions that address the damage caused by the prolonged COVID-19 pandemic, create post-COVID new business opportunities overseas and facilitate mobilization of private capital.

JBIC's corporate philosophy is: "Positioned at the crossroads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy." Under this philosophy, JBIC has established the medium- to long-term vision (which defines what JBIC wishes to become over the next ten years) to serve as a "navigator" to build a brighter future with Japanese power in an uncharted global situation. Based on this vision, the fourth medium-term business plan sets out six key focus areas based on the theme "navigator in an era of transformation," in the context of objectives such as the realization of the SDGs and a decarbonized society, and the irreversible advancements in energy transformation and digital transformation. Seventeen action plans have been positioned under these six key focus areas, as described below.

- **Key Focus Areas and Action Plans**

- *Business areas*

- **Key Focus Area 1: Address global issues toward realizing sustainable development for the global economy and society.**

- Action Plan (1): Respond to energy transformation toward the realization of a decarbonized society.
  - *Green Finance.* To contribute toward the creation of a new ecosystem, with a view to reducing greenhouse gases worldwide and realizing decarbonization in Japan, support efforts to reduce greenhouse gases and popularize green innovation by financing projects in fields such as renewable energy and energy savings, smart energy (power storage technology, etc.), green mobility, smart cities, and promotion of the production, transportation, and utilization of hydrogen.
  - *Transition Finance.* While working to engage host countries to make the shift toward sustainable energy, provide support for initiatives toward global energy transition by financing projects in areas such as energy conversion, CCUS/carbon recycling, ammonia and hydrogen co-combustion, in order to contribute toward expanding businesses that help to reduce environmental burden.



- Action Plan (2): Support projects that contribute toward resolving social issues.
  - *Social impact finance.* To contribute toward efforts aimed at resolving social issues in host countries and realize sustainable growth, such as efforts to improve health, welfare and hygiene, create employment, and develop sustainable cities and living spaces, provide support for projects that assist resolving social issues in the host countries. These include the development and enhancement of the medical care environment (infectious disease countermeasures, hospital and medical equipment), access to basic infrastructure (water and sewage services, rural electrification and distributed power systems, information communications), development of the living environment (urban development and disaster prevention, public transport), improvement in the hygiene environment (waste disposal, reuse and recycling, countermeasures for marine plastic waste), and food safety and sustainable food systems (food value chains).
- **Key Focus Area 2: Support the strengthening of the international competitiveness of Japan’s industries in the era of industrial and social transformation.**
  - Action Plan (1): Address the strengthening of resilience and rebuilding of international supply chains.
    - To contribute toward efforts aimed at the restructuring of global supply chains by Japanese companies and the building of local supply chains in order to cultivate new markets, support Japanese companies to rebuild and strengthen the resilience of global supply chains. These efforts include new capital investment overseas by Japanese companies (investments related to the relocation, establishment, and expansion of business bases), and infrastructure development for local supporting industries and industrial cluster overseas.
  - Action Plan (2): Support M&A and technology acquisition by Japanese companies toward digital transformation, etc.
    - To cope with the rapid progress of digital transformation, and to support initiatives by Japanese companies to rebuild their business models as well as develop and acquire state-of-the-art technology, provide support to strengthen the international competitiveness of Japanese companies during the period of digital transformation by financing efforts for the acquisition of advanced technologies and knowhow from overseas, including digital technology.
- **Key Focus Area 3: Propel strategic initiatives to promote quality infrastructure projects overseas.**
  - Action Plan (1): Support participation in overseas infrastructure projects that harness the strengths of Japanese companies.
    - To secure debt sustainability in host countries and economic viability that reflects the life cycle costs of a project, and to contribute toward the promotion of quality infrastructure overseas that takes environmental and social impact into consideration, provide support for the quality infrastructure projects overseas through means such as the utilization of core technologies by Japanese companies and continued involvement in O&M.
  - Action Plan (2): Promote multilateral cooperation and cooperation with multilateral financial institutions, etc.
    - To meet global infrastructure needs through coordination and cooperation with diverse funding sources, promote initiatives toward deal-sourcing and structuring of projects through multilateral cooperation, including Japan-U.S.-Australia-India cooperation, and coordination with multilateral financial institutions, etc.
- **Key Focus Area 4: Execute policy-based finance functions that are adapted to changes in the economic situation.**
  - Action Plan (1): Respond swiftly to overseas businesses that have been impacted by the COVID-19 pandemic.
    - Implement emergency measures steadily (financing based on the Emergency Window).
    - Respond flexibly to changes in the global financial environment (including appropriate credit management).
  - Action Plan (2): Undertake strategic initiatives for countries/regions of great importance from the policy perspective.
    - Undertake strategic initiatives toward the formation of loan, equity participation, and guarantee projects in countries and regions of great importance from policy perspectives (including enhancing support for projects in Africa and initiatives based on multilateral cooperation).

- Action Plan (3): Execute business steadily as a policy-based financial institution, including support for mid-tier enterprises and small and medium-sized enterprises.
  - Implement policy-based finance steadily, including securing important resources and supporting overseas expansion by Japanese industries.
  - Support overseas expansion by small and medium-sized enterprises through efforts such as strengthening cooperation with private financial institutions, including regional financial institutions, and knowledge sharing.
- Action Plan (4): Strengthen the risk-assuming functions as a policy-based financial institution.
  - Strengthen the risk-assuming function through means such as the utilization of special operations, and diversify financing products by utilizing local currency-denominated financing, etc.
  - Strengthen external presence and negotiation leverage as a policy-based financial institution.
  - Undertake actions based on the recent amendment of the JBIC Act toward fulfilling functions as a policy-based financial institution (Newly added in June 2023).
- Action Plan (5): Further promote the mobilization of private capital.
  - Actively promote the mobilization of private capital, including private investment and financing by private financial institutions, through our loan, equity participation, and guarantee operations and the securitization of loan assets.
- Organizational areas
  - **Key Focus Area 5: Develop a business structure that can adapt to changes in the external environment.**
    - Action Plan (1): Develop a business structure that is adapted to changes in the business environment and customer needs.
      - Develop a business process and structure that takes the external environment into consideration, such as changes in the business environment and customer needs, response to SDGs and climate change issues, and global trends related to ESG investments.
    - Action Plan (2): Respond appropriately to interest rate benchmark reforms.
      - Respond appropriately to interest rate benchmark reforms (LIBOR cessation), including the smooth transition to an alternative interest rate benchmark in loans, equity participation, and guarantee operation, and system modification and the review of credit analysis processes.
    - Action Plan (3): Conduct appropriate and efficient analysis and credit management during and after the COVID-19 pandemic.
      - Conduct appropriate and efficient credit analysis and credit management under the constraints of a remote work environment.
      - Adjust risk-management framework to changes in the international situation and social environment, such as the prolonged COVID-19 pandemic and interest rate benchmark reforms.
  - **Key Focus Area 6: Manage the organization efficiently in order to respond to the “new normal.”**
    - Action Plan (1): Digitalize a working environment that can adapt to the “new normal.”
      - Agilely review, improve, and digitize work processes, and utilize RPA.
      - Strengthen functions toward improving user experience for information systems, in anticipation of the normalization of remote work, and secure stability and safety of information systems.
    - Action Plan (2): Promote human resource development and work style reforms that can maximize performance and draw out vitality of diverse employees.
      - Foster an organizational culture that harnesses the diversity of employees as a source of vitality, and support autonomous career development and capacity development.
      - Undertake initiatives toward improving the working environment to enable employees to continue working with vitality.
    - Action Plan (3): Strengthen the effectiveness of the compliance system.
      - Develop a compliance system that strikes a balance between effectiveness and efficiency.

## OPERATING RESULTS FOR THE FISCAL YEARS ENDED MARCH 31, 2022 AND 2023

JBIC's financial information as of and for the fiscal years ended March 31, 2022 and 2023 in this Exhibit 1 has been derived from its financial statements prepared in accordance with Japanese GAAP.

### Overall Operations

Set forth below are the operating results of the JBIC Group for the fiscal year ended March 31, 2023:

	<b>Year ended March 31, 2023</b>
	(In millions of yen)
Ordinary income	¥ 659,923
Ordinary profit	156,518
Net income attributable to owner of parent	156,585
Total assets	20,157,883
Loans and bills discounted	15,587,788
Customers' liabilities for acceptances and guarantees	1,534,258

During the fiscal year ended March 31, 2023, the JBIC Group's operations consisted solely of Ordinary Operations and Special Operations. As Ordinary Operations represent the JBIC Group's primary business, the JBIC Group's operating results were substantially determined by the operating results of its Ordinary Operations, as further described in "Each Operation".

Ordinary income for the fiscal year ended March 31, 2023 totaled ¥659,923 million, of which interest income amounted to ¥570,567 million.

Ordinary expenses for the fiscal year ended March 31, 2023 totaled ¥503,404 million. Interest expense, which amounted to ¥460,022 million and reflected interest expense for its borrowings and outstanding debt securities, accounted for the majority of these expenses.

For the fiscal year ended March 31, 2023, the JBIC Group recorded ordinary profit of ¥156,518 million and net income attributable to owner of parent of ¥156,585 million, and JBIC's commitments, including guarantee, were ¥2,315 billion.

Set forth below are the operating results of the JBIC Group for the fiscal year ended March 31, 2022:

	<b>Year ended March 31, 2022</b>
	(In millions of yen)
Ordinary income	¥ 313,480
Ordinary profit	17,391
Net income attributable to owner of parent	17,299
Total assets	18,429,429
Loans and bills discounted	14,759,174
Customers' liabilities for acceptances and guarantees	1,721,217

During the fiscal year ended March 31, 2022, the JBIC Group's operations consisted solely of Ordinary Operations and Special Operations. As Ordinary Operations represent the JBIC Group's primary business, the JBIC Group's operating results were substantially determined by the operating results of its Ordinary Operations, as further described in "Each Operation".

Ordinary income for the fiscal year ended March 31, 2022 totaled ¥313,480 million, of which interest income amounted to ¥227,973 million.

Ordinary expenses for the fiscal year ended March 31, 2022 totaled ¥296,089 million. Interest expense, which amounted to ¥135,363 million and reflected interest expense for its borrowings and outstanding debt securities, accounted for the majority of these expenses.

For the fiscal year ended March 31, 2022, the JBIC Group recorded ordinary profit of ¥17,391 million and net income attributable to owner of parent of ¥17,299 million, and JBIC's commitments, including guarantee, were ¥2,065 billion.

## Each Operation

Set forth below are the operating results of each operation of the JBIC Group for the fiscal year ended March 31, 2023:

	Year ended March 31, 2023			Total
	Ordinary Operations	Special Operations	Eliminations	
	(In millions of yen)			
Ordinary income	¥ 657,782	¥ 2,234	¥ (93)	¥ 659,923
Ordinary profit (loss)	155,554	964	—	156,518
Net income (loss) attributable to owner of parent	155,621	964	—	156,585
Total assets	19,826,521	331,398	(37)	20,157,883
Loans and bills discounted	15,556,651	31,137	—	15,587,788
Customers' liabilities for acceptances and guarantees <sup>(a)</sup>	1,534,258	—	—	1,534,258

(a) This is the amount of guarantee liabilities recorded in the JBIC Group's balance sheet.

Ordinary income from Ordinary Operations for the fiscal year ended March 31, 2023 totaled ¥657,782 million, of which ¥568,495 million consisted of interest income. Ordinary expenses of Ordinary Operations for the fiscal year ended March 31, 2023 totaled ¥502,227 million, of which ¥459,290 million consisted of interest expense. As a result, for the fiscal year ended March 31, 2023, the Ordinary Operations recorded ordinary profit of ¥155,554 million and net income attributable to owner of parent of ¥155,621 million.

In the Ordinary Operations, JBIC supported overseas development and the acquisition of important resources for Japan, including through loans to provide necessary long-term finance for the stable procurement of LNG by a Japanese energy company and the acquisition of a stake in the largest recycler of electric and electronic waste in Canada by a Japanese company. JBIC supported various Japanese companies, in order to improve the international competitiveness of Japanese industry by utilizing the Global Investment Enhancement Facility, in connection with infrastructure and other projects, including through loans for the construction and operation of subway project in Canada. In addition, in the context of overseas M&A support, JBIC provided loans to a Japanese company for acquiring a U.S. corporation that designs, develops, and manufactures metal oxide photoresist, which is used for manufacturing semiconductors, and to a Japanese company for acquiring a U.S. company engaged in the anime streaming business. In the context of supporting startups, JBIC supported a fintech startup company by equity financing to acquire shares of a U.S. company which operates an online payment businesses and provides related fintech solutions in Southeast Asia and Japan. In the context of supporting mid-tier enterprises and small and medium-sized enterprises, JBIC provided proactive support in ASEAN countries and China, utilizing local currency loans. JBIC also supported overseas business that aim at preserving the global environment by utilizing the Sustainability Window under the Global Investment Enhancement Facility, through providing a loan for an onshore wind farm project in Egypt.

Ordinary income from Special Operations for the fiscal year ended March 31, 2023 totaled ¥2,234 million, of which ¥2,071 million consisted of interest income. Ordinary expenses of Special Operations for the fiscal year ended March 31, 2023 totaled ¥1,270 million, of which ¥731 million consisted of interest expense. As a result, for the fiscal year ended March 31, 2023, the Special Operations recorded ordinary profit of ¥964 million and net profit attributable to owner of parent of ¥964 million.

For prior year data for Ordinary Operations and Special Operations, see the overall operating results for the fiscal year ended March 31, 2022 provided under "Overall Operations."

## BUSINESS

### Missions

Pursuant to the JBIC Act, JBIC conducts the JBIC Operations to fulfill the following four missions in order to contribute to the sound development of Japan and the international economy and society: (a) promoting the overseas development and securement of resources which are important for Japan, (b) maintaining and improving the international competitiveness of Japanese industries, (c) promoting the overseas businesses having the purpose of preserving the global environment, such as preventing global warming, and (d) preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption.

### Government Control and Supervision

Under the JBIC Act, JBIC's shares are wholly owned by the Japanese government, and JBIC is under the Japanese government's control. JBIC's operations, including appointment of directors, business plans and issuance of new debt securities, are supervised by the Minister of Finance. JBIC's budgets are subject to approval of the Japanese Diet, and the annual financial statements of JBIC are required to be submitted to the Diet.

### Overview of JBIC's Operations

The Act for Partial Amendment of the JBIC Act was approved and enacted at the 190th ordinary session of the diet on May 11, 2016. Consequently, a new "Special Operations" account was established in October 2016 from which JBIC can provide enhanced financing support for overseas infrastructure projects and activities for this account are accounted for separately from those of the Ordinary Operations account.

Both the account for Ordinary Operations and the account for Special Operations are required to conduct sound and efficient operations based on the principle that expenditures should not exceed revenues ("sufficient revenues to cover expenditures") according to the JBIC Act. The account for Ordinary Operations is additionally subject to the principle that repayment from the loans and the performance of the obligations under the guarantees should be ascertained ("certainty of repayment").

### JBIC Operations

#### *Outstanding Credit in the JBIC Operations*

Due to the relative importance of JBIC's credit commitments to the JBIC Group, as compared with those of its consolidated subsidiaries, the following is presented on a non-consolidated basis.

JBIC's total credit commitments for the year ended March 31, 2023 amounted to ¥2,220 billion, and the outstanding balance as of March 31, 2023 was ¥15,998 billion, each on a non-consolidated basis.

For the fiscal year ended March 31, 2023, JBIC's total additional disbursed amounts under loans and guarantees on a non-consolidated basis amounted to ¥1,948 billion and collections of loans and guarantees on a non-consolidated basis amounted to ¥2,496 billion. As of March 31, 2023, JBIC's outstanding balance of guarantees on a non-consolidated basis was ¥1,537 billion.

The following table sets forth, as of the dates indicated, the total amount of credit outstanding provided by JBIC on a non-consolidated basis, by type and geographical distribution in accordance with JBIC's system of classification:

#### Credit Outstanding by Type and Geographical Distribution of the JBIC Operations (Non-consolidated)

	JBIC Operations		JBIC Operations	
	As of March 31, 2022		As of March 31, 2023	
	(In millions of yen except for the percentage)		(In millions of yen except for the percentage)	
<b>EXPORT LOANS</b>				
Asia	¥ 652,512	4.3%	¥ 648,817	4.0%
The Pacific	913	0.0%	1,141	0.0%
Europe	121,753	0.8%	130,015	0.8%
The Middle East	200,715	1.3%	183,713	1.1%
Africa	154,092	1.0%	126,329	0.7%
North America	—	—	—	—
Latin America	55,229	0.4%	29,109	0.1%
International Organizations, etc.	800	0.0%	400	0.0%
Total	¥ 1,186,014	7.8%	¥ 1,119,526	6.9%

	<u>JBIC Operations</u>		<u>JBIC Operations</u>		
	<u>As of March 31,</u>		<u>As of March 31,</u>		
	<u>2022</u>		<u>2023</u>		
	<u>(In millions of yen</u>		<u>(In millions of yen</u>		
	<u>except for the percentage)</u>		<u>except for the percentage)</u>		
<b>IMPORT LOANS</b>					
Asia	¥	—	—	¥	—
The Pacific		24,184	0.2%		21,003
Europe		—	—		—
The Middle East		159,107	1.1%		264,092
Africa		—	—		—
North America		—	—		—
Latin America		37,098	0.2%		64,772
International Organizations, etc.		9,284	0.1%		160,000
Total	¥	<u>229,673</u>	<u>1.6%</u>	¥	<u>509,868</u>
<b>OVERSEAS INVESTMENT LOANS</b>					
Asia	¥	2,546,682	16.8%	¥	2,606,475
The Pacific		1,235,783	8.2%		1,117,816
Europe		2,563,709	16.9%		2,784,936
The Middle East		1,417,291	9.4%		1,480,014
Africa		307,419	2.0%		271,924
North America		3,216,388	21.2%		3,444,291
Latin America		1,753,746	11.6%		1,871,397
International Organizations, etc.		5,431	0.0%		4,756
Total		<u>¥13,046,450</u>	<u>86.1%</u>		<u>¥13,581,613</u>
<b>UNTIED LOANS</b>					
Asia	¥	201,475	1.3%	¥	262,536
The Pacific		—	—		—
Europe		137	0.0%		—
The Middle East		22,586	0.1%		60,914
Africa		2,252	0.0%		1,701
North America		—	—		—
Latin America		112,485	0.7%		103,726
International Organizations, etc.		10,924	0.1%		13,689
Total	¥	<u>349,859</u>	<u>2.3%</u>	¥	<u>442,568</u>
<b>GOVERNMENTAL LOANS</b>					
Asia	¥	13,865	0.1%	¥	12,943
The Pacific		—	—		—
Europe		1,875	0.0%		1,843
The Middle East		6,701	0.0%		5,583
Africa		—	—		—
North America		—	—		—
Latin America		—	—		—
International Organizations, etc.		—	—		—
Total	¥	<u>22,440</u>	<u>0.1%</u>	¥	<u>20,370</u>
<b>EQUITY INVESTMENTS</b>					
Asia	¥	27,357	0.2%	¥	29,579
The Pacific		44,171	0.3%		48,191
Europe		42,235	0.3%		44,952
The Middle East		—	—		—
Africa		—	—		—
North America		35,659	0.2%		48,289
Latin America		2,350	0.0%		2,331
International Organizations, etc.		160,269	1.1%		151,361
Total	¥	<u>312,041</u>	<u>2.1%</u>	¥	<u>324,706</u>
Total credit outstanding		<u>¥15,146,477</u>	<u>100.0%</u>		<u>¥15,998,652</u>

The following table sets forth, for the periods indicated, the total credit commitments made by JBIC on a non-consolidated basis, by type and geographical distribution in accordance with JBIC's system of classification.

**Credit Commitments by Type and Geographical Distribution of the JBIC Operations (Non-consolidated)**

	<u>JBIC Operations</u>		<u>JBIC Operations</u>		
	<u>As of March 31,</u>		<u>As of March 31,</u>		
	<u>2022</u>		<u>2023</u>		
	<u>(In millions of yen</u>		<u>(In millions of yen</u>		
	<u>except for the percentage)</u>		<u>except for the percentage)</u>		
<b>EXPORT LOANS</b>					
Asia	¥	—	¥	39,295	1.7%
The Pacific		—		—	—
Europe		60,863		—	3.1%
The Middle East		—		3,702	0.1%
Africa		—		—	—
North America		—		—	—
Latin America		—		—	—
International Organizations, etc.		—		—	—
Total	¥	<u>60,863</u>		<u>42,997</u>	<u>1.9%</u>
<b>IMPORT LOANS</b>					
Asia	¥	—	¥	—	—
The Pacific		—		—	—
Europe		—		—	—
The Middle East		239,043		—	12.1%
Africa		—		—	—
North America		—		—	—
Latin America		—		—	—
International Organizations, etc.		—		230,000	10.3%
Total	¥	<u>239,043</u>		<u>230,000</u>	<u>10.3%</u>
<b>OVERSEAS INVESTMENT LOANS</b>					
Asia	¥	185,770	¥	506,497	9.4%
The Pacific		66,285		7,000	3.4%
Europe		505,786		429,993	25.6%
The Middle East		—		174,723	7.8%
Africa		—		79,609	3.5%
North America		777,646		448,032	39.3%
Latin America		57,957		201,608	2.9%
International Organizations, etc.		—		—	—
Total	¥	<u>1,593,445</u>		<u>1,847,463</u>	<u>80.6%</u>
<b>UNTIED LOANS</b>					
Asia	¥	—	¥	52,844	2.3%
The Pacific		—		—	—
Europe		—		—	—
The Middle East		41,408		13,379	2.1%
Africa		—		—	—
North America		—		—	—
Latin America		6,400		10,000	0.3%
International Organizations, etc.		—		—	—
Total	¥	<u>47,808</u>		<u>76,223</u>	<u>2.4%</u>
<b>GOVERNMENTAL LOANS</b>					
Asia	¥	—	¥	—	—
The Pacific		—		—	—
Europe		—		—	—
The Middle East		—		—	—
Africa		—		—	—
North America		—		—	—
Latin America		—		—	—
International Organizations, etc.		—		—	—
Total	¥	<u>—</u>		<u>—</u>	<u>—</u>

	<u>JBIC Operations</u>		<u>JBIC Operations</u>		
	<u>As of March 31,</u>		<u>As of March 31,</u>		
	<u>2022</u>		<u>2023</u>		
	<u>(In millions of yen</u>		<u>(In millions of yen</u>		
	<u>except for the percentage)</u>		<u>except for the percentage)</u>		
<b>EQUITY INVESTMENTS</b>					
Asia	¥	—	¥	2,094	0.0%
The Pacific		—		—	—
Europe		783		—	0.0%
The Middle East		—		—	—
Africa		—		—	—
North America		18,180		13,340	0.6%
Latin America		—		—	—
International Organizations, etc.		16,320		7,905	0.3%
Total	¥	35,283		23,341	1.0%
Total credit commitments	¥	1,976,442		2,220,026	100.0%

#### *Loan and Guarantee Terms of the JBIC Operations*

The JBIC Act provides that JBIC's interest rates and guarantee charges shall be determined in light of the interest rates and commissions charged for guarantees by private banks on a basis such that the revenues of the JBIC Operations will cover its expenditures and losses. In addition, JBIC may not compete with private financial institutions in extending loans and guarantees, and may extend loans and guarantees only if financing by private financial institutions on ordinary terms is deemed difficult. JBIC carefully investigates the financial position of each prospective borrower and the technical and financial aspects of the project to be financed, and with respect to the Ordinary Operations, a loan or guarantee is extended only if there is reasonable assurance of repayment.

JBIC itself determines the interest rates, maturities, loan participation percentages, security and other terms on which it lends its funds or extends its guarantees. The interest rate to be applied to each loan is set by the board of directors of JBIC, taking into consideration JBIC's funding cost and the rate for borrowers of the highest credit standing from private banks extending long-term loans.

Most of the JBIC Operations involve the financing of projects in cooperation with private financial institutions. Loans extended to domestic borrowers are usually secured by a bank guarantee, a mortgage or other collateral, or supported by a covenant requiring the borrower to provide security to JBIC at its request. Overseas direct loans, which are usually extended to banks, governmental institutions in foreign countries or private companies with Japanese capital, are generally secured by guarantees issued by the foreign government or the foreign governmental financial institution, by securities issued by Japanese domestic companies, or by cash flow and other assets of the borrower taken as security by JBIC.

In addition to the loan terms provided in the JBIC Act, JBIC's terms and conditions for export loans are determined in accordance with the OECD's Arrangement on Officially Supported Export Credits, commonly referred to as the "Arrangement". The Arrangement, which was established to encourage competition among exporters based on quality and prices of goods and services exported rather than on the most favorable officially supported export credits, stipulates limitations on financing terms and conditions including minimum interest rates, maximum credit terms and minimum down payments for officially supported medium- and long-term export credits.



The following table sets forth information concerning the balances of the JBIC Group's outstanding loans as of March 31, 2022 and 2023.

**Loan Balances of the JBIC Operations by Remainder of Term<sup>(a)</sup>**

	As of March 31, 2022		As of March 31, 2023	
	(In billions of yen except for the percentage)		(In billions of yen except for the percentage)	
One year or less	¥ 1,663	11.5%	¥ 1,886	12.3%
More than 1 to 2 years	1,566	10.8%	1,879	12.2%
More than 2 years to 3 years	1,662	11.5%	2,141	13.9%
More than 3 years to 4 years	1,890	13.1%	1,722	11.2%
More than 4 years to 5 years	1,454	10.1%	1,429	9.3%
More than 5 years to 6 years	1,242	8.6%	1,280	8.3%
More than 6 years to 7 years	1,144	7.9%	1,290	8.4%
More than 7 years to 8 years	1,004	6.9%	956	6.2%
More than 8 years to 9 years	782	5.4%	636	4.1%
More than 9 years to 10 years	471	3.3%	581	3.8%
More than 10 years	1,585	10.9%	1,490	9.7%
Total	¥ 14,463	100.0%	¥ 15,296	100.0%

(a) The amounts do not include principal that is overdue and unpaid, and principal that may possibly be waived according to the "Changes in Debt Relief Method" announced by Government of Japan in December 2002.

*Allowance for Loan Losses of the JBIC Operations*

The JBIC Group provides an allowance for possible loan losses, pursuant to the relevant cabinet order and related regulations. Allowance for loan losses as of March 31, 2023 amounted to ¥410,526 million.

In cases where borrowers indicate that they may be unable to meet payments on their loans, the JBIC Group may revise the terms of repayment. In the case of direct loans to foreign governments, the international system provides several mechanisms and institutions through which countries facing repayment difficulties can effect remedial measures in agreement with their creditors (Paris Club rescheduling). Therefore, rescheduled principal and interest payments may have to be accepted in order to facilitate the collectability of some loans or portions of loans. Should a default occur in the payment of principal or interest (whether by reason of a failure to agree on modified loan terms or otherwise), the JBIC Group considers the related loan to be in arrears immediately to the extent of the defaulted amount.

The JBIC Group's allowance for possible loan losses has a significant effect on the JBIC Group's business results. The JBIC Group believes that the estimates and the assumptions used for estimating liabilities are reasonable and the allowance for possible loan losses is appropriately calculated. However, the estimation of liabilities involves uncertainties that are uncontrollable by management, and the JBIC Group's estimation of liabilities may change due to unexpected changes in the underlying assumptions.

## Sources of Funds of the JBIC Operations

The following table sets forth information concerning the sources of funds for the JBIC Operations during the fiscal year ended March 31, 2023.

### Sources of Funds of the JBIC Operations

	<u>Year ended March 31,</u> <u>2023</u> <u>(In billions of yen)</u>
Borrowings from the Government Fund for Fiscal Investment and Loan Program <sup>(a)</sup>	¥ 909
Borrowings from the Foreign Exchange Fund Special Account <sup>(b)</sup>	2,523
Borrowings in Foreign Currency from Financial Institutions <sup>(a)</sup>	—
Bonds and Notes with Government Guarantee <sup>(b)</sup>	1,071
Bonds and Notes without Government Guarantee	—

(a) Long-term borrowings.

(b) The amount of borrowings from the Foreign Exchange Fund Special Account is calculated based on the exchange rate at the end of the month immediately preceding the date on which the borrowings were incurred. The amount of Bonds and Notes with the Government Guarantee is calculated based on the exchange rate at the end of the month immediately preceding the date of issuance of the bonds and notes.

JBIC raises funds for its JBIC Operations through borrowings from the Government of Japan and issuances of Japanese Government-guaranteed bonds and notes in international markets. In the fiscal year ended March 31, 2022, JBIC issued bonds with a guarantee from the Government of Japan in the aggregate amount of \$5.75 billion, and did not issue any bonds without a guarantee from the Government of Japan. In the fiscal year ended March 31, 2023, JBIC issued bonds with a guarantee from the Government of Japan in the aggregate amount of \$6.0 billion and €2.0 billion, and did not issue any bonds without a guarantee from the Government of Japan.

See “—Recent Developments” for information regarding \$1.5 billion of 2.875% government-guaranteed bonds due April 14, 2025 issued by JBIC on April 14, 2022, €1.0 billion of 1.500% government-guaranteed bonds due June 1, 2029 issued by JBIC on June 1, 2022, \$1.5 billion of 3.875% government-guaranteed bonds due September 16, 2025 issued by JBIC on September 16, 2022, \$0.5 billion of 4.375% government-guaranteed bonds (JBIC Green Bond 2) due October 5, 2027 issued by JBIC on October 5, 2022, \$2.5 billion of 4.250% government-guaranteed bonds due January 26, 2026 issued by JBIC on January 26, 2023, €1.0 billion of 3.125% government-guaranteed bonds due February 15, 2028 issued by JBIC on February 15, 2023, and \$2.5 billion of 4.250% government-guaranteed bonds due April 27, 2026 issued by JBIC on April 27, 2023.

## Capitalization

The Capitalization of the JBIC Group as of March 31, 2023 was as follows:

	<u>As of March 31, 2023</u> (In millions of yen)
Total assets	¥ 20,157,883
Total net assets	2,949,394
Capital stock	2,108,800
Retained earnings	1,126,210
Total net assets/Total assets	14.63%

The capital adequacy ratios for JBIC at the end of the fiscal year ended March 31, 2023, which are calculated in accordance with the Basel III framework and relevant international standards, are set forth in the table below.

	<u>As of March 31, 2023</u> (In billions of yen except for the percentage)
Total risk-weighted capital ratio	20.27%
Tier 1 risk-weighted capital ratio	19.41%
Common Equity Tier 1 risk-weighted capital ratio	19.41%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 3,312
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	3,172
Common Equity Tier 1 capital	3,172
Risk-weighted assets	16,343
The amount of minimum capital requirements	1,307

## Non-performing Loans

JBIC assessed its loans and other credits in accordance with disclosure requirements that are based, in all material respects, on two sets of disclosure regulations that are followed by commercial financial institutions in Japan, although JBIC is not required to follow either set of regulations. The first set of disclosure regulations includes those set forth under the Banking Act of 1981, as amended (the “Banking Act”). The second set of disclosure regulations includes those set forth in the Act on Emergency Measures for the Revitalization of the Functions of the Financial System of 1998, as amended (the “Financial Revitalization Act”).

The table below sets forth the results of the JBIC Group’s assessment of the JBIC Group’s loans as of March 31, 2023, classified in all material respects according to the Banking Act and the Financial Revitalization Act<sup>(a)</sup>:

	<u>As of March 31, 2023</u> <u>(In millions of yen)</u>
Bankrupt and quasi-bankrupt assets <sup>(b)</sup>	—
Doubtful assets <sup>(c)</sup>	¥ 291,008
Substandard loans	196,967
Loans with interest or principal repayments three months or more in arrears <sup>(d)</sup>	58
Restructured loans <sup>(e)</sup>	196,908
Total	<u>¥ 487,975</u>

- (a) All of the loans shown in the table relate to the Ordinary Operations. Special Operations did not have any applicable loans as of March 31, 2023.
- (b) Bankrupt and quasi-bankrupt assets are loans to and other credits to borrowers which have begun proceedings under the Bankruptcy Act, the Corporate Reorganization Act, the Financial Revitalization Act or other similar laws of Japan and have financially failed, as well as similar loans as so designated.
- (c) Doubtful Assets are loans and other credits to borrowers who have not financially failed but whose financial and operational conditions have deteriorated and who have a possibility that payment of principal and/or interest will not be made on a contractual basis, and which do not fall under the category of Bankrupt and Quasi-bankrupt Assets.
- (d) Loans with interest or principal repayments three months or more in arrears are loans whose principal or interest payment is three months or more in arrears, and which do not fall under the category of Bankrupt and quasi-bankrupt assets or Doubtful assets.
- (e) Restructured loans are loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers’ recovery from financial difficulties, and which do not fall under the category of Bankrupt and quasi-bankrupt assets, Doubtful assets, or Loans with interest or principal repayments three months or more in arrears.

In the event that a debtor country is temporarily unable to repay its external public debt (debts to creditors that are public institutions such as central governments, trade insurance agencies and export credit agencies) due to a decline in its balance of payments, meetings of creditor countries (the “Paris Club”) may be held to discuss debt relief measures. When creditor countries agree on debt relief measures, debt rescheduling agreements between the creditors and a debtor are agreed, and repayments are made according to the agreements. During this temporary liquidity assistance effort, the debtor country implements an economic reform program pursuant to an agreement with the IMF and continues repayments of its debts. The principal amount of loans as of March 31, 2023, of which JBIC agreed to provide debt relief pursuant to the Paris Club agreements was ¥106,355 million.

JBIC classifies its loans rescheduled under the Paris Club made to borrowers classified under the self-assessment as “Watchlisted”, but not “Loans with interest or principal repayments three months or more in arrears”, as “Restructured loans.” The amount of such loans as of March 31, 2023, included in “Restructured loans” in the above table, is ¥85,728 million.

## Risk Management

As a policy-lending institution, JBIC separately manages the major risks of Ordinary Operations and Special Operations in the following manner.

### *Credit Risk*

#### *Managing credit risk*

The basis of credit risk management is centered on individual credit management based on the creditworthiness of the borrower during the credit approval process.

When a new credit application is processed, the relevant finance departments (sales promotion departments) and credit departments collect and analyze information on the borrower. The overseas representative offices also play a part in collecting information on foreign governments and corporations. Credit appraisal takes place based on the information that has been gathered and analyzed, with the different departments ensuring appropriate check throughout the process, leading to the final decision by the management.

For lending to foreign governments and corporations, JBIC makes use of its position as a public institution and exchanges views and information with governments and other authorities in recipient countries, international institutions such as the IMF and the World Bank, other regional development banks and official export credit agencies as well as private financial institutions in the industrial countries. Using all these channels, JBIC evaluates sovereign or country risk (risk in addition to corporate risk associated with the country in which the corporation is located) based on a broad range of information on government and government agency borrowers as well as political and economic conditions in their countries.

For credit to domestic and foreign corporations, there is a need to evaluate their creditworthiness and the appropriateness of the collateral they provide. In particular, for credit related to projects overseas, credit evaluation involves checking the certainty of transactions to be financed, feasibility studies of projects and the industry in which the borrower operates.

#### *Credit risk rating*

JBIC has institutionalized its credit risk rating system that covers substantially all of its borrowers. JBIC uses its credit risk ratings for loan appraisals and to quantify its credit risks. Further, the credit risk rating system has been revised where necessary.

#### *Asset self-assessment*

As part of its credit risk management, JBIC undertakes self-assessments, similar to Japanese private financial institutions. In this process, JBIC, following the examples of private financial institutions, conducts first stage assessments by the relevant finance departments, second stage assessments by the credit and country economic analysis departments, and inspections by an independent auditing department. The results of asset self-assessment are used for the disclosure of the quality of assets to enhance the transparency of JBIC's financial position.

#### *Quantifying credit risks*

Besides the individual credit management outlined above, credit risks are quantified to assess the overall risk of the portfolio in these operations. To quantify credit risks, it is important to take into account the characteristic of the loan portfolio, that there are a significant proportion of long-term loans and loans involving sovereign risk or country risk. Also to be taken into account is the mechanism of securing assets, such as the framework of international financial assistance to debtor countries through the Paris Club, which is unique to official creditors. This account uses a unique model to quantify the credit risk taking account of the above explained elements and measures amount of credit risk, which are utilized for credit risk management.

#### *Risks related to LIBOR and other interest rate indexes*

JBIC used LIBOR and other interest rate indexes as a benchmark reference for loans and derivatives. In July 2014, following a series of illegal manipulations of LIBOR which became apparent after 2011, the Financial Stability Board recommended the development of an alternative nearly risk-free reference rate. In addition, in March 2021, the Financial Conduct Authority of the United Kingdom released a statement on the permanent cessation of the LIBOR benchmarks (for USD, JPY, GBP, EUR and CHF), specifying that all LIBOR benchmarks will either cease to be provided by any administrator or no longer be representative on December 31, 2021 or June 30, 2023, as applicable. The publication of LIBOR was ceased at the end of December 2021, except for certain tenors of USD LIBOR, which ceased to be published at the end of June 2023.

JBIC completed contract changes related to the replacement with alternative interest rates to existing contracts for those transactions referencing LIBOR settings that were ceased to be published at the end of December 2021. For the majority of transactions referencing U.S. dollar LIBOR settings that ceased to be published at the end of June 2023, the JBIC Group completed contract changes related to the replacement with alternative interest rates by that date. JBIC has developed a policy on how to treat remaining transactions after the permanent cessation, including referencing synthetic LIBOR settings. Uncertainty as to the nature of such potential changes, alternative reference rates, the replacement or disappearance of LIBOR or other reforms may adversely affect the return, liquidity and value on LIBOR-based financial instruments, including loans and derivatives.

### *Risks relating to transactions with Russian counterparties and compliance with economic sanctions*

JBIC has historically provided loan and investment guarantees to entities in Russia in order to support Japanese companies' overseas business development and securing of resources. In light of the ongoing Russian invasion of Ukraine, our business activities with Russian counterparties or involving certain project financing in Russia could subject us to various risks and uncertainties.

In response to the ongoing Russian invasion of Ukraine, since February 2022, governments, including the Government of Japan, have taken various measures, such as economic sanctions against Russia, resulting in changes in the market environment. Due to the broad economic sanctions imposed on Russian entities and persons by the United States, EU, UK, Japan, and other countries worldwide, including, but not limited to, sanctions or other restriction imposed on certain Russian financial institutions and the removal of certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system, JBIC may experience increased credit risk and defaults on our loans to counterparties in Russia.

JBIC currently engages in business involving certain counterparties that are subject to such sanctions, including, but not limited to, Russian financial institutions such as Sberbank of Russia and Vnesheconombank. Although JBIC has established policies to ensure that JBIC conducts our activities in Russia in compliance with applicable laws and regulations, including applicable sanctions, any actual or perceived failure to comply with applicable laws and regulations could result in regulatory actions against us, damage to our reputation, or other negative consequences. In addition, our participation in transactions with sanctioned entities may lead some potential counterparties and investors to avoid doing business with us or investing in our securities. JBIC may be required to, or otherwise decide to, terminate our relationships with, or activities involving, Russian counterparties or other entities, which may result in termination fees or other related costs. As a result of the foregoing, our results of operations and financial condition may be negatively impacted.

Given this background, JBIC is closely monitoring the trends in sanctions imposed by governments and other entities with respect to Russia, including by reflecting the impact of the situation in Ukraine on JBIC's loan loss reserves, by examining the impact of sanctions measures on the business and performance of borrowers in determining borrower classification, and assessing the impact on credit risk on a case-by-case basis. While some factors are uncertain at this time, there is a risk that, in connection with Russia-related borrowers, our non-performing loans and credit-related costs may increase. In addition, if market disruptions or unforeseen circumstances arise due to future developments related to the ongoing Russian invasion of Ukraine, JBIC may suffer losses caused by market risks or other factors, and JBIC's financing costs may increase.

### *Market Risks*

#### *Exchange rate risk*

Foreign currency-denominated loans conducted in these operations involve risks related to exchange rate fluctuations. JBIC has a consistent policy of managing this risk by fully hedging this risk exposure through the use of currency swaps.

#### *Interest rate risk*

Interest rate risk arises from exposure to market interest rate fluctuations for yen-denominated loan and foreign currency-denominated loan operations and the policy for managing interest rate risk is described below.

##### (1) Yen-denominated loan operations

Funding for yen-denominated loans is mainly managed at fixed-rate interest. Interest rate risk for yen-denominated loans, however, is limited since derivative transactions such as interest rate swaps are used to hedge interest rate risk for portions of loans that are thought to have high exposures to interest rate fluctuation.

##### (2) Foreign currency-denominated loan operations

Interest rate risks associated with foreign currency-denominated loan operations and relevant funding are generally hedged by managing the funds with floating interest rates with the use of interest rate swap transactions.

### *Derivatives transactions*

#### *Policy for derivatives transactions*

JBIC engages in derivative transactions solely for the purpose of hedging foreign exchange risks and interest rate risks associated with its lending and funding operations.

## Transactions

Derivatives transactions of JBIC include interest rate and currency swaps and forward exchange contracts. The table below gives details of these transactions as of March 31, 2023.

### Credit Risk Amounts of Derivatives, etc. for JBIC

	As of March 31, 2023	
	Notional Amount <sup>(a)</sup>	Credit Risk
	(In billions of yen)	
Interest Rate Swaps and Currency Swaps <sup>(b)</sup>	¥ 10,877	¥ 63
Forward Exchange Contracts	5	—
Credit Risk Reductions through Netting	—	—
Total	¥ 10,883	¥ 63

- (a) The amounts indicated are maximum notional amounts to which JBIC may be exposed during the period since March 31, 2023 through the maturity date of the relevant derivative contract.
- (b) As of March 31, 2023, the notional amount of interest rate swaps was ¥6,548 billion and the notional amount of currency swaps was ¥4,329 billion.

#### Risks involved in derivatives transactions and policies for addressing risks

**Credit risk.** Credit risk refers to potential losses from the failure of a counterparty to perform its obligations in accordance with the terms and conditions of the contract governing transactions due to bankruptcy or deteriorating business conditions.

JBIC constantly monitors the market value of derivatives transactions as to each counterparty and the amount of its credit exposure to and creditworthiness of each counterparty in order to ascertain the appropriateness of entering into or maintaining a transaction with each counterparty.

**Market risk.** Market risk refers to the risk of potential losses due to changes in the value or market price of financial instruments, such as derivatives, that are caused by fluctuations in exchange rates and interest rates. As JBIC engages in derivatives transactions solely for the purpose of hedging market risks of other transactions, such as raising capital or loan transactions, the market risks related to such derivatives transactions are generally offset by the market risks involved in the transactions that are being hedged.

**Liquidity risk.** Liquidity risk refers to the risk of cash flow tightening due to worsening fund-raising capability that arises from deterioration of creditworthiness or mismatches in the maturity of assets and liabilities. JBIC minimizes liquidity risk through effective cash flow management and diversification of its funding sources. In addition, multiple financial institutions have established short-term credit lines with JBIC. JBIC borrows under the Fiscal Investment and Loan Program and issues government-guaranteed bonds in the international capital markets for the JBIC Operations. JBIC may also issue bonds without a government guarantee in the domestic capital markets.

**Operational risk.** Operational risk refers to the potential loss from negligence or from accidents or misdeeds on the part of JBIC's management and staff or from external events. JBIC minimizes this risk by ensuring accurate operations through checks on the administrative process, creating operational manuals, improving training programs, and streamlining and computerizing procedures.

**Computer system risk.** Computer system risk refers to the potential loss from a breakdown or malfunction in computer systems as well as from their misuse. With greater reliance on information systems, there is an increasing need to make the operations of JBIC smoother and more effective by exchanging information with Japanese firms as well as foreign governments through information networks. It is thus important to give greater weight to information management and staff with respect to internal information management and by putting in place measures to block illegal access to JBIC's information systems from external sources by way of information networks. As part of an effort to ensure information security, JBIC drew up the Information Security Policy and created the Information Security Committee, consisting of the Managing Executive Officer in charge and heads of the relevant departments.

**Information security risk.** Information security risk refers to the potential loss caused by threats to confidentiality of information assets. JBIC manages information security risk by establishing information security rules including information management and by thoroughly training officers and employees. However, JBIC still faces the risk of becoming liable for damages for, or incurring expenses in order to respond to, issues such as information leaks and system stoppages caused by cyberattacks, other unauthorized access or infection by computer viruses.

*Disaster and crisis risks.* Disaster and crisis risks refer to the potential loss caused by disasters or other crises. In order to manage disaster and crisis risks, JBIC has established internal rules regarding crisis management. In the event a crisis occurs and normal operations are disrupted or disruptions to normal operations are anticipated, JBIC will establish a Countermeasure Office in accordance with the internal rules regarding crisis management and will work towards prompt and efficient recovery of operations. JBIC has also established a Business Continuity Plan for the purpose of carrying out continuous operations in the event a major earthquake occurs in the Tokyo metropolitan area.



## MANAGEMENT

JBIC's board of directors has the ultimate responsibility for the administration of its affairs. JBIC's articles of incorporation provide for a board of directors of not more than nine directors and three corporate auditors. All directors and corporate auditors are elected by the Japanese government as JBIC's sole shareholder at the shareholder's general meetings, but the election of each director and corporate auditor is subject to approval of the Minister of Finance in accordance with the JBIC Act. The normal term of office for directors is two years, and the normal term of office for corporate auditors is four years, but directors and corporate auditors may serve any number of consecutive terms. The board of directors may elect from among its members a Governor, Deputy Governor, an Executive Managing Director, several Senior Managing Directors and several Managing Directors. The Governor acts as the chairperson at the shareholder's general meeting. The board of directors may also elect one or more representative directors from among its members, but such election is subject to the approval of the Minister of Finance. Each of the Governor, Deputy Governor, Executive Managing Director and Senior Managing Directors shall represent JBIC in the conduct of its affairs, and in addition, several directors may be appointed to have the authority to represent JBIC in the conduct of its affairs.

The corporate auditors form the board of corporate auditors. The board of corporate auditors has a statutory duty to prepare and submit an audit report to the board of directors each year based on the audit reports issued by the individual corporate auditors in that year. A corporate auditor may note his or her opinion in the audit report issued by the board of corporate auditors if his or her opinion expressed in the individual audit report is different from the opinion expressed in the audit report issued by the board of corporate auditors. The board of corporate auditors is empowered to establish audit principles, the method of examination by the corporate auditors of JBIC's affairs and financial position and any other matters relating to the performance of the corporate auditors' duties.

JBIC is required to appoint, and has appointed, independent auditors, who have the statutory duties of examining the financial statements, prepared in accordance with Japanese GAAP, to be submitted to the shareholders by a representative director, and preparing their audit report thereon. JBIC has selected its independent auditors to audit the financial statements for the fiscal years ended March 31, 2022 and 2023.

JBIC's current directors and corporate auditors as of June 22, 2023, are as follows:

<u>Name</u>	<u>Title</u>
HAYASHI Nobumitsu	Governor
AMAKAWA Kazuhiko	Deputy Governor
HASHIYAMA Shigeto	Executive Managing Director
OISHI Ichiro	Senior Managing Director
TANAKA Kazuhiko	Senior Managing Director
TANIMOTO Masayuki	Senior Managing Director
MAEDA Tadashi	Managing Director, Chairman of the Board of Directors
KOIZUMI Shinichi	Managing Director (Outside Director)
KAWAMURA Yoshinori	Managing Director (Outside Director)
NASU Noriko	Full-Time Audit and Supervisory Board Member
TSUCHIYA Mitsuaki	Outside Audit and Supervisory Board Member
MOTOMURA Aya	Outside Audit and Supervisory Board Member

## **DEBT RECORD**

There has been no default in the payment of interest or principal on any obligation of the JBIC Group, including those obligations incurred by its predecessors to which JBIC succeeded.

## **FINANCIAL STATEMENTS**

Audited consolidated financial statements for the fiscal year ended March 31, 2023 and 2022 of the JBIC Group prepared in accordance with Japanese GAAP are included as Exhibit 2 to this Annual Report on Form 18-K filed with the Commission. Such financial statements have been audited by Ernst & Young ShinNihon LLC, independent auditors, as stated in their report accompanying such financial statements.

JBIC started preparing financial statements in accordance with IFRS as issued by the IASB from the fiscal year ended March 31, 2015 for reference purposes in order to improve comparability with international issuers. The JBIC Group's consolidated financial statements as of and for the fiscal years ended March 31, 2023 and 2022 prepared in accordance with IFRS are included as Exhibit 7 to this Annual report on Form 18-K. Such financial statements have been audited by Ernst & Young ShinNihon LLC, independent auditors, as stated in their report accompanying such financial statements.

In preparing financial statements in accordance with IFRS as issued by the IASB, JBIC made adjustments to the financial statements prepared in accordance with Japanese GAAP which were prepared based on the JBIC Act and related regulations. Details of reconciliations between the two sets of financial statements are included as Exhibit 9 to this Annual Report on Form 18-K.

## Independent Auditor's Report

The Board of Directors  
Japan Bank for International Cooperation

### Opinion

We have audited the accompanying consolidated financial statements of Japan Bank for International Cooperation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Determination of borrowers' category as the basis for calculating the allowance for loan losses for loans and bills discounted and application of cash flow estimation approach	
Description of Key Audit Matter	Auditor's Response
As a policy-based financial institution, the Group engages in financing activities to realize its policy objectives, and the nature of the finance to support overseas economic transactions is characterized by a relatively significant portion of long-term loans and loans subject to sovereign or country risk.	Our audit procedures performed to examine the Group's determination of the borrowers' category and the estimation of future cash flows of individually-assessed loans and bills discounted used in the cash flow estimation approach included the following, among others:

<p>Therefore, the Group’s non-performing loans and credit-related expenses may increase if the financial conditions of the individual borrowers significantly deteriorate due to political and economic trends in the borrowers’ countries or regions.</p> <p>As such, the Group calculates an expected loss amount and recognizes it as an allowance for loan losses. The allowance for loan losses included in the consolidated balance sheet as of March 31, 2023 was ¥410,526 million and the method for recognition is described in (d) “Allowance for Loan Losses” in Note 5 “Significant Accounting Policies” in the notes to the consolidated financial statements.</p> <p>Allowance for loan losses is calculated in accordance with the Group’s internal rules for self-assessment of asset quality and internally established standards. As described in “6. Significant Accounting Estimates” in the notes to the consolidated financial statements, its calculation process includes, but is not limited to the determination of the borrowers’ category based on the evaluation of the borrowers’ solvency in consideration of their repayment status, financial condition, performance, future prospects and other relevant factors, and the estimation of future cash flows of individually-assessed loans and bills discounted under the cash flow estimation approach.</p> <p>Given that the future prospects for borrowers and other factors used in determining the borrowers’ category and future cash flows of individual claims used under the cash flow estimation approach are affected by changes in the borrowers’ business environment including the impact of COVID-19 and the international situation relating to the ongoing Russian invasion of Ukraine, and whether their business strategy is successful, they require management judgement, and are subject to higher estimation uncertainty.</p> <p>Accordingly, the future prospects for borrowers and other factors used in determining category of borrowers displaying a deterioration in repayment status, financial position or business performance, as well as the estimate of future cash flows of individually-assessed loans and bills discounted used in the cash flow estimation approach are considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>- We obtained an understanding, evaluated the design, and tested operating effectiveness of the controls over the Group’s borrower category process. The controls tested included, but were not limited to, those controls over the accuracy of underlying internal credit rating data and schedules used in determining the borrowers’ category as well as controls over the completeness of the scope of self-assessment of asset quality.</li> <li>- We selected a sample of borrowers by taking into account the degree of increase in credit risk estimated considering the type of business, the repayment status, financial position/degree of deterioration in their business performance and external factors, including the ongoing Russian invasion of Ukraine, to test management’s determination of the category of the sampled borrowers. We also considered the monetary impact of changes in the borrowers’ category on the amount recorded in the allowance for loan losses.</li> <li>- We evaluated sampled borrowers’ recent repayment status, financial position, and business performance, by inspecting a set of materials related to the Group’s self-assessment of asset quality, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of actual financial position, financial statements, and the trial balance, and by evaluating the impact of COVID-19 and the international situation related to Russia and Ukraine on the future prospects of the borrowers’ business performance and compared them with available external information including, as appropriate, trends in natural resource prices. In addition, we made inquiries to the Finance Group in charge of the loans and the Country Credit Department as necessary to supplement our understanding. Also, we compared internal credit ratings on sovereign loans with external credit ratings.</li> <li>- We assessed the future cash flows of a sample of individually-assessed loans and bills discounted used in the cash flow estimation approach as well as the inputs used by management, evaluated the model used in the cash flow estimation approach and tested their mathematical accuracy through recalculations.</li> </ul>
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**Other Information**

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

August 7, 2023

/s/ Hiroshi Nishida

Hiroshi Nishida  
Designated Engagement Partner  
Certified Public Accountant

/s/ Toshiro Kuwata

Toshiro Kuwata  
Designated Engagement Partner  
Certified Public Accountant

/s/ Yoshiyuki Hashimoto

Yoshiyuki Hashimoto  
Designated Engagement Partner  
Certified Public Accountant

CONSOLIDATED BALANCE SHEETS

		As of March 31, 2022 (In millions of yen)	As of March 31, 2023 (In millions of yen)	As of March 31, 2023 (In millions of U.S. dollars)
<b>Assets:</b>				
Cash and due from banks		¥ 1,451,153	¥ 2,193,775	\$ 16,429
Securities	Note 7	328,053	347,087	2,599
Loans and bills discounted	Note 8	14,759,174	15,587,788	116,736
Other assets	Note 8	602,264	866,306	6,488
Derivative financial instruments		20,270	31,287	234
Cash collateral paid for financial instruments		527,100	651,110	4,876
Other		54,894	183,908	1,378
Property, plant and equipment	Note 10	29,229	30,730	230
Buildings		3,714	3,682	28
Land		24,311	24,311	182
Construction in progress		221	1,869	14
Other		981	866	6
Intangible assets		9,170	8,461	63
Software		9,170	8,461	63
Customers' liabilities for acceptances and guarantees	Note 8	1,721,217	1,534,258	11,490
Allowance for loan losses		(470,834)	(410,526)	(3,074)
<b>Total assets</b>		<u>¥ 18,429,429</u>	<u>¥ 20,157,883</u>	<u>\$ 150,961</u>
<b>Liabilities:</b>				
Borrowed money		¥ 7,554,208	¥ 8,513,677	\$ 63,759
Bonds payable	Note 9	5,634,984	6,191,755	46,370
Other liabilities		609,336	962,446	7,207
Derivative financial instruments		482,548	719,364	5,387
Cash collateral received for financial instruments		18,610	30,860	231
Other		108,177	212,221	1,589
Provision for bonuses		597	614	4
Provision for directors' bonuses		9	10	0
Net defined benefit liability		6,056	5,690	43
Provision for directors' retirement benefits		51	37	0
Acceptances and guarantees		1,721,217	1,534,258	11,490
<b>Total liabilities</b>		<u>¥ 15,526,462</u>	<u>¥ 17,208,488</u>	<u>\$ 128,873</u>
<b>Net assets:</b>				
Capital stock		¥ 2,023,800	¥ 2,108,800	\$ 15,793
Retained earnings		976,953	1,126,210	8,434
<b>Total shareholder's equity</b>		<u>3,000,753</u>	<u>3,235,010</u>	<u>24,227</u>
Valuation difference on available-for-sale securities		16,084	25,300	189
Deferred gains (losses) on hedges		(116,730)	(323,123)	(2,420)
Foreign currency translation adjustment		2,508	11,923	90
<b>Total accumulated other comprehensive income (loss)</b>		<u>(98,136)</u>	<u>(285,899)</u>	<u>(2,141)</u>
Non-controlling interests		350	283	2
<b>Total net assets</b>		<u>¥ 2,902,967</u>	<u>¥ 2,949,394</u>	<u>\$ 22,088</u>
<b>Total liabilities and net assets</b>		<u>¥ 18,429,429</u>	<u>¥ 20,157,883</u>	<u>\$ 150,961</u>



CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>For the year ended</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
<b>Ordinary income</b>	¥ 313,480	¥ 659,923	\$ 4,942
<b>Interest income</b>	227,973	570,567	4,273
<b>Interest on loans and discounts</b>	173,933	552,609	4,139
<b>Interest and dividends on securities</b>	963	1,613	12
<b>Interest on deposits with banks</b>	1,920	16,332	122
<b>Interest on interest rate swaps</b>	51,128	—	—
<b>Other interest income</b>	27	11	0
<b>Fees and commissions</b>	26,100	22,746	170
<b>Other ordinary income</b>	31,416	44,744	335
<b>Gain on foreign exchange transactions</b>	31,416	38,062	285
<b>Other</b>	—	6,682	50
<b>Other income</b>	27,989	21,865	164
<b>Reversal of allowance for loan losses</b>	—	19,352	145
<b>Recoveries of written-off claims</b>	6,673	—	—
<b>Other</b>	Note 12 21,315	2,512	19
<b>Ordinary expenses</b>	296,089	503,404	3,770
<b>Interest expense</b>	135,363	460,022	3,445
<b>Interest on borrowed money and rediscounts</b>	21,107	186,866	1,399
<b>Interest on bonds</b>	114,152	143,229	1,073
<b>Interest on interest rate swaps</b>	—	127,876	958
<b>Other interest expense</b>	102	2,048	15
<b>Fees and commissions payments</b>	3,492	3,799	28
<b>Other ordinary expenses</b>	1,988	2,111	16
<b>General and administrative expenses</b>	21,713	24,382	183
<b>Other expenses</b>	133,531	13,088	98
<b>Provision of allowance for loan losses</b>	130,992	—	—
<b>Other</b>	Note 13 2,538	13,088	98
<b>Ordinary profit</b>	17,391	156,518	1,172
<b>Extraordinary income</b>	4	13	0
<b>Gain on disposal of noncurrent assets</b>	4	13	0
<b>Extraordinary loss</b>	0	0	0
<b>Loss on disposal of noncurrent assets</b>	0	0	0
<b>Net income before income taxes</b>	17,394	156,532	1,172
<b>Income taxes – current</b>	48	13	0
<b>Total income taxes</b>	48	13	0
<b>Net income</b>	17,345	156,518	1,172
<b>Net income (loss) attributable to non-controlling interests</b>	46	(66)	(1)
<b>Net income attributable to owner of parent</b>	¥ 17,299	¥ 156,585	\$ 1,173

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		<u>For the year ended</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
<b>Net income</b>		¥ 17,345	¥ 156,518	\$ 1,172
<b>Other comprehensive income (loss)</b>	Note 14	(193,007)	(187,762)	(1,406)
<b>Valuation difference on available-for-sale securities</b>		13,996	9,215	69
<b>Deferred gains (losses) on hedges</b>		(211,584)	(206,393)	(1,546)
<b>Foreign currency translation adjustment</b>		1,896	4,656	35
<b>Share of other comprehensive income (loss) of equity</b>				
<b>method investments</b>		2,684	4,758	36
<b>Comprehensive income (loss)</b>		<u>¥ (175,661)</u>	<u>¥ (31,243)</u>	<u>\$ (234)</u>
<b>(Comprehensive income (loss) attributable to)</b>				
<b>Owner of parent</b>		(175,708)	(31,177)	(233)
<b>Non-controlling interests</b>		46	(66)	(1)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

From April 1, 2021 to March 31, 2022

	(In millions of yen)		
	Shareholder's equity		
	Capital stock	Retained earnings	Total shareholder's equity
Balance at April 1, 2021	¥ 1,963,800	¥ 981,523	¥ 2,945,323
Cumulative effects of changes in accounting policies			—
Restated balance	1,963,800	981,523	2,945,323
Changes during period			
Issuance of new shares	60,000		60,000
Payment to National Treasury		(21,868)	(21,868)
Net income attributable to owner of parent		17,299	17,299
Net changes of items other than shareholder's equity			
Total changes during period	60,000	(4,569)	55,430
Balance at March 31, 2022	¥ 2,023,800	¥ 976,953	¥ 3,000,753

	(In millions of yen)					
	Accumulated other comprehensive income (loss)					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at April 1, 2021	¥ 2,088	¥ 95,238	¥ (2,072)	¥ 95,254	¥ 318	¥ 3,040,896
Cumulative effects of changes in accounting policies		(384)		(384)		(384)
Restated balance	2,088	94,854	(2,072)	94,870	318	3,040,512
Changes during period						
Issuance of new shares						60,000
Payment to National Treasury						(21,868)
Net income attributable to owner of parent						17,299
Net changes of items other than shareholder's equity	13,996	(211,584)	4,581	(193,007)	32	(192,975)
Total changes during period	13,996	(211,584)	4,581	(193,007)	32	(137,545)
Balance at March 31, 2022	¥ 16,084	¥ (116,730)	¥ 2,508	¥ (98,136)	¥ 350	¥ 2,902,967

From April 1, 2022 to March 31, 2023

	(In millions of yen)		
	Shareholder's equity		
	Capital stock	Retained earnings	Total shareholder's equity
Balance at April 1, 2022	¥ 2,023,800	¥ 976,953	¥ 3,000,753
Changes during period			
Issuance of new shares	85,000		85,000
Payment to National Treasury		(7,329)	(7,329)
Net income attributable to owner of parent		156,585	156,585
Change in scope of equity method			—
Net changes of items other than shareholder's equity			
Total changes during period	85,000	149,256	234,256
Balance at March 31, 2023	¥ 2,108,800	¥ 1,126,210	¥ 3,235,010

	(In millions of yen)					
	Accumulated other comprehensive income (loss)					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 16,084	¥ (116,730)	¥ 2,508	¥ (98,136)	¥ 350	¥ 2,902,967
Changes during period						
Issuance of new shares						85,000
Payment to National Treasury						(7,329)
Net income attributable to owner of parent						156,585
Change in scope of equity method			111	111		111

Net changes of items other than shareholder's equity	9,215	(206,393)	9,303	(187,874)	(66)	(187,940)
Total changes during period	9,215	(206,393)	9,415	(187,762)	(66)	46,427
Balance at March 31, 2023	¥ 25,300	¥ (323,123)	¥ 11,923	¥ (285,899)	¥ 283	¥ 2,949,394

From April 1, 2022 to March 31, 2023

(In millions of U.S. dollars)

	Shareholder's equity		
	Capital stock	Retained earnings	Total shareholder's equity
Balance at April 1, 2022	\$ 15,156	\$ 7,316	\$ 22,472
Changes during period			
Issuance of new shares	637		637
Payment to National Treasury		(55)	(55)
Net income attributable to owner of parent		1,173	1,173
Change in scope of equity method			
Net changes of items other than shareholder's equity			
Total changes during period	637	1,118	1,755
Balance at March 31, 2023	\$ 15,793	\$ 8,434	\$ 24,227

(In millions of U.S. dollars)

	Accumulated other comprehensive income (loss)				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2022	\$ 120	\$ (874)	\$ 19	\$ (735)	\$ 3	\$ 21,740
Changes during period						
Issuance of new shares						637
Payment to National Treasury						(55)
Net income attributable to owner of parent						1,173
Change in scope of equity method			1	1		1
Net changes of items other than shareholder's equity	69	(1,546)	70	(1,407)	(1)	(1,408)
Total changes during period	69	(1,546)	71	(1,406)	(1)	348
Balance at March 31, 2023	\$ 189	\$ (2,420)	\$ 90	\$ (2,141)	\$ 2	\$ 22,088

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>For the year ended</u> <u>March 31, 2022</u>	<u>For the year ended</u> <u>March 31, 2023</u>	<u>For the year ended</u> <u>March 31, 2023</u>
	(In millions of yen)	(In millions of yen)	(In millions of U.S. dollars)
<b>Cash flows from operating activities</b>			
Net income before income taxes	¥ 17,394	¥ 156,532	\$ 1,172
Depreciation and amortization	3,067	3,445	26
Losses (profits) of equity method investments	(1,483)	(2,058)	(15)
Increase (decrease) in allowance for loan losses	130,992	(60,308)	(452)
Increase (decrease) in provision for bonuses	11	16	0
Increase (decrease) in provision for directors' bonuses	(0)	0	0
Increase (decrease) in net defined benefit liability	(281)	(366)	(3)
Increase (decrease) in provision for directors' retirement benefits	4	(14)	(0)
Interest income	(227,973)	(570,567)	(4,273)
Interest expense	135,363	460,022	3,445
Losses (gains) related to securities	(17,089)	12,902	97
Foreign exchange losses (gains)	(1,442)	(4,567)	(34)
Losses (gains) on disposal of noncurrent assets	(3)	(13)	(0)
Net decrease (increase) in derivative financial instruments (assets)	86,623	(11,017)	(83)
Net increase (decrease) in derivative financial instruments (liabilities)	349,404	236,815	1,773
Net decrease (increase) in loans and bills discounted	(1,202,359)	(828,614)	(6,205)
Net increase (decrease) in borrowed money	902,887	959,468	7,185
Net decrease (increase) in deposits (excluding deposits paid to Bank of Japan)	(270,593)	(264,654)	(1,982)
Net decrease (increase) in cash collateral paid for financial instruments	(420,450)	(124,010)	(929)
Net increase (decrease) in cash collateral received for financial instruments	(109,000)	12,250	92
Increase (decrease) in straight bonds-issuance and redemption	667,555	553,742	4,147
Interest received	223,946	441,625	3,307
Interest paid	(127,193)	(388,716)	(2,911)
Other	(205,444)	(170,482)	(1,276)
Subtotal	(66,064)	411,430	3,081
Income taxes paid	(45)	(49)	(0)
Net cash provided by (used in) operating activities	(66,110)	411,380	3,081
<b>Cash flows from investing activities</b>			
Purchase of securities	(43,434)	(28,629)	(214)
Proceeds from sales of securities	26,169	21,785	163
Purchase of property, plant and equipment	(786)	(2,192)	(17)
Proceeds from sales of property, plant and equipment	3	16	0
Purchase of intangible assets	(7,363)	(2,045)	(15)
Net cash provided by (used in) investing activities	(25,412)	(11,064)	(83)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new shares	60,000	85,000	637
Dividends paid to non-controlling interests	(14)	—	—
Payment to National Treasury	(21,868)	(7,329)	(55)
Net cash provided by (used in) financing activities	38,116	77,670	582
Effect of exchange rate change on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	(53,405)	477,986	3,580
Cash and cash equivalents at beginning of period	781,277	727,871	5,451
Cash and cash equivalents at end of period	Note 16 ¥ 727,871	¥ 1,205,858	\$ 9,031

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of presentation

The accompanying consolidated financial statements have been prepared from the accounting records maintained by Japan Bank for International Cooperation (“JBIC”) and its subsidiaries (the “JBIC Group”) in accordance with the accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

The amounts indicated in millions of yen are rounded down by omitting figures less than one million. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts. Items less than 1 million yen are presented as “0” and items whose balance is nil is presented as “-”.

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥133.53=\$1.00, the foreign exchange rate on March 31, 2023, has been used in translations. The presentation of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized, or settled in U.S. dollars at the aforementioned rate or any other rates.

### 2. Scope of consolidation

#### (a) Consolidated subsidiaries

The number of consolidated subsidiaries is two.

Company names: JBIC IG Partners  
Russia-Japan Investment Fund, L.P.

#### (b) Unconsolidated subsidiaries

There are no applicable subsidiaries.

#### (c) Other company whose majority of voting rights is owned by JBIC on its own account but which is not determined to be its subsidiary

Company name: RJIF GP2 Limited

(Reason for determining not to be a subsidiary)

JBIC has determined that RJIF GP2 Limited is not a subsidiary because, while JBIC indirectly owns a majority of voting rights of RJIF Management Limited through JBIC IG Partners, which is its consolidated subsidiary, JBIC needs to obtain agreement from the other JV company for making decisions on significant financial and business policies.

### 3. Application of the equity method

#### (a) Unconsolidated subsidiaries accounted for using the equity method

There are no applicable subsidiaries.

#### (b) Affiliates accounted for using the equity method

The number of affiliates accounted for using the equity method is three.

Company names: IFC Capitalization (Equity) Fund, L.P.  
IFC Capitalization (Subordinated Debt) Fund, L.P.  
JB Nordic Fund I SCSp

(Change in scope of equity method)

JB Nordic Fund I SCSp is included in the scope of affiliates accounted for using the equity method from the current fiscal year as its materiality has increased.

#### (c) Unconsolidated subsidiaries that are not accounted for using the equity method

There are no applicable subsidiaries.

#### (d) Affiliates that are not accounted for using the equity method

Major company names: Credit Guarantee and Investment Facility  
RJIF GP2 Limited

These companies were not included in the scope of the equity method primarily because they do not have significant impacts on the consolidated financial statements in respect of any of the following items: Net income (the amount proportionate to the share of net income of such companies),

Retained earnings (the amount proportionate to the share of retained earnings of such companies) and Accumulated other comprehensive income (loss) (the amount proportionate to the share of other comprehensive income (loss) of such companies).



#### 4. Balance sheet dates of consolidated subsidiaries

The financial statements of the consolidated subsidiaries are used in preparing the consolidated financial statements.

The balance sheet dates of the consolidated subsidiaries are as follows:

<u>March 31</u>	<u>2023</u>
December 31	1
March 31	1

Appropriate adjustments are made for significant transactions that occurred during the period between the consolidated closing date and the subsidiary's balance sheet date above.

#### 5. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost based on the moving average method. Investments in affiliates that are not accounted for using the equity method are carried at cost based on the moving average method. Available-for-sale securities are stated at fair value with changes in net unrealized gains or losses included directly in net assets. However, equity and other securities whose market prices are not available are carried at cost based on the moving average method. Securities held by the consolidated foreign subsidiary (including investments in affiliates) are classified as financial assets designated as fair value through profit or loss based on IFRS. These securities are recognized as securities classified as trading in JBIC's consolidated financial statements and are measured at fair value.

Investments in partnerships for investment and other similar partnerships, which are regarded as securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act (Act No. 25 of 1948), are recognized at an amount equivalent to JBIC's percentage share of the net assets of such partnerships, based upon the most recent financial statements available depending on the reporting date stipulated in the partnership agreement.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are measured at fair value.

With respect to specific credit risk, fair value is calculated for a group of financial assets and liabilities on a basis of a net amount after offsetting the amounts of the assets and the liabilities in the group.

Financial assets and financial liabilities arising from derivatives transactions that are executed with the same counterparties and are measured at fair value are offset on a counterparty-by-counterparty basis if a valid ISDA Master Netting Agreement is entered into. The resulting amount is recognized in the consolidated balance sheets.

(c) Depreciation and amortization basis for fixed assets

(i) Property, plant and equipment

Property, plant and equipment of JBIC are depreciated using the declining balance method over their useful economic lives except for buildings excluding installed facilities as well as installed facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method.

Depreciation is based on the following range of estimated useful lives:

Buildings:	3 years to 50 years
Other:	2 years to 35 years

Property, plant and equipment of consolidated subsidiaries are depreciated primarily using the straight-line method based on the estimated useful lives of the assets.

(ii) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Software used by JBIC and its consolidated subsidiaries is amortized over its useful life (5 years or less) at JBIC and its consolidated subsidiaries.

(d) Allowance for loan losses

Allowance for loan losses is recognized in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt (“Bankrupt borrowers”) or substantially bankrupt (“Substantially bankrupt borrowers”) is provided based on the outstanding balance after the write-offs described as below and the deductions of the amount expected to be collected through the disposal of collateral and the execution of guarantees. The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt (“Potentially bankrupt borrowers”) is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

For Potentially bankrupt borrowers with restructured loans and others, (excluding foreign governments and other governmental entities) whose loan exceeds a threshold amount, if it is possible to reasonably estimate cash flows from the collection of principal and the receipt of interest, the allowance for claims on such debtors is provided based on an approach whereby the difference between the amount of cash flows discounted by the original contractual interest rates and the carrying amount of the claims is determined to be the allowance for loan losses (“cash flow estimation approach”).

The allowance for claims on debtors other than Bankrupt borrowers, Substantially bankrupt borrowers and Potentially bankrupt borrowers is provided primarily in consideration of the expected loss amount over the average remaining periods of loans, and the expected loss amount is calculated primarily based on the probability of default which is based on the actual bankruptcies during a certain period in the past. The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments, and the allowance is provided based on the results of the assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the residual book value of the claims, after deducting the amount which is deemed collectible through the disposal of collateral or the execution of guarantees, is written off. There were no accumulated write-offs as of March 31, 2022 and 2023.

(e) Provision for bonuses

The Provision for bonuses is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the consolidated balance sheet.

(f) Provision for directors’ bonuses

The Provision for directors’ bonuses is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the consolidated balance sheet.

(g) Provision for directors’ retirement benefits

The Provision for directors’ retirement benefits which provides for future retirement pension payments to directors, is recognized at the amount accrued at the end of the current fiscal year.

(h) Accounting for retirement benefits

(i) Method of attributing the projected benefits to periods of services

In calculating the projected benefit obligation, the estimated amount of retirement benefit payments is attributed to the period up to the end of the fiscal year based on the benefit formula.

(ii) Accounting for actuarial gains or losses and prior service costs

Actuarial gains or losses and prior service costs are expensed as they are incurred.

(i) Foreign currency translation and revaluation method

JBIC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies and held by JBIC are translated into Japanese yen at the market exchange rate prevailing at the fiscal year end.

Assets and liabilities denominated in foreign currencies and held by consolidated subsidiaries are translated at the market exchange rate prevailing at respective balance sheet dates and other base dates.

(j) Accounting for hedges of interest rate risk

(i) Hedge accounting

The deferral method is applied to derivatives used for interest risk hedging purposes.

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans and bills discounted, and bonds payable

(iii) Hedging policy

JBIC enters into hedging transactions up to the amount of the underlying hedged assets and liabilities.

(iv) Assessment of hedge effectiveness

JBIC assesses the effectiveness of designated hedges by measuring and comparing the change in fair value or cumulative change of cash flows of both hedging instruments and corresponding hedged items from the date of inception of the hedges to the assessment date.

(k) Accounting for hedges of foreign exchange risks

Hedging instruments used to hedge foreign exchange risks associated with foreign currency denominated financial assets and liabilities are accounted for primarily using the deferral method under “Accounting and Auditing Treatment Relating to Adoption of Accounting Standard for Foreign Currency Transactions for Banks” (The Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Committee Practical Guideline No. 25 of October 8, 2020 (“Industry-specific Committee Practical Guideline No. 25”)).

The effectiveness of the hedges described above is assessed by comparing the foreign currency position of the hedged loans and bills discounted and bonds payable denominated in foreign currencies with that of the hedging instruments, such as currency swaps and forward foreign exchange contracts which are used for hedging the foreign exchange risks of loans and bills discounted and bonds payable denominated in foreign currencies.

(l) Scope of cash and cash equivalents in the consolidated statements of cash flows

“Cash and cash equivalents” as stated in the consolidated statements of cash flows consists of cash on hand and deposits with the Bank of Japan in Cash and due from banks in the consolidated balance sheets.

## 6. Significant accounting estimates

The following item in the consolidated financial statements for the respective fiscal year is based on accounting estimates that may have a significant effect on the consolidated financial statements for the next fiscal year.

- Allowance for loan losses

(i) Amount recognized in the consolidated financial statements for the current fiscal year

	As of March 31, 2022 (In millions of yen)	As of March 31, 2023 (In millions of yen)	As of March 31, 2023 (In millions of U.S. dollars)
Allowance for loan losses	¥ 470,834	¥ 410,526	\$ 3,074

(ii) Information on significant accounting estimates related to the identified item

① Calculation method

The calculation method of allowance for loan losses is described in “5. Significant accounting policies, (d) Allowance for loan losses” in the notes to the consolidated financial statements.

JBIC engages in financing activities to realize its policy objectives as a policy-based financial institution and may incur loss from being impossible or difficult to recover its loans due to, among other factors, a deterioration in borrowers’ creditworthiness. To address such a risk of JBIC incurring loss arising from a reduction in, or diminishment of, asset value attributable to a deterioration in borrowers’ financial condition and for other reasons, JBIC calculates an expected loss amount and recognizes it as allowance for loan losses. JBIC engages in significant financing activities with overseas governments, governmental institutions, and overseas corporations as part of its support of overseas economic transactions. Because of the characteristics of these activities, sovereign or country risk is a relatively significant part of the credit risk JBIC is exposed to in connection with these activities.

Allowance for loan losses is calculated in accordance with JBIC's internal rules for self-assessment of asset quality and internally established standards. The calculation process includes the determination of the borrowers' category based on the evaluation of borrowers' solvency in consideration of their repayment status, financial condition, performance, future prospects and other relevant factors, and the estimation of future cash flows under the cash flow estimation approach.

Note: For the details of the credit risk JBIC is exposed to in connection with its financing activities, see the descriptions in "17. Financial instruments and related disclosure, (a) Status of financial instruments, (ii) Types of financial instruments and risks, ① Credit risk" in the note to the consolidated financial statements.

## ② Major assumptions

Major assumptions are the future prospects for borrowers and other applicable items used in the borrowers' category determination, and future cash flows of individual claims used under the cash flow estimation approach.

These assumptions are affected by relevant factors such as changes in borrowers' business environment and whether their business strategy is successful. Therefore, JBIC's estimation and judgment are reassessed and modified whenever the economic environment changes or new information becomes available.

Given the above, such estimation and judgment related to the major assumptions may have a significant effect on the amount of allowance for loan losses.

## ③ Effects on the consolidated financial statements for the next fiscal year

The prolonged situation of COVID-19 is causing economic impacts on borrowers' countries or regions as well as financial impacts on individual borrowers. The borrowers' category is determined in consideration of currently available information that has effects on estimates, including the international situation relating to the ongoing Russian invasion of Ukraine.

While effects of this prolonged situation of COVID-19 vary across countries and are subject to uncertainty related to the degree of vaccine roll-out and the development in policy-based support, uncertainty is declining. Therefore, JBIC currently recognizes an allowance for loan losses using the specific items including the probability of default that incorporates the actual number of bankruptcies during a certain period in the past. This is based on the assumption that the level of the credit risk of outstanding loans and other investments as of March 31, 2023, will be the same as the historical level for the near future since the global economy is expected to continue to grow to a certain extent in 2023.

With respect to the international situation related to Russia and Ukraine, while the national governments, including the Government of Japan, have taken various measures, such as economic sanctions, against Russia, the effects of the global situations of Russia and Ukraine are reflected in the allowance for loan losses in the fiscal year ended March 31, 2023 by assessing in detail the effects of such measures on the business of, or the performance of obligations by, Russia-related borrowers in the process of the borrowers' category determination and assessing the effects on credit risk individually.

As the future outlook of these events is uncertain, the situation of COVID-19 or its economic impacts may differ significantly from the assumptions above, or the expansion of the scope, or extension, of economic sanctions and other developments in the international situation related to Russia and Ukraine may have direct and indirect effects on the borrowers' category. In such a case, the allowance for loan losses as of the end of the fiscal year ending March 31, 2024 may change.

The allowance for loan losses as of March 31, 2023 is the current best estimate. However, given a high estimation uncertainty related to other factors in addition to the prolonged situation of COVID-19 and the international situation related to Russia and Ukraine, there is a risk that the borrowers' results of operations, financial position or other items may change more than what was assumed at the time of estimation and such changes, if occurred, may have a significant effect on the consolidated financial statements for the next fiscal year.

## (Changes in accounting policies)

### (Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021) is applied from the beginning of the current fiscal year. In accordance with the transitional treatments prescribed in paragraph 27-2 of ASBJ Guidance No. 31, JBIC applies the new accounting policies introduced in ASBJ Guidance No. 31 prospectively.

Applying ASBJ Guidance No. 31 has no effects on the consolidated financial statements.

## (Changes in presentation)

### (Consolidated balance sheets)

Derivative financial instruments and Cash collateral paid for financial instruments included in Other assets in Assets and Derivative financial instruments and Cash collateral received for financial instruments included in Other liabilities in Liabilities in the previous fiscal year are separately presented from the current fiscal year as their materiality has increased. To reflect this change in presentation, JBIC has reclassified the related items presented in its consolidated financial statements for the previous fiscal year.

As a result, ¥602,264 million presented in Other assets in Assets in the consolidated balance sheets for the previous fiscal year has been reclassified into ¥20,270 million of Derivative financial instruments, ¥527,100 million of Cash collateral paid for financial instruments, and ¥54,894 million of Other. ¥609,336 million presented in Other liabilities in Liabilities in the consolidated balance sheets for the previous fiscal year has been reclassified into ¥482,548 million of Derivative financial instruments, ¥18,610 million of Cash collateral received for financial instruments, and ¥108,177 million of Other.

Due to the above, the note regarding the amount of Cash collateral paid for financial instruments included in Other assets that had been disclosed in “9. Assets pledged as collateral” is not provided from the current fiscal year.

(Consolidated statements of operations)

Gain on foreign exchange transactions included in Other ordinary income in Ordinary income in the previous fiscal year is separately presented from the current fiscal year as its materiality has increased. To reflect this change in presentation, JBIC has reclassified the related items presented in its consolidated financial statements for the previous fiscal year.

As a result, ¥31,416 million presented in Other ordinary income in Ordinary income in the consolidated statements of operations for the previous fiscal year has been reclassified into ¥31,416 million of Gain on foreign exchange transactions.

(Consolidated statements of cash flows)

Net decrease (increase) in derivative financial instruments (assets), Net increase (decrease) in derivative financial instruments (liabilities), Net decrease (increase) in cash collateral paid for financial instruments, and Net increase (decrease) in cash collateral received for financial instruments included in Other in Cash flows from operating activities in the previous fiscal year are separately presented from the current fiscal year as their materiality has increased. To reflect this change in presentation, JBIC has reclassified the related items presented in its consolidated financial statements for the previous fiscal year.

As a result, a ¥298,866 million decrease presented in Other in Cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year has been reclassified into a ¥86,623 million increase in Net decrease (increase) in derivative financial instruments (assets), a ¥349,404 million increase in Net increase (decrease) in derivative financial instruments (liabilities), a ¥420,450 million decrease in Net decrease (increase) in cash collateral paid for financial instruments, a ¥109,000 million decrease in Net increase (decrease) in cash collateral received for financial instruments, and a ¥205,444 million decrease in Other.

## 7. Equity and other securities of or investments in unconsolidated subsidiaries and affiliates

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Equity and other securities	¥ 37,981	¥ 35,289	\$ 264
Investments	78,517	78,253	586

## 8. Loans

- (a) Loans issued under the Japan Bank for International Cooperation Act (“JBIC Act”) are as follows. Loans represent those items presented in the following accounts in the consolidated balance sheets: Loans and bills discounted, accrued interest income and suspense payments included in Other assets, and Customers’ liabilities for acceptances and guarantees.

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Bankrupt and Quasi-bankrupt Assets	¥ —	¥ —	\$ —
Doubtful Assets	294,876	291,008	2,179
Loans with interest or principal repayments three months or more in arrears	59,807	58	0
Restructured loans	229,124	196,908	1,475
Total amount	583,809	487,975	3,654

Bankrupt and Quasi-bankrupt Assets are loans and other credits to borrowers who have begun proceedings under the Bankruptcy Act, the Corporate Reorganization Act, the Civil Rehabilitation Act and other similar laws of Japan and have financially failed.

Doubtful Assets are loans and other credits to borrowers who have not financially failed but whose financial and operational conditions have deteriorated and who have a possibility that payment of principal and/or interest will not be made on a contractual basis, and which do not fall under the category of Bankrupt and Quasi-bankrupt Assets.

Loans with interest or principal repayments three months or more in arrears are loans whose principal or interest payment is three months or more in arrears, and which do not fall under the category of Bankrupt and Quasi-bankrupt Assets and Doubtful Assets.

Restructured loans are loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, deferral of interest payments, extension of principal repayments or waiver of claims) in order to support the borrowers’ recovery from financial difficulties, and which do not fall under the category of Bankrupt and Quasi-bankrupt Assets, Doubtful Assets, or loans with interest or principal repayments three months or more in arrears.

The amounts of loans indicated in the table above are the gross amounts before the deduction of allowance for loan losses.

- (b) JBIC, as a policy, does not issue loans to borrowers in part or in full immediately after the execution of the loan agreements, but instead executes loans, in accordance with the progress of the underlying projects. These undrawn amounts are not included in the loans on deeds recognized in the consolidated balance sheets. The balance of undrawn amounts is as follows:

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Balance of undrawn loans	¥ 1,864,266	¥ 2,347,605	\$ 17,581

## 9. Assets pledged as collateral

Pursuant to Article 34 of the JBIC Act, all JBIC assets are pledged as general collateral for all bonds issued by JBIC:

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Bonds payable	¥ 5,634,984	¥ 6,191,755	\$ 46,370

## 10. Accumulated depreciation of Property, plant and equipment

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Accumulated depreciation	¥ 3,773	¥ 4,412	\$ 33

## 11. Contingent liabilities

Japan Finance Corporation (“JFC”) assumed the obligations of the JFC bonds on April 1, 2012, and JBIC is jointly responsible for the obligations of these bonds. In accordance with Article 17 (2) of the Supplementary Provisions of the JBIC Act, all of JBIC’s assets are pledged as general collateral for these joint obligations as follows.

	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Joint obligations	¥ 60,000	¥ 60,000	\$ 449

## 12. Items included in Other under Other income

Other under Other income includes the following:

	<u>For the year ended</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Gains on sales of equity and other securities	¥ 2,152	¥ 97	\$ 1
Gains on investments in partnerships	17,470	—	—
Profits of equity method investments	1,483	2,058	15

## 13. Items included in Other under Other expenses

Other under Other expenses includes the following:

	<u>For the year ended</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Losses on sales of equity and other securities	¥ 7	¥ 3,384	\$ 25
Impairment losses on equity and other securities	2,526	3,486	26
Losses of equity method investments	—	6,129	46

#### 14. Reclassification adjustments and tax effects of other comprehensive income (loss)

	<u>For the year ended</u> <u>March 31, 2022</u>	<u>For the year ended</u> <u>March 31, 2023</u>	<u>For the year ended</u> <u>March 31, 2023</u>
	<u>(In millions of yen)</u>	<u>(In millions of yen)</u>	<u>(In millions of</u> <u>U.S. dollars)</u>
<b>Valuation difference on available-for-sale securities:</b>			
Amount recognized during the fiscal year	¥ 14,087	¥ 12,014	\$ 90
Reclassification adjustments	(91)	(2,798)	(21)
Before tax effect adjustment	13,996	9,215	69
Tax effect	—	—	—
Valuation difference on available-for-sale securities	13,996	9,215	69
<b>Deferred gains (losses) on hedges:</b>			
Amount recognized during the fiscal year	(160,821)	(333,282)	(2,496)
Reclassification adjustments	(50,763)	126,889	950
Before tax effect adjustment	(211,584)	(206,393)	(1,546)
Tax effect	—	—	—
Deferred gains (losses) on hedges	(211,584)	(206,393)	(1,546)
<b>Foreign currency translation adjustment:</b>			
Amount recognized during the fiscal year	1,717	4,656	35
Reclassification adjustments	178	—	—
Before tax effect adjustment	1,896	4,656	35
Tax effect	—	—	—
Foreign currency translation adjustment	1,896	4,656	35
<b>Share of other comprehensive income (loss) of equity method investments:</b>			
Amount recognized during the fiscal year	3,870	6,567	49
Reclassification adjustments	(1,185)	(1,809)	(13)
Before tax effect adjustment	2,684	4,758	36
Tax effect	—	—	—
Share of other comprehensive income (loss) of equity method investments	2,684	4,758	36
<b>Total other comprehensive income (loss)</b>	<b>¥ (193,007)</b>	<b>¥ (187,762)</b>	<b>\$ (1,406)</b>



## 15. Changes in Net assets

### (a) Issued shares and treasury stock

For the fiscal year ended March 31, 2022, the type and the number of issued shares and treasury stock are as follows:

Types	(Unit: thousands of shares)				Remarks
	The number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of shares at the end of the fiscal year	
<b>Issued shares</b>					
Common stock	1,813,800,000	60,000,000	—	1,873,800,000	Note
Classified stock	—	—	—	—	
Total	1,813,800,000	60,000,000	—	1,873,800,000	Note
<b>Treasury stock</b>					
Common stock	—	—	—	—	
Classified stock	—	—	—	—	
Total	—	—	—	—	

(Note) The reason for an increase in shares is the issuance of 60,000,000 thousand new shares.

For the fiscal year ended March 31, 2023, the type and the number of issued shares and treasury stock are as follows:

Types	(Unit: thousands of shares)				Remarks
	The number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of shares at the end of the fiscal year	
<b>Issued shares</b>					
Common stock	1,873,800,000	85,000,000	—	1,958,800,000	Note
Classified stock	—	—	—	—	
Total	1,873,800,000	85,000,000	—	1,958,800,000	Note
<b>Treasury stock</b>					
Common stock	—	—	—	—	
Classified stock	—	—	—	—	
Total	—	—	—	—	

(Note) The reason for an increase in shares is the issuance of 85,000,000 thousand new shares.

## 16. Cash flows

A reconciliation of Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2022 and 2023 to Cash and due from banks in the consolidated balance sheets is as follows:

	For the year ended March 31, 2022 (In millions of yen)	For the year ended March 31, 2023 (In millions of yen)	For the year ended March 31, 2023 (In millions of U.S. dollars)
Cash and due from banks	¥ 1,451,153	¥ 2,193,775	\$ 16,429
Time deposits and others	(723,282)	(987,917)	(7,398)
Cash and cash equivalents	¥ 727,871	¥ 1,205,858	\$ 9,031

## 17. Financial instruments and related disclosure

### (a) Status of financial instruments

#### (i) Policies for financial instruments

Based on the JBIC Act, JBIC is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society while supplementing the financial transactions implemented by private-sector financial institutions, by performing the financial function to promote the overseas development and securement of resources which are important for Japan; maintaining and improving the international competitiveness of Japanese industries; promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming, as well as preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruption.

JBIC's principal operations consist of providing "export loans," "import loans," "investment financing," "financing for business development" (including guarantees) and "capital investment." To conduct these operations, funds are raised through borrowings from the fiscal investment and loans and the foreign exchange fund special account, and the issuing of bonds. An ALM (asset and liability management) function has been established in respect of JBIC's financial assets and liabilities that are subject to interest rate and currency fluctuations to assist in ensuring that such fluctuations do not have an adverse effect on JBIC's operations. In addition, derivative transactions are entered into for the purpose of mitigating risk inherent in foreign currency denominated transactions. Financial instruments that can be used for the management of surplus funds are limited to safe instruments such as Japanese government bonds according to in the JBIC Act.

The budget required for governmental financial operations is decided upon by the Diet of Japan, and business plans and financial plans (borrowings from fiscal investment and loans, bonds, general accounting investment, and loans and other investments) are appended to the budget and submitted to the Diet of Japan.

The consolidated foreign subsidiary of JBIC engages in investments and other related activities as its principal operation.

#### (ii) Types of financial instruments and risks

The assets that JBIC holds mainly include loans to borrowers in Japan and overseas, and securities and liabilities mainly include borrowed money and bonds. The consolidated foreign subsidiary of JBIC holds securities subject to price fluctuations.

The associated risks of financial assets and financial liabilities held by JBIC are described below.

##### ① Credit risk

Credit risk is the risk that JBIC will suffer losses if the financial conditions of the borrower deteriorate and the value of assets (including off-balance sheet assets) declines or is impaired.

The credit risks associated with JBIC include sovereign risk, country risk, corporate risk, and project risk. JBIC engages in significant financing activities with overseas governments, governmental institutions, and overseas corporations as part of its support to overseas economic transactions. Because of the characteristics of these activities, sovereign or country risk is a relatively significant part of the credit risk JBIC is exposed to in connection with these activities.

As a result, if the financial conditions of the individual borrower significantly deteriorate due to political and economic trends in the borrower's country or region, JBIC's performance and financial conditions can be adversely affected.

(Note) Sovereign risk refers to risk associated with credit extended to foreign governments. Country risk refers to risk associated with the country in which the corporation or project is located (risk, in addition to corporate risk or project risk, associated with the country in which the corporation or the project is located). Corporate risk refers to the risk associated with credit to corporations and project risk refers to the risk that the cash flows generated from the project fail to generate the planned cash flows, in the case of project finance, where the repayment of the borrowing is primarily secured by the cash flow of the project to which credit is extended.

##### ② Market risk

Market risk is the risk that the value of assets and liabilities (including off-balance sheet items) will fluctuate and losses will be incurred, or profits derived from assets and liabilities (including off-balance sheet items) will fluctuate and losses will be incurred due to changes in various market risk factors, such as interest rates and exchange rates.

The market risk borne by JBIC mainly consists of foreign exchange risk and interest rate risk, and JBIC may suffer losses from these risks due to fluctuations in the markets such as market turmoil. However, in principle, these risks are hedged through interest rate swaps, currency swaps, and forward foreign exchange contracts.

JBIC uses hedge accounting for interest rate hedges, where the hedging instrument is interest rate swaps to hedge the risk of changes in interest rates associated with loans, borrowed money and bonds. The effectiveness of the hedges is assessed by measuring and comparing the change in fair value or cumulative change in cash flows of both hedging instruments and corresponding hedged items from the date of inception of the hedges to the assessment date.

JBIC uses hedge accounting for foreign exchange hedges, where currency swaps and forward foreign exchange contracts are used to hedge items such as loans and bonds for foreign exchange risk. The effectiveness of the hedging with currency swaps and forward foreign exchange contracts is assessed by comparing the foreign currency position of the hedged financial assets and liabilities with that of the hedging instruments.

### ③ Liquidity risk

Liquidity risk is the risk that losses will be incurred as a result of difficulties in obtaining the funds necessary due to a maturity mismatch between financing and funding or unexpected outflow of funds, or being forced to fund at an interest rate significantly higher than that under normal circumstances (funding risk). It is also the risk that losses will be incurred from being unable to conduct market transactions due to market turmoil or being forced to transact at far more unfavorable prices than those under normal circumstances (market liquidity risk).

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and the fiscal investment and loan program (“FILP”) agency bonds, are secured to finance JBIC and deposits are not accepted. Therefore, JBIC considers liquidity risk to be limited. However, financing costs could increase due to market turmoil and unexpected events.

#### (iii) Risk management structure for financial instruments

The risk management structure of JBIC is described below.

##### ① Credit risk management

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower’s creditworthiness in advance of credit approval.

When a new credit application is processed, the relevant finance departments (sales promotion departments) and credit departments collect and analyze information on the borrower. JBIC’s overseas representative offices also play a part in collecting information on foreign governments and companies. Credit appraisal takes place based on the information that has been gathered and analyzed with the different departments ensuring appropriate checks throughout the process, leading to the final decision by management.

In providing credit to foreign governments and companies, JBIC takes maximum advantage of its unique position as a public financial institution. This includes exchanging views and information with governments and relevant authorities in the recipient countries, multilateral international institutions such as the International Monetary Fund (IMF) and the World Bank, other regional development banks such as export credit agencies, and private financial institutions in developed countries. Using all these channels to exchange views and information, JBIC evaluates sovereign and country risks (risk in addition to corporate risk associated with the country in which the corporation is located) based on the broad range of information collected on the borrowing governments, the government agencies and the political and economic conditions in their countries.

The relevant finance departments and credit departments conduct proper credit risk management based on the credit risk rating system for segmented risk categories and the asset self-assessment system. In addition, an Integrated Risk Management Committee is held regularly to report the status of credit management to JBIC’s management. The credit management is also checked by an independent auditing department.

In addition, a claims protection mechanism exists based on an international framework unique to official creditors, that is not applied to private sector financial institutions, for public claims on foreign governments. This mechanism consists of international financial assistance upon international approval by the Paris Club, an international group focusing on debt, to allow the debtor country to continue debt repayment when the debtor country becomes temporarily unable to service its debt due to economic conditions. As part of this international financial assistance, the debtor country conducts an economic reform program agreed by the IMF in order to secure the ability to sustainably service its debt. In view of JBIC’s position as a public financial institution, it will use the framework of the Paris Club to preserve its public claims on foreign governments.

In addition to the above credit risk management related to individual borrowers, JBIC quantifies credit risk with a view to evaluating the risk of the overall loan portfolio. To quantify credit risks, it is important to take into account the characteristics of JBIC’s loan portfolio, which are not typically seen in other private financial institutions, namely that JBIC holds a significant proportion of long-term loans that entail sovereign and country risks. Also to be taken into account are mechanisms for securing assets under an international supporting framework, such as the Paris Club, which is unique to official creditors. JBIC uses a unique model to quantify the credit risk taking account of the above factors and measures the amount of credit risk, which are utilized for credit risk management.

② Market risk management

JBIC manages foreign exchange risk and interest rate risk through its ALM. Market risk management protocols contain detailed stipulations in respect of risk management methods and procedures, and JBIC has established the ALM Committee to assess and confirm the execution of ALM, and to discuss future responses to market risk. In addition, JBIC assesses and monitors the interest rate and terms of financial assets and liabilities in detail through a gap analysis and an interest rate sensitivity analysis as well as market risk measurement using Value at Risk (“VaR”). The results are reported to the ALM Committee on a regular basis.

The basic policy for managing foreign exchange risk and interest rate risk at JBIC is described below.

1) Foreign exchange risk

Foreign currency-denominated loans conducted in JBIC involve risks related to exchange rate fluctuations. JBIC has a consistent policy of managing this risk by fully hedging this risk exposure through the use of currency swaps and forward foreign exchange contracts.

2) Interest rate risk

Interest rate risk arises from exposure to market interest rate fluctuations for yen-denominated loan and foreign currency-denominated loan operations and the policy for managing interest rate risk is described below.

a. Yen-denominated loan operations

Yen-denominated loan operations are mainly managed by using fixed-rate loans. However, swaps are used to hedge interest rate risk for the portion of loans that are deemed to have high exposures to interest rate fluctuations and therefore interest rate risk is limited.

b. Foreign currency-denominated loan operations

For foreign currency-denominated loan operations, interest rate risk is hedged through the application of a consistent policy of using interest rate swaps and managing the funds with floating interest rates for both loans and related funding arrangements.

3) Status of market risk

JBIC only maintains a banking book and does not have financial instruments in a trading book. While, in principle, JBIC holds derivatives only for hedging purposes, as stated previously, market risk (VaR) that takes into account the correlation between interest rate risk and foreign exchange risk is measured in order to assess potential risk exposures. The following represents the market risk (VaR) exposure in the current fiscal year.

a. Market risk (VaR)

As of March 31, 2023 (In billions of yen)	As of March 31, 2023 (In billions of U.S. dollars)
¥ 164.6	\$ 1.2

b. Market risk (VaR) measurement model

Historical model (Confidence interval: 99%, Holding period: 1 year, Observation period: 5 years)

c. Risk management using market risk (VaR)

VaR is a market risk measure that assesses the maximum possible fluctuation of gains or losses in fair values that could be incurred after a certain period of time (“Holding period”) based on historical market movements of interest rates or exchange rates and other market indices over a specific period in the past (“Observation period”) within a given probability (“Confidence interval”), that is derived statistically by employing the theory of probability distribution.

The measurement assumes historical market trends and the theory of probability distribution. Based on the possibility that future market trends could deviate from these assumptions, a back-test is performed to cross-check the model-measured VaR with actual profits or losses, in order to confirm the effectiveness of market risk measurements using VaR. In addition, a stress test, which goes beyond historical market movements, is carried out in order to capture risks from various perspectives.

The following points should generally be noted in measuring VaR:

- VaR will differ depending on the choice of confidence interval, holding period or observation period;
- VaR indicates the maximum fluctuation of gains or losses in fair values at the time of measurement. In practice, the actual results at a point in the future may differ from the VaR calculation due to changes in the assumptions caused by market movements during the holding period; and
- VaR indicates the maximum value based on specific assumption. As such, when utilizing VaR as a risk management measure, it is imperative to keep in mind that VaR may underestimate the potential losses.

③ Liquidity risk management related to funding

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and FILP agency bonds, are used to finance the operations and deposits are not accepted.

Cash flows are assessed and proper measures, including establishing overdraft facility accounts with multiple private sector financial institutions, are taken to maintain daily cash flows for proper risk management.

④ Derivative transactions

For derivative transactions, the internal checks and balances are established by assigning the execution of transactions, the assessment of hedge effectiveness and the management of administrative work to separate divisions. In addition, derivative transactions are carried out in accordance with the derivatives related protocol.

(iv) Supplementary explanation concerning fair value of financial instruments

Fair values of financial instruments have been calculated using certain assumptions, and may differ depending on the assumptions.

(b) Fair value of financial instruments

The carrying amount on the consolidated balance sheets as of March 31, 2022 and 2023 and the related fair value, and difference are as follows. Note that equity and other securities and partnership investments (excluding those held by a certain consolidated foreign subsidiary) whose market prices are not available are not included in the following tables (refer to Note 1). Further, Cash and due from banks, Cash collateral paid for financial instruments and Cash collateral received for financial instruments are excluded from the note because they are settled in a short period and thus their fair value approximates their carrying amount.

As of March 31, 2022

	(In millions of yen)		
	Amount on consolidated balance sheet	Fair value	Difference
<b>(1) Securities</b>			
Securities classified as trading	¥ 17,230	¥ 17,230	¥ —
Available-for-sale securities	36,746	36,746	—
<b>(2) Loans and bills discounted</b>	14,759,174		
Allowance for loan losses (*1)	(454,841)		
	<u>14,304,333</u>	<u>14,461,847</u>	<u>157,514</u>
<b>Total</b>	<u>¥14,358,311</u>	<u>¥14,515,825</u>	<u>¥157,514</u>
(1) Borrowed money	7,554,208	7,563,923	9,714
(2) Bonds payable	5,634,984	5,554,752	(80,231)
<b>Total</b>	<u>¥13,189,192</u>	<u>¥13,118,676</u>	<u>¥(70,516)</u>
<b>Derivative transactions (*2)</b>			
Derivative transactions not qualifying for hedge accounting	—	—	—
Derivative transactions qualifying for hedge accounting (*3)	(462,278)	(462,278)	—
<b>Total</b>	<u>¥ (462,278)</u>	<u>¥ (462,278)</u>	<u>¥ —</u>

- (\*1) General allowance for loan losses and specific allowance for loan losses, and the allowance for possible loan losses on specific overseas loans have been deducted from Loans and bills discounted.
- (\*2) Derivatives recorded in Other assets and Other liabilities are collectively presented. Assets and liabilities arising from derivative transactions are presented on a net basis. The figures in parenthesis indicate net liabilities.
- (\*3) This represents interest rate swaps and other instruments designated as the hedging instrument to offset the market fluctuation of hedged loans and other items. The “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40 of March 17, 2022) is applied to these hedging relationships.

As of March 31, 2023

	(In millions of yen)		
	Amount on consolidated balance sheet	Fair value	Difference
<b>(1) Securities</b>			
Securities classified as trading	¥ 17,939	¥ 17,939	¥ —
Available-for-sale securities	45,621	45,621	—
<b>(2) Loans and bills discounted</b>	15,587,788		
Allowance for loan losses (*1)	(383,842)		
	<u>15,203,946</u>	<u>15,294,983</u>	<u>91,037</u>
<b>Total</b>	<u>¥15,267,507</u>	<u>¥15,358,545</u>	<u>¥ 91,037</u>
(1) Borrowed money	8,513,677	8,490,362	(23,314)
(2) Bonds payable	6,191,755	5,881,695	(310,059)
<b>Total</b>	<u>¥14,705,432</u>	<u>¥14,372,058</u>	<u>¥(333,374)</u>
<b>Derivative transactions (*2)</b>			
Derivative transactions not qualifying for hedge accounting	—	—	—
Derivative transactions qualifying for hedge accounting (*3)	(688,076)	(688,076)	—
<b>Total</b>	<u>¥ (688,076)</u>	<u>¥ (688,076)</u>	<u>¥ —</u>

As of March 31, 2023

	Amount on consolidated balance sheet	(In millions of U.S. dollars)	
		Fair value	Difference
(1) Securities			
Securities classified as trading	\$ 134	\$ 134	\$ —
Available-for-sale securities	342	342	—
(2) Loans and bills discounted	116,736		
Allowance for loan losses (*1)	(2,874)		
	113,862	114,544	682
<b>Total</b>	<b>\$ 114,338</b>	<b>\$ 115,020</b>	<b>\$ 682</b>
(1) Borrowed money	63,759	63,584	(175)
(2) Bonds payable	46,370	44,048	(2,322)
<b>Total</b>	<b>\$ 110,129</b>	<b>\$ 107,632</b>	<b>\$ (2,497)</b>
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	—	—	—
Derivative transactions qualifying for hedge accounting (*3)	(5,153)	(5,153)	—
<b>Total</b>	<b>\$ (5,153)</b>	<b>\$ (5,153)</b>	<b>\$ —</b>

(\*1) General allowance for loan losses and specific allowance for loan losses, and the allowance for possible loan losses on specific overseas loans have been deducted from Loans and bills discounted.

(\*2) Derivatives recorded in Other assets and Other liabilities are collectively presented. Assets and liabilities arising from derivative transactions are presented on a net basis. The figures in parenthesis indicate net liabilities.

(\*3) This represents interest rate swaps and other instruments designated as the hedging instrument to offset the market fluctuation of hedged loans and other items. The “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40 of March 17, 2022) is applied to these hedging relationships.

(Note 1) Equity and other securities and partnership investments (excluding those held by a certain consolidated foreign subsidiary) whose market prices are not available are as follows. They are not included in “Assets, (1) Securities.”

Classification	As of	As of	As of
	March 31, 2022 (In millions of yen)	March 31, 2023 (In millions of yen)	March 31, 2023 (In millions of U.S. dollars)
1) Unlisted stocks (unconsolidated subsidiaries and affiliates) (*1) (*2)	¥ 35,018	¥ 32,313	\$ 242
2) Unlisted stocks (other than unconsolidated subsidiaries and affiliates) (*1) (*3)	67,333	84,397	632
3) Partnership investments (unconsolidated subsidiaries and affiliates) (*4)	78,517	78,253	586
4) Partnership investments (other than unconsolidated subsidiaries and affiliates) (*4)	93,206	88,561	663
<b>Total</b>	<b>¥ 274,076</b>	<b>¥ 283,525</b>	<b>\$ 2,123</b>

(\*1) Based on paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020), fair values are not presented for unlisted stocks.

(\*2) Impairment loss is not recognized for unlisted stocks (unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2022.

Impairment loss of ¥3,486 million (\$26 million) is recognized for unlisted stocks (unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2023.

(\*3) Impairment loss of ¥2,526 million is recognized for unlisted stocks (other than unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2022.

Impairment loss is not recognized for unlisted stocks (other than unconsolidated subsidiaries and affiliates) for the fiscal year ended March 31, 2023.

(\*4) Based on paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021), fair values are not presented for partnership investments.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

As of March 31, 2022

	(In millions of yen)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Securities						
Available-for-sale securities	¥ —	¥ —	¥ 200	¥ 30,900	¥ 200	¥ 5,700
Loans and bills discounted (*1)	<u>1,663,130</u>	<u>3,227,881</u>	<u>3,344,135</u>	<u>2,386,782</u>	<u>2,257,686</u>	<u>1,584,682</u>
Total	<u>¥1,663,130</u>	<u>¥3,227,881</u>	<u>¥3,344,335</u>	<u>¥2,417,682</u>	<u>¥2,257,886</u>	<u>¥1,590,382</u>

(\*1) Loans and bills discounted of ¥294,876 million whose redemption is not estimable, such as claims against Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, are not included in the table above.

As of March 31, 2023

	(In millions of yen)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Securities						
Available-for-sale securities	¥ —	¥ —	¥ 200	¥ 30,900	¥ 6,600	¥ 9,300
Loans and bills discounted (*1)	<u>1,886,585</u>	<u>4,020,539</u>	<u>3,152,268</u>	<u>2,571,749</u>	<u>2,174,889</u>	<u>1,490,747</u>
Total	<u>¥1,886,585</u>	<u>¥4,020,539</u>	<u>¥3,152,468</u>	<u>¥2,602,649</u>	<u>¥2,181,489</u>	<u>¥1,500,047</u>

As of March 31, 2023

	(In millions of U.S. dollars)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Securities						
Available-for-sale securities	\$ —	\$ —	\$ 2	\$ 231	\$ 49	\$ 70
Loans and bills discounted (*1)	<u>14,128</u>	<u>30,110</u>	<u>23,607</u>	<u>19,260</u>	<u>16,288</u>	<u>11,164</u>
Total	<u>\$ 14,128</u>	<u>\$ 30,110</u>	<u>\$ 23,609</u>	<u>\$ 19,491</u>	<u>\$ 16,337</u>	<u>\$ 11,234</u>

(\*1) Loans and bills discounted of ¥291,008 million (\$2,179 million) whose redemption is not estimable, such as claims against Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, are not included in the table above.



## (Note 3) Redemption schedule for Borrowed money and Bonds payable with future redemption dates

As of March 31, 2022

	(In millions of yen)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Borrowed money	¥2,214,763	¥1,725,218	¥3,148,726	¥ 230,600	¥ 10,700	¥ 224,200
Bonds payable	957,925	1,774,655	1,320,839	917,925	673,145	—
<b>Total</b>	<b>¥3,172,688</b>	<b>¥3,499,873</b>	<b>¥4,469,565</b>	<b>¥1,148,525</b>	<b>¥ 683,845</b>	<b>¥ 224,200</b>

As of March 31, 2023

	(In millions of yen)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Borrowed money	¥ 800,832	¥2,617,441	¥3,841,703	¥ 412,300	¥ 617,200	¥ 224,200
Bonds payable	1,068,240	2,290,010	1,529,086	713,222	600,885	—
<b>Total</b>	<b>¥1,869,072</b>	<b>¥4,907,451</b>	<b>¥5,370,789</b>	<b>¥1,125,522</b>	<b>¥1,218,085</b>	<b>¥ 224,200</b>

As of March 31, 2023

	(In millions of U.S. dollars)					
	Due within one year	Due after one year but within three years	Due after three years but within five years	Due after five years but within seven years	Due after seven years but within ten years	Due after ten years
Borrowed money	\$ 5,997	\$ 19,602	\$ 28,771	\$ 3,088	\$ 4,622	\$ 1,679
Bonds payable	8,000	17,150	11,451	5,341	4,500	—
<b>Total</b>	<b>\$ 13,997</b>	<b>\$ 36,752</b>	<b>\$ 40,222</b>	<b>\$ 8,429</b>	<b>\$ 9,122</b>	<b>\$ 1,679</b>

## (c) Breakdown of the fair value of financial instruments by level and other relevant matters

The fair value of financial instruments is classified into the following three levels in accordance with the observability and significance of inputs used for determining the fair value.

Level 1 fair value: Of observable inputs for the fair value determination, this fair value is determined based on a quoted price formed in an active market for assets or liabilities that are subject to the fair value determination.

Level 2 fair value: Of observable inputs for the fair value, this fair value is determined based on inputs for the fair value determination other than those used to determine the Level 1 fair value.

Level 3 fair value: This fair value is determined using unobservable inputs for the fair value determination.

Where more than one input that has a significant impact on the fair value determination are used, of the levels respective inputs belong to, the fair value is classified into the level with the lowest priority in the fair value determination.

(i) Financial instruments recognized in the consolidated balance sheets at fair value

As of March 31, 2022

	(In millions of yen)			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Securities</b>				
Securities classified as trading				
Equity and other securities	¥ —	¥ 278	¥ 16,951	¥ 17,230
Available-for-sale securities				
Samurai bonds	—	36,746	—	36,746
Total	¥ —	¥ 37,025	¥ 16,951	¥ 53,977
<b>Derivative transactions (*1)</b>				
Interest rate-related	—	(89,301)	—	(89,301)
Currency-related	—	(372,977)	—	(372,977)
Total	¥ —	¥ (462,278)	¥ —	¥ (462,278)

(\*1) Derivatives recorded in Other assets and Other liabilities are collectively presented. Assets and liabilities arising from derivative transactions are presented on a net basis. The figures in parenthesis indicate net liabilities.

As of March 31, 2023

	(In millions of yen)			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Securities</b>				
Securities classified as trading				
Equity and other securities	¥ —	¥ —	¥ 17,939	¥ 17,939
Available-for-sale securities				
Samurai bonds	—	45,621	—	45,621
Total	¥ —	¥ 45,621	¥ 17,939	¥ 63,561
<b>Derivative transactions (*1)</b>				
Interest rate-related	—	(348,890)	—	(348,890)
Currency-related	—	(339,186)	—	(339,186)
Total	¥ —	¥ (688,076)	¥ —	¥ (688,076)

As of March 31, 2023

	(In millions of U.S. dollars)			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Securities</b>				
Securities classified as trading				
Equity and other securities	\$ —	\$ —	\$ 134	\$ 134
Available-for-sale securities				
Samurai bonds	—	342	—	342
Total	\$ —	\$ 342	\$ 134	\$ 476
<b>Derivative transactions (*1)</b>				
Interest rate-related	—	(2,613)	—	(2,613)
Currency-related	—	(2,540)	—	(2,540)
Total	\$ —	\$ (5,153)	\$ —	\$ (5,153)

(\*1) Derivatives recorded in Other assets and Other liabilities are collectively presented. Assets and liabilities arising from derivative transactions are presented on a net basis. The figures in parenthesis indicate net liabilities.

## (ii) Financial instruments other than those recognized in the consolidated balance sheets at fair value

As of March 31, 2022

	(In millions of yen)			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ —	¥ —	¥ 14,461,847	¥14,461,847
Total	¥ —	¥ —	¥ 14,461,847	¥14,461,847
Borrowed money	—	7,563,923	—	7,563,923
Bonds payable	—	5,554,752	—	5,554,752
Total	¥ —	¥ 13,118,676	¥ —	¥13,118,676

As of March 31, 2023

	(In millions of yen)			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ —	¥ —	¥ 15,294,983	¥15,294,983
Total	¥ —	¥ —	¥ 15,294,983	¥15,294,983
Borrowed money	—	8,490,362	—	8,490,362
Bonds payable	—	5,881,695	—	5,881,695
Total	¥ —	¥ 14,372,058	¥ —	¥14,372,058

As of March 31, 2023

	(In millions of U.S. dollars)			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	\$ —	\$ —	\$ 114,544	\$ 114,544
Total	\$ —	\$ —	\$ 114,544	\$ 114,544
Borrowed money	—	63,584	—	63,584
Bonds payable	—	44,048	—	44,048
Total	\$ —	\$ 107,632	\$ —	\$ 107,632

(Note 1) Valuation methodologies and inputs used for determining fair value

Assets

## Securities

When the market is not active even if a quoted price is used, or when quoted prices are not available but the Reference Statistical Prices [Yields] for OTC Bond Transactions are available, the fair value of securities is classified into Level 2. Such securities primarily include Samurai bonds and listed stocks. The fair value of certain Samurai bonds is based on prices obtained from, among others, information vendors. In consideration of the results of assessment using a fair valuation model that does not use unobservable inputs, such fair value is also classified into Level 2.

When quoted prices are not available, the fair value is determined by using valuation methodologies, such as the one using the present value of future cash flows. Observable inputs are used as much as practicable in valuation and inputs include a discount rate based on the weighted average cost of capital. If any significant unobservable inputs are used in the calculation, the fair value of securities is classified into Level 3. Such securities primarily include equity and other securities.

## Loans and bills discounted

The fair value of loans and bills discounted is determined by discounting at a risk-free rate the sum of principal and interest after adjusting for credit risk and other elements according to the classifications based on the type of loans and bills discounted, internal ratings and periods. Of which, the fair value of those loans with variable interest rates is their carrying amount as such loans reflect market interest rates over the short term and approximates the carrying amount if the borrower's credit conditions have not changed significantly since the issuance of loans.

For claims on Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, credit losses estimated on such claims are calculated based on the discounted present value of estimated future cash flows or the expected collectible amount from the collateral or guarantee. Since fair value approximates the amount on the consolidated balance sheets at the fiscal year end after deducting the allowance for loan losses, this amount is used for fair value. This fair value is classified into Level 3 because the effects of unobservable inputs on the fair value are considered to be material.

## Liabilities

### Borrowed money

As for borrowed money, the present value is calculated by discounting the sum of principal and interest of the borrowed money classified by certain periods at a rate adjusted by the remaining period and credit risk of borrowed money. Of which, borrowed money with variable interest rates reflect short-term market interest rates and the credit conditions of JBIC and its consolidated subsidiaries have not changed significantly since the execution of borrowings. Therefore, the carrying amount is used as fair value because it is considered that the carrying amount approximates the fair value. Since unobservable inputs are not used, this fair value is classified into Level 2.

### Bonds payable

Of bonds issued by JBIC, the Reference Statistical Prices [Yields] for OTC Bond Transactions is used as fair value for the FILP agency bonds and that fair value is classified into Level 2. As for government-guaranteed foreign currency bonds, the prices obtained from, among others, information vendors are used as fair value and that fair value is classified into Level 2 in consideration of the result of assessment using a fair valuation model that does not use unobservable inputs.

## Derivative transactions

As derivative transactions by JBIC are OTC transactions whose quoted prices are not available, their fair value is determined by using the present value method and other valuation methodologies according to the transaction type and the term to maturity. Price adjustments are made based on the counterparty's credit risk and JBIC's credit risk. Main inputs used in these valuation methodologies include interest rates, exchange rates, and credit spreads. Since unobservable inputs are not used, this fair value is classified into Level 2. Such transactions include plain vanilla interest rate swaps, currency swaps, and forward foreign exchange contracts.

(Note 2) Information on Level 3 fair value of financial instruments recognized in the consolidated balance sheets at fair value

(1) Quantitative information on significant unobservable inputs

As of March 31, 2022

<u>Category</u>	<u>Valuation methodologies</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs</u>	<u>Weighted average of inputs</u>
<u>Securities</u>				
Securities classified as trading				
Equity and other securities	Present value method	Discount rate	9.9%-23.7%	14.1%

As of March 31, 2023

<u>Category</u>	<u>Valuation methodologies</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs</u>	<u>Weighted average of inputs</u>
<u>Securities</u>				
Securities classified as trading				
Equity and other securities	Present value method	Discount rate	4.3%-21.5%	12.1%

(2) Reconciliation between the opening balance and the closing balance, and valuation gain (loss) recognized in profit or loss during the fiscal year

As of March 31, 2022

	(In millions of yen)							Of the amount recognized in profit or loss during the fiscal year, valuation gain (loss) on financial assets and liabilities held as of the date of the consolidated balance sheets (*1)
	Profit or loss or other comprehensive income during the fiscal year							
	Balance as of April 1, 2021	Recognized in profit or loss (*1)	Recognized in other comprehensive income (*2)	Purchase, sale, issuance and settlement (Net)	Transfer to Level 3 fair value (*3)	Transfer from Level 3 fair value (*4)	Balance as of March 31, 2022	
Securities								
Securities classified as trading								
Equity and other securities	¥ 12,687	¥ 1,841	¥ 1,673	¥ 749	¥ —	¥ —	¥ 16,951	¥ 1,841

(\*1) Included in Other under Other income in the consolidated statements of operations.

(\*2) Included in Foreign currency translation adjustment under Other comprehensive income (loss) in the consolidated statements of comprehensive income.

(\*3) This represents a transfer from Level 2 fair value to Level 3 fair value and did not occur during the fiscal year ended March 2022.

(\*4) This represents a transfer from Level 3 fair value to Level 2 fair value and did not occur during the fiscal year ended March 2022.

As of March 31, 2023

	(In millions of yen)							Of the amount recognized in profit or loss during the fiscal year, valuation gain (loss) on financial assets and liabilities held as of the date of the consolidated balance sheets (*1)
	Profit or loss or other comprehensive income during the fiscal year							
	Balance as of April 1, 2022	Recognized in profit or loss (*1)	Recognized in other comprehensive income (*2)	Purchase, sale, issuance and settlement (Net)	Transfer to Level 3 fair value (*3)	Transfer from Level 3 fair value (*4)	Balance as of March 31, 2023	
Securities								
Securities classified as trading								
Equity and other securities	¥ 16,951	¥ (3,416)	¥ 4,404	¥ —	¥ —	¥ —	¥ 17,939	¥ (3,416)

As of March 31, 2023

	(In millions of U.S. dollars)							Of the amount recognized in profit or loss during the fiscal year, valuation gain (loss) on financial assets and liabilities held as of the date of the consolidated balance sheets (*1)
	Profit or loss or other comprehensive income during the fiscal year							
	Balance as of April 1, 2022	Recognized in profit or loss (*1)	Recognized in other comprehensive income (*2)	Purchase, sale, issuance and settlement (Net)	Transfer to Level 3 fair value (*3)	Transfer from Level 3 fair value (*4)	Balance as of March 31, 2023	
Securities								

Securities classified as trading																
Equity and other securities	\$	127	\$	(26)	\$	33	\$	—	\$	—	\$	—	\$	134	\$	(26)

(\*1) Included in Other under Other expenses in the consolidated statements of operations.

- (\*2) Included in Foreign currency translation adjustment under Other comprehensive income (loss) in the consolidated statements of comprehensive income.
- (\*3) This represents a transfer from Level 2 fair value to Level 3 fair value and did not occur during the fiscal year ended March 2023.
- (\*4) This represents a transfer from Level 3 fair value to Level 2 fair value and did not occur during the fiscal year ended March 2023.

(3) Fair valuation process

The JBIC Group has in place the policies and procedures for the fair value determination and each trading department determines fair value in line with these policies and procedures. With respect to the fair value determined, an independent department, verifies the appropriateness of the valuation methodologies, and the reasonableness of inputs, that are used in determining fair value and the appropriateness of the classification of fair value by level. The verification results are escalated to management every fiscal year to ensure the appropriateness of the policies and procedures for the fair value determination.

In determining fair value, a valuation model that best reflects the nature, characteristics, and risks of individual assets is used. When using quoted prices obtained from third parties, JBIC verifies the reasonableness of such prices by reviewing the valuation methodologies and inputs used or by other appropriate methods.

(4) Effects on fair value arising from changes in significant unobservable inputs

The significant unobservable input used for determining the fair value of equity and other securities is the discount rate. The weighted average cost of capital is primarily used as the discount rate. Generally, a significant increase (decrease) in the discount rate gives rise to a significant decrease (increase) in the fair value.

## 18. Market value of securities

Information relating to “Equity securities of and other investments in subsidiaries and affiliates” is presented in the notes to the consolidated financial statements.

### (a) Securities classified as trading

	Fiscal year ended March 31, 2022 (In millions of yen)	Fiscal year ended March 31, 2023 (In millions of yen)	Fiscal year ended March 31, 2023 (In millions of U.S. dollars)
Unrealized gains or losses included in profit or loss for the fiscal year	¥ 1,905	¥ (3,416)	\$ (26)

### (b) Held-to-maturity debt securities

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

### (c) Available-for-sale securities

As of March 31, 2022

		(In millions of yen)			
		Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks		¥ —	¥ —	¥ —
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		30,627	30,600	27
Subtotal			30,627	30,600	27
Securities whose carrying amount does not exceed their acquisition cost	Stocks		—	—	—
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		6,119	6,400	(280)
Subtotal			6,119	6,400	(280)
Total			¥ 36,746	¥ 37,000	¥ (253)

As of March 31, 2023

		(In millions of yen)			
		Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks		¥ —	¥ —	¥ —
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		—	—	—
Subtotal			—	—	—
Securities whose carrying amount does not exceed their acquisition cost	Stocks		—	—	—
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		45,621	47,000	(1,378)
Subtotal			45,621	47,000	(1,378)
Total			¥ 45,621	¥ 47,000	¥ (1,378)



As of March 31, 2023

		(In millions of U.S. dollars)			
		Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks		\$ —	\$ —	\$ —
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		—	—	—
Subtotal			—	—	—
Securities whose carrying amount does not exceed their acquisition cost	Stocks		—	—	—
	Debt securities		—	—	—
	Japanese government bonds		—	—	—
	Corporate bonds		—	—	—
	Other		342	352	(10)
Subtotal			342	352	(10)
Total			\$ 342	\$ 352	\$ (10)

(d) Held-to-maturity debt securities sold

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(e) Available-for-sale securities sold

Fiscal year ended March 31, 2022

		(In millions of yen)		
		Amount of sales	Total gain on sales	Total loss on sales
Stocks		¥ —	¥ —	¥ —
Debt securities		—	—	—
Japanese government bonds		—	—	—
Corporate bonds		—	—	—
Other		3,730	173	7
Total		¥ 3,730	¥ 173	¥ 7

Fiscal year ended March 31, 2023

		(In millions of yen)		
		Amount of sales	Total gain on sales	Total loss on sales
Stocks		¥ —	¥ —	¥ —
Debt securities		—	—	—
Japanese government bonds		—	—	—
Corporate bonds		—	—	—
Other		734	97	—
Total		¥ 734	¥ 97	¥ —

Fiscal year ended March 31, 2023

		(In millions of U.S. dollars)		
		Amount of sales	Total gain on sales	Total loss on sales
Stocks		\$ —	\$ —	\$ —
Debt securities		—	—	—
Japanese government bonds		—	—	—
Corporate bonds		—	—	—
Other		5	1	—
Total		\$ 5	\$ 1	\$ —

(f) Change in classification of securities

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(g) Impairment of securities

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(h) Money held in trust

(i) Money held in trust for trading purposes

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(ii) Money held in trust for holding-to-maturity purposes

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(iii) Other money held in trust (other than trading and holding-to-maturity purposes)

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(i) Net unrealized gains (losses) on available-for-sale securities are as follows:

Fiscal year ended March 31, 2022

	<b>(In millions of yen)</b>
Valuation difference	¥ 16,084
Available-for-sale securities (*)	16,084
Other money held in trust	—
(+) Deferred tax assets (or (-) Deferred tax liabilities)	—
Valuation difference on available-for-sale securities (before following adjustments)	¥ 16,084
(-) Non-controlling interests	—
(+) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method	—
Valuation difference on available-for-sale securities	¥ 16,084

(\*) Foreign exchange translation differences and other related items for equity and other securities and partnership investments that are denominated in foreign currencies and whose market prices are not available are included in, and presented as, "Available-for-sale securities" under "Valuation difference."

Fiscal year ended March 31, 2023

	<b>(In millions of yen)</b>
Valuation difference	¥ 25,300
Available-for-sale securities (*)	25,300
Other money held in trust	—
(+) Deferred tax assets (or (-) Deferred tax liabilities)	—
Valuation difference on available-for-sale securities (before following adjustments)	¥ 25,300
(-) Non-controlling interests	—
(+) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method	—
Valuation difference on available-for-sale securities	¥ 25,300

Fiscal year ended March 31, 2023

	<b>(In millions of U.S. dollars)</b>
Valuation difference	\$ 189
Available-for-sale securities (*)	189
Other money held in trust	—
(+) Deferred tax assets (or (-) Deferred tax liabilities)	—
Valuation difference on available-for-sale securities (before following adjustments)	\$ 189
(-) Non-controlling interests	—
(+) JBIC's interest in valuation difference on available-for-sale securities held by affiliates accounted for using the equity method	—
Valuation difference on available-for-sale securities	\$ 189

(\*) Foreign exchange translation differences and other related items for equity and other securities and partnership investments that are denominated in foreign currencies and whose market prices are not available are included in, and presented as, "Available-for-sale securities" under "Valuation difference."

## 19. Derivative transactions

Notes to derivative transactions for the fiscal years ended March 31, 2022 and 2023 are as follows:

(a) Derivative transactions not qualifying for hedge accounting

For derivative transactions not qualifying for hedge accounting, the contract value at the fiscal year end or notional amount defined in agreements, and fair value and valuation gain (loss) and the fair value calculation method are as follows. The contract value does not indicate the market risk of the derivative transactions.

(i) Interest rate-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(ii) Currency-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(iii) Equity-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(iv) Bond-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(v) Commodity-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(vi) Credit derivative transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(b) Derivative transactions qualifying for hedge accounting

For derivative transactions qualifying for hedge accounting, the contract value at the fiscal year end or notional amount defined in agreements, and fair value and its calculation method, by hedged item and by hedge accounting method, are as follows. The contract value does not indicate the market risk of the derivative transactions.

## (i) Interest rate-related transactions

Fiscal year ended March 31, 2022

(In millions of yen)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Interest rate swap	Loans and bills discounted Bonds payable			
	Receive/fixed and pay/floating		¥ 5,580,011	¥ 4,662,086	¥ (86,408)
	Receive/floating and pay/fixed		625,101	613,438	(2,893)
	Total		¥ —	¥ —	¥ (89,301)

Fiscal year ended March 31, 2023

(In millions of yen)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Interest rate swap	Loans and bills discounted Bonds payable			
	Receive/fixed and pay/floating		¥ 5,956,158	¥ 4,914,624	¥ (374,275)
	Receive/floating and pay/fixed		592,441	567,460	25,385
	Total		¥ —	¥ —	¥ (348,890)

Fiscal year ended March 31, 2023

(In millions of U.S. dollars)

Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Interest rate swap	Loans and bills discounted Bonds payable			
	Receive/fixed and pay/floating		\$ 44,605	\$ 36,805	\$ (2,803)
	Receive/floating and pay/fixed		4,437	4,250	190
	Total		\$ —	\$ —	\$ (2,613)

(ii) Currency-related transactions

Fiscal year ended March 31, 2022

(In millions of yen)					
Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Currency swap	Loans and bills discounted	¥ 4,194,367	¥ 2,800,719	¥ (373,545)
	Forward foreign exchange contracts	Investments in capital and other items			
	Sell		36,564	—	568
	Buy		164	—	(0)
	Total		¥ —	¥ —	¥ (372,977)

Note These are mainly accounted for using the deferral method of hedge accounting under the Industry-specific Committee Practical Guideline No. 25.

Fiscal year ended March 31, 2023

(In millions of yen)					
Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Currency swap	Loans and bills discounted	¥ 4,329,610	¥ 3,601,970	¥ (339,198)
	Forward foreign exchange contracts	Investments in capital and other items			
	Sell		5,541	—	12
	Buy		—	—	—
	Total		¥ —	¥ —	¥ (339,186)

Fiscal year ended March 31, 2023

(In millions of U.S. dollars)					
Hedge accounting	Type	Major hedged items	Contract value	Contract value (Maturing after one year)	Fair value
Basic accounting method	Currency swap	Loans and bills discounted	\$ 32,424	\$ 26,975	\$ (2,540)
	Forward foreign exchange contracts	Investments in capital and other items			
	Sell		41	—	0
	Buy		—	—	—
	Total		\$ —	\$ —	\$ (2,540)

Note These are mainly accounted for using the deferral method of hedge accounting under the Industry-specific Committee Practical Guideline No. 25.

(iii) Equity-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(iv) Bond-related transactions

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

## 20. Retirement benefits

### (a) Overview of retirement benefit plans

JBIC abolished the welfare pension fund plan effective October 1, 2014 and has established a defined benefit corporate pension plan and a defined contribution pension plan.

JBIC has a defined benefit pension plan comprised of a corporate pension plan (transferred from a welfare pension fund plan effective October 1, 2014) and a lump-sum severance indemnity plan. Although JBIC's corporate pension plan is a multi-employer plan, the amount of the pension assets corresponding to its own contribution can be reasonably calculated based on the ratio of the projected benefit obligations, and therefore notes are included in the following notes related to the defined pension plan.

Under the corporate pension plan (funded type), pension or lump-sum payments are provided based on salary and service period. Under the lump-sum severance indemnity plan (unfunded type), lump-sum payments are provided as retirement benefits based on salary and service period. In addition, JBIC has established a defined contribution-type retirement benefit plan effective October 1, 2014.

### (b) Defined benefit pension plan

#### (i) Changes in the projected benefit obligation

<u>Category</u>	<u>For the year ended March 31, 2022 (In millions of yen)</u>	<u>For the year ended March 31, 2023 (In millions of yen)</u>	<u>For the year ended March 31, 2023 (In millions of U.S. dollars)</u>
Projected benefit obligation at the beginning of the fiscal year	¥ 11,168	¥ 10,971	\$ 82
Service cost	468	452	3
Interest cost	31	46	0
Actuarial gains (losses)	(1)	(193)	(1)
Retirement benefit paid	(695)	(711)	(5)
Projected benefit obligation at the end of the fiscal year	<u>¥ 10,971</u>	<u>¥ 10,564</u>	<u>\$ 79</u>

#### (ii) Changes in the plan assets

<u>Category</u>	<u>For the year ended March 31, 2022 (In millions of yen)</u>	<u>For the year ended March 31, 2023 (In millions of yen)</u>	<u>For the year ended March 31, 2023 (In millions of U.S. dollars)</u>
Pension assets at the beginning of the fiscal year	¥ 4,830	¥ 4,914	\$ 36
Expected return on plan assets	96	98	1
Actuarial gains (losses)	86	(44)	(0)
Contributions by the employer	131	134	1
Retirement benefit paid	(231)	(228)	(2)
Pension assets at the end of the fiscal year	<u>¥ 4,914</u>	<u>¥ 4,873</u>	<u>\$ 36</u>

- (iii) Reconciliation of the projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset in the consolidated balance sheets

<u>Category</u>	<u>As of</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>As of</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Funded projected benefit obligation	¥ 6,015	¥ 5,737	\$ 43
Fair value of plan assets	(4,914)	(4,873)	(36)
	1,101	863	7
Unfunded projected benefit obligation	4,955	4,826	36
Net amount of assets and liabilities in the consolidated balance sheets	¥ 6,056	¥ 5,690	\$ 43
Defined benefit liability	6,056	5,690	43
Defined benefit asset	—	—	—
Net amount of assets and liabilities in the consolidated balance sheets	¥ 6,056	¥ 5,690	\$ 43

- (iv) Components of retirement benefit expense

<u>Category</u>	<u>For the year ended</u> <u>March 31, 2022</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of yen)</u>	<u>For the year ended</u> <u>March 31, 2023</u> <u>(In millions of</u> <u>U.S. dollars)</u>
Service cost	¥ 468	¥ 452	\$ 3
Interest cost	31	46	0
Expected return on plan assets	(96)	(98)	(1)
Realized actuarial loss	(88)	(149)	(1)
Retirement benefit expense	¥ 314	¥ 251	\$ 1

- (v) Plan assets

① Major components of plan assets

Percentages of components to the total are as follows:

<u>Category</u>	<u>As of</u> <u>March 31, 2022</u>	<u>As of</u> <u>March 31, 2023</u>
Debt securities	64%	62%
Stocks	25%	26%
General accounts of life insurance companies	11%	11%
Cash and due from banks	0%	1%
Other	0%	0%
Total	100%	100%

② Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and projected pension asset allocations as well as on the current and future rates of return expected from various assets that are components of plan assets.

- (vi) Principal assumptions used

Principal assumptions used in actuarial calculations

<u>Category</u>	<u>For the year ended</u> <u>March 31, 2022</u>	<u>For the year ended</u> <u>March 31, 2023</u>
Discount rate	0.42%	0.69%
Expected rate of return on plan assets	2.00%	2.00%
Expected rate of salary increase	4.06%	4.05%



(c) Defined contribution plan

Fiscal year ended March 31, 2022

The amount of contribution required to be made to the defined contribution plan was ¥27 million.

Fiscal year ended March 31, 2023

The amount of contribution required to be made to the defined contribution plan was ¥28 million (\$0 million).

## 21. Deferred tax accounting

(a) Breakdown of deferred tax assets and deferred tax liabilities

	As of March 31, 2022 (In millions of yen)	As of March 31, 2023 (In millions of yen)	As of March 31, 2023 (In millions of U.S. dollars)
Deferred tax assets			
Leasehold deposits (Asset retirement obligations)	¥ 2	¥ 3	\$ 0
Accrued income recognized for tax purposes	—	49	0
Bad debt expenses not deducted for tax purposes	—	1	0
Other	1	0	0
Sub total	4	55	0
Valuation allowance	(4)	(54)	(0)
Total deferred tax assets	¥ —	¥ 0	\$ 0

Deferred tax assets are included in, and presented as, Other assets in the consolidated balance sheets. Income taxes - deferred is included in, and presented as “Income taxes – current” in the consolidated statements of operations.

(b) Breakdown of major items resulting in a significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting

This information is not presented since JBIC is a nontaxable entity defined in the Article 2, Item 5 of the Corporation Tax Act (Act No. 34 of 1965) and therefore there is no significant difference between the effective statutory tax rate and the rate of income tax and other taxes after applying deferred tax accounting.

## 22. Revenue recognition

Information on the breakdown of revenue from contracts with customers is as follows:

Category	For the year ended March 31, 2022 (In millions of yen)	For the year ended March 31, 2023 (In millions of yen)	For the year ended March 31, 2023 (In millions of U.S. dollars)
Ordinary income	¥ 313,480	¥ 659,923	\$ 4,942
Of which, Fees and commissions	26,100	22,746	170
Financing and other similar activities	25,770	22,648	169
Investments and other similar activities	330	98	1

- Notes
1. Revenue presented in the above table has arisen from “Ordinary Operations.”
  2. The above table includes revenue that is based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

## 23. Segment information

(a) Segment summary

The JBIC Group’s operating segments are those for which discrete financial information is available, and whose operating results are regularly reviewed by JBIC’s management.

The JBIC Group is a policy-based financial institution wholly owned by the Japanese government, which has the purpose of contributing to the sound development of Japan and the international economy and society, while supplementing the financial transactions implemented by private-sector financial institutions by performing financial operations from four viewpoints: i.e., “promotion of the overseas development and securement of resources which are important for Japan”; “maintenance and improvement of the international competitiveness of Japanese industries”; “promotion of the overseas business having the purpose of preserving the global environment, such as preventing global warming”; and “prevention of disruptions to international financial order or implementation of appropriate measures with respect to damages caused by such disruption.” To achieve these purposes, for business operations defined under the Act on Japan Bank for International Cooperation and other acts, JBIC has two reporting segments: “Ordinary Operations” account and “Special Operations” account. Accounting operations are separately carried out for respective accounts.

The “Ordinary Operations” account covers the businesses which are not included in the “Special Operations” account of the JBIC Group. The Ordinary Operations account also includes the investment business of the consolidated subsidiaries.

The “Special Operations” account includes the businesses that offer financing services such as lending to overseas infrastructure business projects that has risks but generate a sufficient level of expected return.

- (b) Method of calculating ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Accounting treatments applied to business segments reported are the same as those disclosed in “Notes to Consolidated Financial Statements.” The amount of profit (or loss) of reportable segments is based on Net income attributable to owner of parent.

- (c) Information about the amount of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2022

	(In millions of yen)				
	Ordinary Operations	Special Operations	Sub-total for reportable segments	Adjustments	Amount reported in the consolidated financial statements
Ordinary income					
(1) Ordinary income from customers	¥ 312,965	¥ 1,896	¥ 314,862	¥ (1,381)	¥ 313,480
(2) Intersegment ordinary income	52	—	52	(52)	—
Total	<u>¥ 313,018</u>	<u>¥ 1,896</u>	<u>¥ 314,914</u>	<u>¥ (1,433)</u>	<u>¥ 313,480</u>
Segment profit	17,153	145	17,299	—	17,299
Segment assets	18,109,423	320,046	18,429,469	(39)	18,429,429
Segment liabilities	15,520,239	6,262	15,526,502	(39)	15,526,462
Other items					
Depreciation and amortization	3,067	—	3,067	—	3,067
Interest income	226,708	1,809	228,518	(545)	227,973
Interest expense	135,362	545	135,908	(545)	135,363
Profits of equity method investments	1,483	—	1,483	—	1,483
Impairment losses on equity and other securities	2,526	—	2,526	—	2,526
Extraordinary income	4	—	4	—	4
Gain on disposal of noncurrent assets	4	—	4	—	4
Extraordinary loss	0	—	0	—	0
Loss on disposal of noncurrent assets	0	—	0	—	0
Income tax expenses	48	—	48	—	48
Equity method investments	33,754	—	33,754	—	33,754
Increase in Property, plant and equipment and Intangible assets	8,148	—	8,148	—	8,148
Reversal of allowance for loan losses	—	83	83	(83)	—
Provision of allowance for loan losses	131,076	—	131,076	(83)	130,992

Notes 1. Ordinary income is disclosed in place of sales for non-financial companies. Adjustments for the difference represent adjustments related to the difference between ordinary income and Ordinary income disclosed in the consolidated statements of operations.

2. Adjustments above are as described below.

(1) Adjustments to ordinary income from customers, which is ¥1,381 million represent reclassification of accounts.

(2) Other adjustments represent elimination of intersegment transactions.

Fiscal year ended March 31, 2023

	(In millions of yen)				
	Ordinary Operations	Special Operations	Sub-total for reportable segments	Adjustments	Amount reported in the consolidated financial statements
Ordinary income					
(1) Ordinary income from customers	¥ 657,719	¥ 2,234	¥ 659,954	¥ (30)	¥ 659,923
(2) Intersegment ordinary income	62	—	62	(62)	—
Total	<u>¥ 657,782</u>	<u>¥ 2,234</u>	<u>¥ 660,016</u>	<u>¥ (93)</u>	<u>¥ 659,923</u>
Segment profit	155,621	964	156,585	—	156,585
Segment assets	19,826,521	331,398	20,157,920	(37)	20,157,883
Segment liabilities	17,202,608	5,917	17,208,526	(37)	17,208,488
Other items					
Depreciation and amortization	3,445	—	3,445	—	3,445
Interest income	568,495	2,071	570,567	—	570,567
Interest expense	459,290	731	460,022	—	460,022
Profits of equity method investments	2,058	—	2,058	—	2,058
Impairment losses on equity and other securities	3,486	—	3,486	—	3,486
Extraordinary income	13	—	13	—	13
Gain on disposal of noncurrent assets	13	—	13	—	13
Extraordinary loss	0	—	0	—	0
Loss on disposal of noncurrent assets	0	—	0	—	0
Income tax expenses	13	—	13	—	13
Equity method investments	44,298	—	44,298	—	44,298
Increase in Property, plant and equipment and Intangible assets	4,240	—	4,240	—	4,240
Reversal of allowance for loan losses	19,194	158	19,352	—	19,352

Fiscal year ended March 31, 2023

	(In millions of U.S. dollars)				
	Ordinary Operations	Special Operations	Sub-total for reportable segments	Adjustments	Amount reported in the consolidated financial statements
Ordinary income					
(1) Ordinary income from customers	\$ 4,925	\$ 17	\$ 4,942	\$ (0)	\$ 4,942
(2) Intersegment ordinary income	1	—	1	(1)	—
Total	<u>\$ 4,926</u>	<u>\$ 17</u>	<u>\$ 4,943</u>	<u>\$ (1)</u>	<u>\$ 4,942</u>
Segment profit	1,166	7	1,173	—	1,173
Segment assets	148,480	2,482	150,962	(1)	150,961
Segment liabilities	128,830	44	128,874	(1)	128,873
Other items					
Depreciation and amortization	26	—	26	—	26
Interest income	4,257	16	4,273	—	4,273
Interest expense	3,440	5	3,445	—	3,445
Profits of equity method investments	15	—	15	—	15
Impairment losses on equity and other securities	26	—	26	—	26
Extraordinary income	0	—	0	—	0
Gain on disposal of noncurrent assets	0	—	0	—	0
Extraordinary loss	0	—	0	—	0
Loss on disposal of noncurrent assets	0	—	0	—	0
Income tax expenses	0	—	0	—	0
Equity method investments	332	—	332	—	332
Increase in Property, plant and equipment and Intangible assets	32	—	32	—	32
Reversal of allowance for loan losses	144	1	145	—	145

- Notes
1. Ordinary income is disclosed in place of sales for non-financial companies. Adjustments for the difference represent adjustments related to the difference between ordinary income and Ordinary income disclosed in the consolidated statements of operations.
  2. Adjustments above are as described below.
    - (1) Adjustments to ordinary income from customers, which is ¥30 million (\$0 million) represent reclassification of accounts.
    - (2) Other adjustments represent elimination of intersegment transactions.

(d) Related information

Fiscal year ended March 31, 2022

(i) Information about services

The information about services is not presented since ordinary income from outside customers in relation to the loan, guarantee and equity participation operations is more than 90% of Ordinary income on the consolidated statements of operations.

(ii) Information about geographical areas

① Ordinary income:

(In millions of yen)				
Japan	Asia/ Oceania	Europe/Middle East /Africa	North America/ Latin America	Total
¥ 40,979	¥ 117,972	¥ 106,269	¥ 48,259	¥ 313,480

- Notes
1. Ordinary income is disclosed in place of sales for non-financial companies.
  2. Ordinary income is disclosed based on the location of the customers and is classified by country or region.

② Property, plant and equipment

The information about property, plant and equipment is not presented since more than 90% of Property, plant equipment on the consolidated balance sheets is located in Japan.

(iii) Information about major customers

The information about major customers is not presented since there are no transactions with a certain customer which result in more than 10% of Ordinary income on the consolidated statements of operations.

Fiscal year ended March 31, 2023

(i) Information about services

The information about services is not presented since ordinary income from outside customers in relation to the loan, guarantee and equity participation operations is more than 90% of Ordinary income on the consolidated statements of operations.

(ii) Information about geographical areas

① Ordinary income:

(In millions of yen)				
Japan	Asia/ Oceania	Europe/Middle East /Africa	North America/ Latin America	Total
¥ 189,758	¥ 191,701	¥ 158,509	¥ 119,954	¥ 659,923

(In millions of U.S. dollars)				
Japan	Asia/ Oceania	Europe/Middle East /Africa	North America/ Latin America	Total
\$ 1,421	\$ 1,436	\$ 1,187	\$ 898	\$ 4,942

- Notes
1. Ordinary income is disclosed in place of sales for non-financial companies.
  2. Ordinary income is disclosed based on the location of the customers and is classified by country or region.

② Property, plant and equipment

The information about property, plant and equipment is not presented since more than 90% of Property, plant equipment on the consolidated balance sheets is located in Japan.

(iii) Information about major customers

The information about major customers is not presented since there are no transactions with a certain customer which result in more than 10% of Ordinary income on the consolidated statements of operations.

(e) Information about impairment losses of property, plant and equipment in reportable segments

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(f) Information about the amortization and balance of goodwill in reportable segments

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(g) Information about gains from the recognition of negative goodwill in reportable segments

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

## 24. Related-party information

1. Related party transactions

(1) Related party transactions with JBIC

(a) Transactions with major shareholder

Fiscal year ended March 31, 2022

										(In millions of yen)	
	Related party name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions (Note 4)	Items	Balance as of March 31, 2022 (Note 4)	
Principal shareholder	Ministry of Finance (Minister of Finance)	Chiyoda-ku, Tokyo	—	Administration for policy based financing	100 (Direct)	Receipt of funds	Capital subscription (Note 1)	¥ 60,000	—	¥ —	
							Receipt of funds (Note 2)	1,310,687	Borrowed money	7,554,208	
							Repayment of borrowed money	926,306			
							Payment of interest on borrowed money (Note 2)	21,107	Accrued expense	7,523	
							Guarantee for corporate bonds (Note 3)	5,574,984	—	—	

- Notes
1. Ministry of Finance subscribed new shares issued by JBIC through an allotment to the shareholder for ¥1 per share.
  2. Receipt of funds represents borrowings from the FILP special account and Foreign Exchange Funds Special Account (“FEFSA”). FILP interest rates are applied in accordance with the FILP agreement, while the interest rates under the respective agreements related to the FEFSA are applied to borrowings from foreign exchange funds.
  3. No guarantee fee has been paid for the guarantee of bonds.
  4. Figures in the table above do not include consumption taxes.

Fiscal year ended March 31, 2023

										(In millions of yen)	
	Related party name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions (Note 4)	Items	Balance as of March 31, 2023 (Note 4)	
Principal shareholder	Ministry of Finance (Minister of Finance)	Chiyoda-ku, Tokyo	—	Administration for policy based financing	100 (Direct)	Receipt of funds	Capital subscription (Note 1)	¥ 85,000	—	¥ —	
							Receipt of funds (Note 2)	3,433,096	Borrowed money	8,513,677	
							Repayment of borrowed money	2,999,052			
							Payment of interest on borrowed money (Note 2)	186,843	Accrued expense	68,641	
							Guarantee for corporate bonds (Note 3)	6,171,755	—	—	

Fiscal year ended March 31, 2023

										(In millions of U.S. dollars)	
	Related party name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions (Note 4)	Items	Balance as of March 31, 2023 (Note 4)	
Principal shareholder	Ministry of Finance (Minister of Finance)	Chiyoda-ku, Tokyo	—	Administration for policy based financing	100 (Direct)	Receipt of funds	Capital subscription (Note 1)	\$ 637	—	\$ —	
							Receipt of funds (Note 2)	25,710	Borrowed money	63,759	
							Repayment of borrowed money	22,460			
							Payment of interest on borrowed money (Note 2)	1,399	Accrued expenses	514	
							Guarantee for corporate bonds (Note 3)	46,220	—	—	

- Notes
1. Ministry of Finance subscribed new shares issued by JBIC through an allotment to the shareholder for ¥1 (\$0.007) per share.
  2. Receipt of funds represents borrowings from the FILP special account and FEFSAs. FILP interest rates are applied in accordance with the FILP agreement, while the interest rates under the respective agreements related to the FEFSAs are applied to borrowings from foreign exchange funds.
  3. No guarantee fee has been paid for the guarantee of bonds.
  4. Figures in the table above do not include consumption taxes.

## (b) Transactions with fellow subsidiaries and subsidiaries of any other associated companies

Fiscal year ended March 31, 2022

(In millions of yen)										
	Corporate name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions	Items	Balance as of March 31, 2022
Entities that had the majority of their voting rights held by principal shareholder	Japan International Cooperation Agency	Chiyoda-ku, Tokyo	¥ 8,310,588	Official development assistance	None	Joint obligor	Joint obligations	¥ 20,000 (Notes 1, 3)	—	¥ —
	Japan Finance Corporation	Chiyoda-ku, Tokyo	11,612,727	Finance	None	Joint obligor	Joint obligations	60,000 (Notes 2, 3)	—	—

- Notes
1. JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and the Japan International Cooperation Agency ("JICA") is jointly responsible for the obligations of these bonds in accordance with the provision of Article 4 (1) of Supplementary Provisions of the Japan International Cooperation Agency Act (Act No. 136 of 2002). Pursuant to Article 4 (2) hereof, all of JICA's assets are pledged as general collateral for these joint obligations.
  2. JBIC is jointly responsible for the obligations of JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are all pledged as general collateral for these joint obligations.
  3. In relation to these joint obligations, no transactions are recognized in the consolidated statements of operations.

Fiscal year ended March 31, 2023

(In millions of yen)										
	Corporate name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions	Items	Balance as of March 31, 2023
Entities that had the majority of their voting rights held by principal shareholder	Japan International Cooperation Agency	Chiyoda-ku, Tokyo	¥ 8,357,429	Official development assistance	None	Joint obligor	Joint obligations	¥ 20,000 (Notes 1, 3)	—	¥ —
	Japan Finance Corporation	Chiyoda-ku, Tokyo	11,696,178	Finance	None	Joint obligor	Joint obligations	60,000 (Notes 2, 3)	—	—

Fiscal year ended March 31, 2023

(In millions of U.S. dollars)										
	Corporate name	Location	Capital	Business	Ratio to total voting rights (%)	Relationship with related parties	Transactions	Amounts of transactions	Items	Balance as of March 31, 2023
Entities that had the majority of their voting rights held by principal shareholder	Japan International Cooperation Agency	Chiyoda-ku, Tokyo	\$ 62,588	Official development assistance	None	Joint obligor	Joint obligations	\$ 150 (Notes 1, 3)	—	\$ —
	Japan Finance Corporation	Chiyoda-ku, Tokyo	87,592	Finance	None	Joint obligor	Joint obligations	449 (Notes 2, 3)	—	—

- Notes
1. JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and the Japan International Cooperation Agency ("JICA") is jointly responsible for the obligations of these bonds in accordance with the provision of Article 4 (1) of Supplementary Provisions of the Japan International Cooperation Agency Act (Act No. 136 of 2002). Pursuant to Article 4 (2) hereof, all of JICA's assets are pledged as general collateral for these joint obligations.
  2. JBIC is jointly responsible for the obligations of JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are all pledged as general collateral for these joint obligations.
  3. In relation to these joint obligations, no transactions are recognized in the consolidated statements of operations.

## (2) Transactions between consolidated subsidiaries and related parties

Not applicable.

2. Notes to the parent company or significant affiliates

(1) Parent company information

Not applicable.

(2) Condensed financial information of significant affiliates

Significant affiliates of JBIC are IFC Capitalization (Subordinated Debt) Fund, L.P. and IFC Capitalization (Equity) Fund, L.P. in the current fiscal year. Their condensed financial information is as shown below:

	<u>For the year ended March 31, 2022</u> (In millions of yen)	<u>For the year ended March 31, 2023</u> (In millions of yen)	<u>For the year ended March 31, 2023</u> (In millions of U.S. dollars)
Total assets	¥ 43,009	¥ 42,325	\$ 317
Total liabilities	132	111	1
Total net assets	42,877	42,214	316
Gain on investment	2,136	2,945	22
Net income before income taxes	1,452	1,430	11
Net income	1,452	1,430	11

**25. Amounts per share**

Amounts per share as of and for the fiscal years ended March 31, 2022 and 2023 are calculated as follows:

	<u>For the year ended March 31, 2022</u> (In yen)	<u>For the year ended March 31, 2023</u> (In yen)	<u>For the year ended March 31, 2023</u> (In U.S. dollars)
Net assets per share of common stock	¥ 1.54	¥ 1.50	\$ 0.01
Net income per share of common stock	0.00	0.08	0.00

Note 1. Net income per share of common stock is based on the following information.

Diluted net income per share of common stock is not presented since there are no dilutive shares.

	<u>For the year ended March 31, 2022</u> (In millions of yen)	<u>For the year ended March 31, 2023</u> (In millions of yen)	<u>For the year ended March 31, 2023</u> (In millions of U.S. dollars)
Net income attributable to owner of parent	¥ 17,299	¥ 156,585	\$ 1,173
Amount not attributable to common stock	—	—	—
Net income attributable to owner of parent related to common stock	17,299	156,585	1,173
Average number of outstanding shares of common stock (during the fiscal year)	1,815,279,452 thousand shares	1,875,663,013 thousand shares	

Note 2. Net assets per share of common stock is based on the following information.

	<u>As of March 31, 2022</u> (In millions of yen)	<u>As of March 31, 2023</u> (In millions of yen)	<u>As of March 31, 2023</u> (In millions of U.S. dollars)
Net assets	¥ 2,902,967	¥ 2,949,394	\$ 22,088
Deductions from net assets (Non-controlling interests)	350	283	2
Net assets related to common stock	2,902,617	2,949,110	22,086
Year-end number of outstanding shares of common stock based on which net assets per share was calculated	1,873,800,000 thousand shares	1,958,800,000 thousand shares	



## 26. Bonds payable

Bonds payable as of March 31, 2023 are as follows:

(In millions of yen)								
Name of company	Description of bonds payable	Date of issuance	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year	Interest rate (%)	Collateral	Maturity date	Remarks
JBIC	Government guaranteed JBIC foreign bonds 4 <sup>th</sup> , 9 <sup>th</sup> , 10 <sup>th</sup> , 12 <sup>th</sup> , 13 <sup>th</sup> , 15 <sup>th</sup> , 17 <sup>th</sup> , 19 <sup>th</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 28 <sup>th</sup> , 29 <sup>th</sup> , 31 <sup>st</sup> , 32 <sup>st</sup> , 34 <sup>st</sup> - 57 <sup>st</sup>	July 31, 2013 – February 15, 2023	5,574,984 (USD 45,222,492,000) (GBP 249,879,000)	6,171,755 [1,068,126] (USD 43,735,356,000) [USD 7,999,150,000] (GBP 249,907,000) (EUR 1,992,853,000)	0.375–4.375	General collateral	June 1, 2022 – April 15, 2031	
	JBIC bonds 23 <sup>rd</sup>	March 14, 2006	20,000	20,000	2.090	General collateral	December 19, 2025	*1
	Non-guaranteed JBIC domestic bonds 3 <sup>rd</sup>	August 10, 2017	40,000	—	0.030	General collateral	June 20, 2022	
	Total	—	¥ 5,634,984	¥ 6,191,755	—	—	—	—

(In millions of U.S. dollars)

Name of company	Description of bonds payable	Date of issuance	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year	Interest rate (%)	Collateral	Maturity date	Remarks
JBIC	Government guaranteed JBIC foreign bonds 4 <sup>th</sup> , 9 <sup>th</sup> , 10 <sup>th</sup> , 12 <sup>th</sup> , 13 <sup>th</sup> , 15 <sup>th</sup> , 17 <sup>th</sup> , 19 <sup>th</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 28 <sup>th</sup> , 29 <sup>th</sup> , 31 <sup>st</sup> , 32 <sup>st</sup> , 34 <sup>st</sup> - 57 <sup>st</sup>	July 31, 2013 – February 15, 2023	41,751 (USD 45,222,492,000) (GBP 249,879,000)	46,220 [7,999] (USD 43,735,356,000) [USD 7,999,150,000] (GBP 249,907,000) (EUR 1,992,853,000)	0.375–4.375	General collateral	June 1, 2022 – April 15, 2031	
	JBIC bonds 23 <sup>rd</sup>	March 14, 2006	149	150	2.090	General collateral	December 19, 2025	*1
	Non-guaranteed JBIC domestic bonds 3 <sup>rd</sup>	August 10, 2017	300	—	0.030	General collateral	June 20, 2022	
	Total	—	\$ 42,200	\$ 46,370	—	—	—	—

- Notes
- The amounts of foreign currency-denominated bonds are shown with original currencies in parentheses ( ).
  - Figures indicated in brackets [ ] represent the amounts to be redeemed within one year.
  - (\*1) JBIC assumed the obligations in respect of the JBIC bonds which had been issued by JBIC before JFC was established, and JBIC and JICA are jointly responsible for these obligations in accordance with the JBIC Act.
  - The redemption schedule of bonds payable for each of the next five years as of March 31, 2023 is as follows:

(In millions of yen)					
	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Bonds payable	¥ 1,068,240	¥ 867,945	¥ 1,422,065	¥ 749,099	¥ 779,987

(In millions of U.S. dollars)					
	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Bonds payable	\$ 8,000	\$ 6,500	\$ 10,650	\$ 5,610	\$ 5,841

## 27. Borrowings

Borrowings as of March 31, 2023 are as follows:

	Balance at the beginning of the current fiscal year (In millions of yen)	Balance at the beginning of the current fiscal year (In millions of U.S. dollars)	Balance at the end of the current fiscal year (In millions of yen)	Balance at the end of the current fiscal year (In millions of U.S. dollars)	Average interest rate (%)	Due date of payment
Borrowed money	¥ 7,554,208	\$ 56,573	¥ 8,513,677	\$ 63,759	3.74	—
Borrowings						May 2023 – February 2042
	7,554,208	56,573	8,513,677	63,759	3.74	
Other interest-bearing liabilities	18,610	139	30,860	231	(0.03)	—
Cash collateral received for financial instruments	18,610	139	30,860	231	(0.03)	—

- Notes
1. “Average interest rate” represents the weighted-average interest rates of debts calculated from “Interest rates” and “Balance at the end of the current fiscal year.”
  2. There is no fixed maturity date for the repayment of Cash collateral received for financial instruments.
  3. Maturities of borrowings for the next five years as of March 31, 2023 are as follows:

	(In millions of yen)				
	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Borrowings	¥ 800,832	¥ 880,486	¥ 1,736,954	¥ 1,712,287	¥ 2,129,416

	(In millions of U.S. dollars)				
	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Borrowings	\$ 5,997	\$ 6,594	\$ 13,008	\$ 12,823	\$ 15,947

## 28. Asset retirement obligations

This information is not presented because the amount of asset retirement obligations as of the beginning and end of the current fiscal year is equal to, or less than, one hundredth of the aggregated amount of Liabilities and Net assets as of the beginning and end of the current fiscal year.

## 29. Other

Not applicable.

Consent of Independent Auditor

We consent to the incorporation by reference in the Registration Statement (No. 333-250107) of Japan Bank for International Cooperation of our report dated August 7, 2023, with respect to the consolidated financial statements of Japan Bank for International Cooperation prepared in accordance with accounting principles generally accepted in Japan included in its Annual Report on Form 18-K for the year ended March 31, 2023.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
August 7, 2023

[TRANSLATION]

JAPAN BANK FOR INTERNATIONAL COOPERATION ACT  
(Act No. 39 of 2011)

Amendments

May 30, 2014 by Act No. 44 of 2014;

June 27, 2014 by Act No. 91 of 2014;

May 18, 2016 by Act No. 41 of 2016;

May 24, 2017 by Act No. 37 of 2017;

December 11, 2019 by Act No. 71 of 2019;

May 26, 2021 by Act No. 46 of 2021; and

April 14, 2023 by Act No.11 of 2023

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Supplementary Provisions

## CHAPTER 1: GENERAL PROVISIONS

### Article 1: Purpose

Japan Bank for International Cooperation shall be a *Kabushiki-Kaisha*, which has the purpose of contributing to the sound development of Japan and the international economy and society, by taking responsibility for the financial function to promote the overseas development and securement of resources which are important for Japan, to maintain and improve the international competitiveness of Japanese industries and to promote the overseas business having the purpose of preserving the global environment, such as preventing global warming, also providing the financial services that are necessary to prevent disruptions to international financial order or to take appropriate measures with respect to damages caused by such disruption, while having the objective of supplementing the financial transactions implemented by ordinary financial institutions.

### Article 2: Definitions

In this Act, the meaning of the terms listed in each of the following Items shall be as prescribed respectively in those Items.

- (1) “Juridical Persons, etc.” means associations, such as juridical persons, or individuals.
- (2) “Foreign Governments, etc.” means foreign governments, governmental agencies or local governments.
- (3) “Banks, etc.” means the banks set forth in the Banking Act (Act No. 59 of 1981), long-term credit banks set forth in the Long Term Credit Bank Act (Act No. 187 of 1952) and other financial institutions prescribed by a Cabinet Order.
- (4) “Specific Purpose Company, etc.” means the specific purpose company (*tokutei mokuteki kaisha*) defined in Paragraph 3 of Article 2 of the Act on Securitization of Assets (Act No. 105 of 1998) and the juridical persons that conduct the actions similar to the securitization of assets defined in Paragraph 2 of the same Article as prescribed by the Ordinance of the Ministry of Finance.
- (5) “Trust Company, etc.” means the trust companies defined in Paragraph 2 of Article 2 of the Trust Business Act (Act No. 154 of 2004), the foreign trust companies defined in Paragraph 5 of the same Article or the financial institutions which have obtained the authorization set forth in Paragraph 1 of Article 1 of the Act on Provision, etc. of Trust Business by Financial Institutions (Act No. 43 of 1943).
- (6) “Small and Medium Enterprises” means those who fall under any of the following Items:
  - a. Any company whose capital or total amount of contributions does not exceed three hundred million yen (¥300,000,000) (fifty million yen (¥50,000,000) for an enterprise which is principally engaged in a retail or service business, and one hundred million yen (¥100,000,000) for an enterprise which is principally engaged in a wholesale business), and any company and individual whose regular workforce does not exceed three hundred (300) persons (fifty (50) persons for an enterprise which is principally engaged in a retail business, and one hundred (100) persons for an enterprise which is principally engaged in a wholesale or service business), any of which/whom is engaged in a business (hereinafter referred to as the “Small and Medium Enterprise Specific Business”) belonging to the business category prescribed by a Cabinet Order (excluding those which are principally engaged in a business belonging to the business category prescribed by the Cabinet Order provided for in b below); and
  - b. Among the companies whose capital or total amount of contributions do not exceed the amount prescribed by a Cabinet Order for each business category, and the companies and individuals whose regular workforce does not exceed the number of employees prescribed by a Cabinet Order for each business category, any of which/whom is principally engaged in a business belonging to the business category prescribed by such Cabinet Order, those engaged in the Small and Medium Enterprise Specific Business.
- (7) “Foreign Juridical Persons, etc. Invested in” means the Juridical Persons, etc. of foreign countries (including the Juridical Persons, etc. of foreign countries having a continuous economic relationship, such as the supply of raw materials or the dispatching of officers, with the Juridical Persons, etc. of Japan) who are related to the contributions to the Juridical Persons, etc. of Japan.
- (8) “Foreign Financial Institutions, etc.” means foreign banks, other financial institutions, and other foreign juridical persons specified by the Minister of Finance.

- (9) “Public/Corporate Bonds, etc.” means (i) public bonds, corporate bonds or any equivalent bond certificates or (ii) beneficial interests in trust.
- (10) “Export of Equipment, etc.” means those that fall under any of the following Items:
- a. the export of equipment (including aircraft, ships and rolling stock; the same shall apply hereinafter) and the parts thereof and accessories thereto made in Japan and other goods made in Japan, the export of which is recognized to make a remarkable contribution to the development or securement of Japan’s export or import markets;
  - b. the sale in overseas of equipment and the parts thereof and accessories thereto made in overseas by the Juridical Persons, etc. of Japan or Foreign Juridical Persons, etc. Invested in, and any other products made in overseas by the Juridical Persons, etc. of Japan or Foreign Juridical Persons, etc. Invested in, that is recognized to make remarkable contribution to the development or securement of the sales markets overseas; or
  - c. the provision of the technologies which is recognized to contribute to the development or securement of Japan’s export or import markets or the sales markets overseas or to the promotion of Japan’s economic relations with foreign countries.
- (11) “Import of Important Goods, etc.” means the import or introduction of goods (including equipment) or technologies, which are essential for the sound development of Japan’s trade relations with foreign countries or the national economy.
- (12) “Guarantee, etc. of Liabilities” means the guarantee of liabilities (including any act to assume liabilities which is equivalent to the guarantee of liabilities, only if the liabilities have a guarantee period of more than one (1) year) and the transactions with respect to which the other party(ies) promises to make payment, while Japan Bank for International Cooperation (hereinafter referred to as “JBIC”) promises to make payment in the case any event related to the credit standing of the persons predetermined by JBIC and the other party(ies) has occurred (including those with respect to which the other party(ies) promises to transfer monetary claims, such as loan receivables and Public/Corporate Bonds, etc., upon the occurrence of such event) or similar transactions.
- (13) “Specific Trust” means the trust established by the methods listed in Item (1) of Article 3 of the Trust Act (Act No. 108 of 2006) (limited to those established in a manner of executing a trust agreement set forth in the same Item with the Trust Company, etc.), the trust established by the methods listed in Item (3) of the same Article or any equivalent actions.
- (14) “Co-financing” means the loan of funds (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a loan; the same shall apply hereinafter, excluding Article 32 and Paragraphs 1 and 6 of Article 33) by Banks, etc., concurrently with JBIC.

Article 3: Holding of Shares by Government

The Government shall, at all times, hold the total number of outstanding shares of JBIC.

Article 4: Government’s Contribution

1. The Government may, when it finds it to be necessary, make contributions to JBIC within the amount appropriated in the budget.
2. When a contribution is made by the Government pursuant to the provisions of the preceding Paragraph, JBIC shall, notwithstanding the provisions of Paragraph 2 of Article 445 of the Companies Act (Act No. 86 of 2005), be allowed not to record the amount exceeding half of such contribution amount as the capital. In this case, “this Act” referenced in Paragraph 1 of the same Article shall be deemed to be replaced with “this Act or Japan Bank for International Cooperation Act (Act No. 39 of 2011).”
3. When a contribution is made by the Government pursuant to the provisions of Paragraph 1, JBIC shall allocate the capital and reserves increased thereby, to the accounts related to the operations listed in each Item of Article 26-2, in accordance with the separation of accounting set forth in Article 26-2.

Article 5: Limitation, etc. on Use of Name

1. No person other than JBIC shall use the words “Japan Bank for International Cooperation” in its name.
2. The provisions of Paragraph 2 of Article 6 of the Banking Act shall not be applied to JBIC.

## CHAPTER 2: OFFICERS AND EMPLOYEES

Article 6: Resolution for Appointment and Removal, etc. of Officers, etc.

1. The resolution for the appointment and removal of the Officers, etc. (meaning Directors, Executive Officers and Auditor(s); the same shall apply hereinafter) of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.
2. The resolution for selection and displacement of a Representative Director or Representative Executive Officer of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.

Article 7: Provisions on Disqualification for Officer, etc.

No employees (other than persons in part-time employment) of the Government or a local government may be the Officers, etc. of JBIC.

Article 8: Prohibition of Concurrent Holding of Positions by Officers, etc.

No Officers, etc. (other than part-time Officers; the same shall apply in this Article) of JBIC shall become an officer of any for-profit organization other than JBIC or shall engage, for his/her own account, in any business for profit; provided, however, that this shall not apply when the Minister of Finance approve that such concurrent position will not interfere with such Officer's execution of his/her duties as the Officers, etc. and gives approval.

Article 9: Confidentiality Obligations of Officers, etc., Accounting Advisor and Employees

No Officers, etc., Accounting Advisor (if the Accounting Advisor is a juridical person, a member who should execute its duties; the same shall apply in the following Article and Article 45 hereof) or employees of JBIC shall disclose or misappropriate any secret they have learned in the course of their duties. The same shall apply after they leave their offices.

Article 10: Status of Officers, etc., Accounting Advisor and Employees

The Officers, etc., Accounting Advisor or employees of JBIC shall be deemed to be employees engaged in public service in accordance with laws and regulations, in so far as the application of penal provisions such as the Penal Code (Act No. 45 of 1907) is concerned.

## CHAPTER 3: OPERATIONS

Article 11: Scope of Operations

JBIC shall, for attaining its purpose, engage in the operations listed below:

- (1) The loan of funds necessary for the Export of Equipment, etc., the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds, in the case where the Foreign Financial Institutions, etc. or the Foreign Governments, etc. provide the Guarantee, etc. of Liabilities with respect to such funds, the Guarantee, etc. of Liabilities related to such Guarantee, etc. of Liabilities, or the acquisition of the Public/Corporate Bonds, etc. issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (2) The loan of funds necessary to ensure the reliable and timely Import of Important Goods, etc., the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds or the acquisition of the Public/Corporate Bonds, etc. to be issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (3) The loan of funds to be used directly or indirectly for the business which the Juridical Persons, etc. of Japan, Foreign Governments, etc. or Foreign Juridical Persons, etc. Invested in conduct outside Japan, the acquisition by assignment of loan receivables related to such funds, the Guarantee, etc. of Liabilities related to such funds, in the case where the Juridical Persons, etc. of Japan, Foreign Juridical Persons, etc. Invested in, Foreign Financial Institutions, etc. or Foreign Governments, etc. provide the Guarantee, etc. of Liabilities to the Juridical Persons, etc. of foreign countries with respect to such funds, the Guarantee, etc. of Liabilities related to such Guarantee, etc. of Liabilities, or the acquisition of the Public/Corporate Bonds, etc. to be issued in order to procure such funds by certain measures, such as acquisition through subscription;

- (4) (i) The loan to the Foreign Governments, etc., Foreign Financial Institutions, etc. or international organizations, such as the International Monetary Fund, of long-term funds (meaning the funds required to be provided for more than one (1) year; the same shall apply hereinafter) required for their overseas business or the import of goods or introduction of technologies by the foreign country concerned, or funds required to attain the international balance of payments or achieve the stability of the currency of the foreign country concerned, (ii) the acquisition by assignment of loan receivables related to such funds or the Guarantee, etc. of Liabilities related to such funds or (iii) the acquisition of the Public/Corporate Bonds, etc. issued in order to procure such funds by certain measures, such as acquisition through subscription;
- (4-2) When international organizations, such as the International Monetary Fund, loan long-term funds necessary for the business which is required for the overseas recovery or development, such as a business concerning the recovery from damage caused by wars, to foreign Juridical Persons, etc., such as Foreign Governments, etc. which are engaged in such business, the provision of Guarantee, etc. of Liabilities related to such funds (limited to those conducted to prevent disruptions to international financial order or to take appropriate measures with respect to damages caused by such disruption);
- (5) When it is found remarkably difficult for a foreign government or foreign resident to conduct overseas transactions, such as import by reason of the international balance of payments of the foreign country concerned, and it is found urgently necessary, the loan to the governments, governmental agencies or banks of the foreign country concerned, of the short-term funds (meaning the funds required necessary to be provided for one (1) year or less than one (1) year; the same shall apply hereinafter) necessary to facilitate overseas transactions, such as import, until the International Monetary Fund, etc. (meaning international organizations, such as the International Monetary Fund, or governments, governmental agencies or banks of more than two (2) countries other than that foreign country concerned; the same shall apply hereinafter) provides funds to assist the development of the economy of the foreign country concerned (hereinafter referred to as the “Funds for Economic Assistance”);
- (6) The provision of contributions to persons who are carrying on business outside Japan (including those Juridical Persons, etc. of Japan whose sole purpose is to make overseas investments and who make contributions to those carrying on the aforesaid business) to contribute funds required for their business;
- (7) The carrying out of the necessary studies related to the operations listed in each of the preceding Items;
- (8) The provision of information to the users of operations provided by JBIC that pertains to such operations; and
- (9) Any other operations incidental to those listed in each of the preceding Items (excluding those listed in Item (7)).

Article 12:

1. Among the operations listed in Item (1) of the preceding Article, those which are related to the Export of Equipment, etc. destined for any area other than developing overseas areas (hereinafter referred to as the “Developing Areas”) may be conducted only in the cases listed below:
  - (1) when necessary countermeasures are taken in accordance with multilateral arrangements in the case where the Foreign Governments, etc., in which exporters conduct the export destined for the said area, grant credit, underwrite insurance or provide an interest (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an interest; the same shall apply hereinafter in Paragraph 2 of Article 16) support with more favorable conditions than usual in order to promote the export from such foreign countries; or
  - (2) when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries.
2. Among the operations listed in Item (1) of the preceding Article, those relating to the funds provided to the Juridical Persons, etc. of Japan may be conducted only in the cases listed below:
  - (1) where Banks, etc. provide Foreign Juridical Persons, etc. with the loan of funds with respect to the Export of Equipment, etc. necessary for the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas, and JBIC provides the loan of necessary funds for such loan to the Banks, etc.; or



- (2) where the execution of the export by the Juridical Persons, etc. of Japan has become remarkably difficult due to disruptions to international financial order and the Minister of Finance determines that the exceptions of operations of JBIC are necessary in order to deal therewith.
3. Among the operations listed in Item (2) of the preceding Article, other than those conducted in order to promote overseas development and securement of resources important for Japan, only those relating to the funds listed below that are the Guarantee, etc. of Liabilities may be conducted:
  - (1) funds necessary to import the products, such as aircraft, specified by the Minister of Finance, with respect to which the products made in Japan are not sufficient to replace and the import to Japan is essential; or
  - (2) funds necessary to introduce such technologies specified by the Minister of Finance, with respect to which the technologies of Japan are not sufficient to replace and the introduction to Japan is essential.
4. Among the operations listed in Item (3) of the preceding Article, those relating to the short-term loans may be conducted only in the case where JBIC has agreed to make loan of funds (excluding short-term funds) set forth in the same Item for the execution of business conducted by the Juridical Persons, etc. of Japan and the Foreign Juridical Persons, etc. Invested in and such loan of funds is recognized especially necessary in order to execute such business.
5. Among the operations listed in Item (3) of the preceding Article, the loan of funds necessary for the overseas business to be conducted by the Juridical Persons, etc. of Japan, other than those listed in Item (2) of the following Paragraph, may be conducted only if such loan is provided directly to such Juridical Persons, etc.
6. Among the operations listed in Item (3) of the preceding Article (excluding those conducted in order to promote overseas development and securement of resources important for Japan), loans to the Juridical Persons, etc. of Japan, other than the loans to the Small and Medium Enterprises, etc. (meaning the Small and Medium Enterprises or medium enterprises specified by the Minister of Finance; hereinafter the same shall apply) may be conducted only in the cases listed below.
  - (1) When the Juridical Persons, etc. of Japan begin or expand overseas business, or improve the efficiency thereof by contributing to the foreign juridical persons or accepting the assignment of all or part of the business of the foreign juridical persons (hereinafter referred to as “Contributions, etc.” in this Item), in the case where the loan of funds necessary for such Contributions, etc. is provided (only when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries).
  - (2) When the Banks, etc. provide the loan of funds listed below, in the case where the loan of funds necessary for such loan by such Banks, etc. is provided to such Banks, etc.:
    - a. loan of funds set forth in Item (3) of the preceding Article to the Small and Medium Enterprises, etc. or the Foreign Juridical Persons, etc. Invested in related to the contribution of the Small and Medium Enterprises, etc.;
    - b. loan of funds set forth in the preceding Item to the Juridical Persons, etc. of Japan (limited to those prescribed by the Cabinet Order set forth in the same Item); or
    - c. loan of funds set forth in Item (3) of the preceding Article to the Juridical Persons, etc. of Japan, Foreign Governments, etc., or Foreign Juridical Persons, etc. Invested in (limited to those related to the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas).
  - (3) When the loan of necessary funds is provided to the Juridical Persons, etc. of Japan for such Juridical Persons, etc. to conduct a business of leasing equipment made in Japan to overseas market (limited to those prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries).
  - (4) When the execution of overseas business of the Juridical Persons, etc. of Japan has become remarkably difficult due to disruptions to international financial order, in the case where the Minister of Finance determines that the exceptions of operations of JBIC are necessary in order to deal therewith.

7. Among the operations listed in Item (3) of the preceding Article (excluding those conducted in order to promote overseas development and securement of resources important for Japan), with respect to the business in any area other than the Developing Areas may be conducted only when it is prescribed by a Cabinet Order as being a case recognized especially necessary in order to promote the policies of the Government concerning the maintenance or improvement of the international competitiveness of Japanese industries.
8. The loan to the governments, governmental agencies or banks of foreign countries listed in Item (5) of the preceding Article may be conducted by obtaining the authorization of the Minister of Finance only when the provision of the Funds for Economic Assistance from the International Monetary Fund, etc. is expected to be certain and only in the cases listed below:
  - (1) where, by appropriating all or part of the Funds for Economic Assistance from the International Monetary Fund, etc. (excluding JBIC) for the redemption of the funds related to the loan, the redemption is expected to be secured; or
  - (2) where adequate underlying assets are secured for the loan.
9. Among the operations listed in Items (1) through (4) of the preceding Article, the Guarantee, etc. of Liabilities related to the liabilities of any person other than the Juridical Persons, etc. of Japan (excluding those related to the Public/Corporate Bonds, etc.) may be provided only in the cases listed below:
  - (1) When the Banks, etc., Foreign Financial Institutions, etc. or Foreign Governments, etc. provide the loan of such funds set forth in Items (1) through (4) of the preceding Article, in the case where the Guarantee, etc. of Liabilities related to such loan is provided (including the case in which the loan receivables related to such loan are assigned to the persons specified by the Minister of Finance);
  - (2) In the case where the Guarantee, etc. of Liabilities related to the Guarantee, etc. of Liabilities set forth in Items (1) and (3) of the preceding Article is provided;
  - (3) When, among the Guarantee, etc. of Liabilities related to the funds set forth in Item (3) of the preceding Article, the Juridical Persons, etc. of Japan or the Foreign Juridical Persons, etc. Invested in assign the monetary claims related to the overseas business to be conducted by the Juridical Persons, etc. of Japan or the Foreign Juridical Persons, etc. Invested in to the Banks, etc. or Foreign Financial Institutions, etc. and use the proceeds from the assignment for such business, in the case where the Guarantee, etc. of Liabilities related to such monetary claims is provided; or
  - (4) When the Banks, etc. or Foreign Financial Institutions, etc. provide the loan of funds set forth in Item (3) of the preceding Article in foreign currency, in the case where the Guarantee, etc. of Liabilities related to swap transactions (transactions listed in Item 5 of Paragraph 22 of Article 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948)) related to such funds conducted by such Banks, etc. or Foreign Financial Institutions, etc., is provided.
10. Among the operations listed in Items (1) through (4) of the preceding Article, the Guarantee, etc. of Liabilities (limited to those related to the Public/Corporate Bonds, etc.) and the acquisition of the Public/Corporate Bonds, etc. may be conducted only in the cases listed below (with respect to the operations listed in Items (1) through (3) of the same Article, the cases listed in Items (2) through (7) below shall apply):
  - (1) where part of the Public/Corporate Bonds, etc. (limited to those with a redemption period of more than one (1) year; the same shall apply in the following Item and Item (3) below) that were issued by the Foreign Financial Institutions, etc., the Foreign Governments, etc. or international organizations, such as the International Monetary Fund, are acquired;
  - (2) where the Public/Corporate Bonds, etc. are acquired and then such Public/Corporate Bonds, etc. are assigned to the Specific Purpose Company, etc. within the period specified by the Minister of Finance or where the Specific Trust is established, the Public/Corporate Bonds, etc. are entrusted to the Trust Company, etc. as assets of such Specific Trust, and then all or part of beneficial interests in such Specific Trust is assigned;
  - (3) where the Public/Corporate Bonds, etc. to be issued by the Specific Purpose Company, etc. or the Trust Company, etc. which are secured by loan receivables or the Public/Corporate Bonds, etc. are acquired;
  - (4) where the Guarantee, etc. of Liabilities relating to the Public/Corporate Bonds, etc. to be issued by the Foreign Juridical Persons, etc. Invested in, the Foreign Financial Institutions, etc., the Foreign Governments, etc. or international organizations, such as the International Monetary Fund, is provided;

- (5) where the Guarantee, etc. of Liabilities related to such loan receivables, Public/Corporate Bonds, etc. or the monetary claims, which constitute such underlying assets, or the Public/Corporate Bonds, etc. to be issued by the Specific Purpose Company, etc. or the Trust Company, etc. is provided (excluding the Guarantee, etc. of Liabilities related to the Public/Corporate Bonds, etc. to be issued by the Banks, etc.) when the Specific Purpose Company, etc. or the Trust Company, etc. issues the Public/Corporate Bonds, etc. which are secured by loan receivables, the Public/Corporate Bonds, etc. or the monetary claims set forth in Item (3) of the preceding Paragraph;
  - (6) where the Guarantee, etc. of Liabilities related to the borrowing of funds by the Specific Purpose Company, etc. for the purpose of acquiring by assignment, or acquiring, such loan receivables or Public/Corporate Bonds, etc., which constitute such underlying assets, is provided when the Specific Purpose Company, etc. issues the Public/Corporate Bonds, etc., which are secured by loan receivables or the Public/Corporate Bonds, etc.; or
  - (7) where corporate bonds, any equivalent bond certificates or beneficial interests in trust (limited to those with a redemption period of more than one (1) year) that were issued by Juridical Persons, etc. in order to procure the funds necessary for the business with respect to the development of infrastructure and other foundation for socioeconomic activities overseas, are acquired.
11. Among the operations listed in Items (1) through (4) of the preceding Article, those listed below shall be conducted only when the loan thereof or the loan related to the loan receivables to be assigned is the Co-financing; provided, however, that this shall not apply, with respect to the operations listed in Item (1) below, in the case where it is recognized that it is remarkably difficult for the Banks, etc. to provide a loan of funds together with JBIC and the loan from JBIC is urgently necessary to attain the purpose of such loan, or if the case falls under any of the cases listed in Item (1) of Paragraph 2 or Item (2) of Paragraph 6 hereof, with respect to the operations listed in Item (2) below, in the case where the loan receivables to the Foreign Juridical Persons, etc. Invested in with a redemption period of more than one (1) year are acquired by assignment within the period specified by the Minister of Finance for the purpose of assigning the same to the Specific Purpose Company, etc. or for the purpose of establishing the Specific Trust, with respect to the same, in the Trust Company, etc. and assigning all or part of the beneficial interest in such Specific Trust:
- (1) loan of funds pursuant to the provisions of Items (1) through (3) of the preceding Article made to the Juridical Persons, etc. of Japan; or
  - (2) acquisition by assignment of the loan receivables pursuant to the provisions of Items (1) through (4) of the preceding Article.
12. The operations listed in Item (7) of the preceding Article may be conducted only if they are the minimum necessary to promote the performance of the operations listed in Items (1) through (6) of the same Article smoothly and effectively.

#### Article 13: Practice of the Operation

1. The loan of funds, the acquisition by assignment of loan receivables, the acquisition of the Corporate/Public Bonds, etc., the Guarantee, etc. of Liabilities or the provision of contributions pursuant to the provisions of Items (1) through (6) of Article 11 hereof may be conducted only in the cases listed below:
  - (1) when the repayment of the funds so loaned, the collection of loan receivables so acquired, the redemption of Corporate/Public Bonds, etc. so acquired, the performance of the liabilities so guaranteed, etc. or the realization of profits that enable the payment of dividends resulting from business so contributed is recognized as being certain; or
  - (2) when the conditions, such as the interest rates (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to interest rates; the same shall apply hereinafter in the following Paragraph) of loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a loan; the same shall apply hereinafter in the following Paragraph and Paragraph 2 of Article 16) and yield on loan receivables related to such loan (excluding loan of funds pursuant to the provisions of Items (2) and (5) of Article 11), such acquisition by assignment (excluding acquisition by assignment of loan receivables pursuant to the provisions of Item (2) of the same Article), such acquisition (excluding the acquisition of the Public/Corporate Bonds, etc. pursuant to the provisions of the same Item), such Guarantee, etc. of Liabilities (excluding Guarantee, etc. of Liabilities pursuant to the provisions of the same Item and Item (4-2) of the same Article) or such contribution (for all such operations, limited to those related to the businesses with respect to the development of infrastructure and other foundation for socioeconomic activities overseas), are recognized as being appropriate, in light of the risks, etc. of such loans, such assigned loan receivables and other assets becoming irrecoverable (excluding the cases listed in the preceding Item).

2. The conditions, such as the interest rates of loans and yield on assigned loan receivables related to the operations listed in Items (1) through (6) of Article 11, shall be determined in light of usual conditions for transactions by the Banks, etc. or the trends of financial markets, so that revenue of each of the accounts of the respective operations listed in each of the Items of Article 26-2 will be sufficient to cover the expenses therefor.

Article 13-2: Special Operations Guidelines

1. The Minister of Finance shall prescribe and make public the guidelines (hereinafter referred to as the "Special Operations Guidelines" in the following Paragraph and Paragraph 1 of the following Article) that JBIC shall follow upon conducting the operations listed below (hereinafter referred to as the "Special Operations"):
  - (1) Operations listed in Items (1), (3), (4) and (6) of Article 11 that are conducted in the cases listed in Item (2), Paragraph 1 of the preceding Article;
  - (2) Operations listed in Item (7) of Article 11 related to the operations listed in the preceding Item;
  - (3) Operations listed in Item (8) of Article 11 related to the operations listed in the preceding two (2) Items; or
  - (4) Operations listed in Item (9) of Article 11 related to the operations listed in the preceding three (3) Items (excluding operations listed in Item (2)).
2. The Special Operations Guidelines shall set forth the following matters:
  - (1) Standards to follow upon conducting the loan of funds, the acquisition by assignment of loan receivables, acquisition of the Public/Corporate Bonds, etc., the Guarantee, etc. of Liabilities or conducting the contributions related to the Special Operations;
  - (2) Matters regarding appropriate financial management of the Special Operations;
  - (3) Matters regarding supplement of financial transactions implemented by ordinary financial institutions in respect of the Special Operations;
  - (4) Matters regarding the system for conducting evaluation and monitoring with respect to the status of the implementation of the Special Operations;
  - (5) Matters regarding reports to the Minister of Finance with respect to the status of the implementation of the Special Operations; and
  - (6) Other matters necessary to ensure appropriate implementation of the Special Operations.

Article 13-3: Basic Policy concerning the Special Operations

1. JBIC shall set forth a basic policy concerning the Special Operations (hereinafter referred to as the "Special Operations Basic Policy" in the following Paragraph) with respect to the implementation of matters regarding the Special Operations as prescribed by the Ordinance of the Ministry of Finance, pursuant to the Special Operations Guidelines, and obtain the authorization of the Minister of Finance. The same shall apply if JBIC intends to make any changes thereto.
2. When the Minister of Finance determines that the Special Operations Basic Policy, approved pursuant to the provisions of the preceding Paragraph, has become inappropriate for JBIC to conduct the Special Operations appropriately, the Minister of Finance may order JBIC to change it.

Article 14: Delegation of Operations

1. JBIC may delegate part of its operations exclusively to the financial institutions and other juridical persons prescribed by the Ordinance of the Ministry of Finance (hereinafter referred to as the "Juridical Person Delegated").
2. Notwithstanding the provisions of any other Acts, the Juridical Person Delegated may accept the delegation of operations that were delegated by JBIC pursuant to the provisions of the preceding Paragraph.

3. Any person who is an officer or employee of the Juridical Person Delegated to whom the operations were delegated in accordance with the provisions of Paragraph 1 above and who engages in such delegated operations shall be deemed to be an employee who is engaged in public service in accordance with laws and regulations, in so far as the application of penal provisions, such as the Penal Code, is concerned.

#### **CHAPTER 4: FINANCE AND ACCOUNTING**

**Article 15: Business Year**

The business year of JBIC shall begin on April 1 of each year and end on March 31 of the following year.

**Article 16: Budget**

1. JBIC shall prepare the budget for revenues and expenditures and submit it to the Minister of Finance for each business year.
2. The revenues set forth in the preceding Paragraph mean interest on loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an interest), interest on the Corporate/Public Bonds, etc., dividends on contributions, debt guarantee fees and other incomes related to asset management and miscellaneous incidental income, and the expenditures set forth in the same Paragraph mean expense of operations, business entrustment fees, interest on borrowings (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a borrowing; the same shall apply hereinafter in Paragraphs 1 and 3 of Article 33), interest on bonds and notes and incidental expenses.
3. Upon receipt of the budget submitted pursuant to the provisions of Paragraph 1 above, the Minister of Finance shall examine such budget and make any necessary adjustments thereto, and obtain the Cabinet's decision thereon.
4. After the Cabinet's decision is made pursuant to the provisions of the preceding Paragraph, the Cabinet shall submit such budget to the Diet together with the national budget.
5. The form and content of the budget and procedures for the preparation and submission thereof shall be specified by the Minister of Finance.

**Article 17:**

The documents listed below shall be attached to the budget set forth in the preceding Article:

- (1) Documents concerning the business plan and financial plan for the then current business year;
- (2) The profit and loss statement, balance sheet and list of assets for the business year prior to the preceding business year;
- (3) The estimated profit and loss statement and estimated balance sheet for the preceding and then current business years; and
- (4) Any other reference materials for such budget.

**Article 18: Contingency**

JBIC may include contingency in its budget to cover deficits in the budget which may arise from unforeseeable causes.

**Article 19: Decision on Budget**

In obtaining the Diet's approval of the budget of JBIC, the usual procedures for decision of the national budget shall be followed.

**Article 20: Notification Concerning Budget**

1. When the Diet's approval of the budget of JBIC has been obtained, the Cabinet shall, as approved by the Diet, immediately notify JBIC of such fact through the Minister of Finance.
2. JBIC shall not implement its budget before it receives notification pursuant to the provisions of the preceding Paragraph.

3. When notification has been made pursuant to the provisions of Paragraph 1 of this Article, the Minister of Finance shall notify the Board of Audit of Japan of such fact.

Article 21: Supplementary Budget

1. JBIC may, if it is necessary to incorporate changes in its budget due to causes that have arisen after the preparation thereof, prepare a supplementary budget and submit it to the Minister of Finance, together with the documents (excluding the estimated profit and loss statement and balance sheet for the preceding business year) listed in Items (1), (3) and (4) of Article 17 hereof which have been modified in the course of the preparation of the supplementary budget; provided, however, that a supplementary budget involving additions to the regular budget may be prepared only when it is particularly imperative due to causes arising after the preparation of the regular budget.
2. The provisions of Article 16 hereof (excluding Paragraph 1) and the preceding two (2) Articles shall apply *mutatis mutandis* to the supplementary budget provided for in the preceding Paragraph. In this case, the documents set forth in the preceding Article shall be attached to the supplementary budget to be submitted to the Diet pursuant to the provisions of Paragraph 4 of Article 16, which shall apply *mutatis mutandis* in this Paragraph.

Article 22: Provisional Budget

1. JBIC may, as necessary, prepare a provisional budget related to specific period within a business year and submit it to the Minister of Finance, together with the business plan and financial plan for such period and other documents concerning the reference matters relevant to such provisional budget.
2. The provisions of Articles 16 (excluding Paragraph 1), 19 and 20 hereof shall apply *mutatis mutandis* to the provisional budget provided for in the preceding Paragraph. In this case, the documents set forth in the preceding Article shall be attached to the provisional budget to be submitted to the Diet pursuant to the provisions of Paragraph 4 of Article 16, which shall apply *mutatis mutandis* in this Paragraph.
3. The provisional budget shall cease to be effective when the Diet's approval of the regular budget for the relevant business year has been obtained; any expenditure having been made under the provisional budget shall be deemed to have been made out of the regular budget for such relevant business year.

Article 23: Prohibition of Use of Budget Other Than its Purposes

JBIC shall not use the expenditure budget other than for the purposes specified for such budget.

Article 24: Appropriation

1. JBIC may not, without obtaining the approval of the Minister of Finance, appropriate the amount of expenditures designated in the budget.
2. When the Minister of Finance has given his/her approval pursuant to the preceding Paragraph, such Minister of Finance shall immediately notify the Board of Audit of Japan of such fact.

Article 25: Use of Contingency

1. When JBIC makes use of contingency, it shall immediately notify the Minister of Finance of such fact.
2. Upon receipt of the notification pursuant to the provisions of the preceding Paragraph, the Minister of Finance shall immediately notify the Board of Audit of Japan of such fact.

Article 26: Submission of Financial Statements

1. JBIC shall prepare the list of assets every business year.
2. JBIC shall, within three (3) months after the end of every business year, submit to the Minister of Finance the balance sheets, statements of operations and list of assets (hereinafter referred to as the "Balance Sheets, etc.") and business report (including the Electro-Magnetic Record (which means the record specified by the Minister of Finance as a record which is produced by electronic, magnetic, or any other means unrecognizable by human perception and which is used for data-processing by a computer; the same shall apply hereinafter) which has recorded the matters to be described in such Balance Sheets, etc. and its business report) for each business year.

Article 26-2: Separate Accounting

JBIC shall separate the accounting for each category of operations listed below and allocate it by establishing the respective accounts for each category:

- (1) Operations other than the Special Operations (referred to in Article 33 as “Ordinary Operations”); and
- (2) Special Operations.

Article 26-3: Mutatis Mutandis Application of the Companies Act, etc. in respect of Separate Accounting

1. The provisions of Article 295, 337, 374, 396, Articles 431 through 443, and Articles 446 and 447 of the Companies Act shall apply *mutatis mutandis* to the separate accounting implemented by JBIC pursuant to the provisions of the preceding Paragraph. In such case, the term, “of a Stock Company”, referenced in Article 446 of the same Act, shall be deemed to be replaced with “that belongs to the account established under the provision of Article 26-2 of Japan Bank for International Cooperation Act (Act No. 39 of 2011)”; the term, “the amounts listed in item (v) through (vii) from the sum”, also referenced therein, shall be deemed to be replaced with “the amounts listed in item (v) through (vii), which is recorded in the account to which the said surplus belongs to, from the sum which is recorded in the account to which the said surplus belongs to”; and the term, “stated capital”, referenced in Paragraphs 1 and 2 of Article 447 of the same Act, shall be deemed to be replaced with “stated capital belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act”; the term, “reserves”, referenced in Item 2 of Paragraph 1 of the same Article, shall be deemed to be replaced with “reserves belonging to the account established pursuant to the provision of the same Article”; and the term, “and the reserves”, also referenced therein, shall be deemed to be replaced with “and such reserves”; the term “the stated capital”, referenced in Paragraph 3 of the same Article, shall be deemed to be replaced with “the stated capital belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act”; and the term, “the stated capital”, also referenced therein, shall be deemed to be replaced with “the stated capital belonging to the account established pursuant to the provision of the same Article”; and any other necessary technical replacement of terms shall be specified by a Cabinet Order.
2. The provisions of Article 448, 449, and Paragraphs 1 (limited to the portions related to Item 5 thereof) and 2 (limited to the portions related to Item 5 thereof) of Article 828 of the Companies Act shall apply *mutatis mutandis* to the accounting practices implemented by JBIC by separating it pursuant to the provisions of the preceding Article, except for the case where any surplus is accumulated as a reserve under the provisions of Paragraph 1 of Article 31 hereof and the case where such reserve is drawn down pursuant to the provision of Paragraph 2 of Article 31 hereof. In this case, the term “the reserves”, referenced in Paragraphs 1 and 2 of Article 448 of the same Act, shall be deemed to be replaced with “the reserves belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act”; the term “the stated capital”, referenced in Item 2 of Paragraph 1 of the same Article shall be deemed to be replaced with “the stated capital that shall belong to the account established pursuant to the provision of the same Article”; the term, “and the stated capital”, also referenced therein, shall be deemed to be replaced with “and such stated capital”; the term, “the reserves”, referenced in Paragraph 3 of the same Article, shall be deemed to be replaced with “the reserves belonging to the account established pursuant to the provision of Article 26-2 of Japan Bank for International Cooperation Act”; and the term, “the reserves”, also referenced therein in the same Paragraph, shall be deemed to be replaced with “the reserves belonging to the account established pursuant to the provision of the same Article”; and any other necessary technical replacement of terms shall be specified by a Cabinet Order.
3. In the case where JBIC increases or reduces the amount of its stated capital belonging to the account established pursuant to the provisions of the preceding Article, an amount of JBIC’s stated capital shall be the sum of the amounts of stated capital belonging to all the accounts of JBIC after the implementation of such increase or reduction; and in the case where JBIC increases or reduces the amount of its reserves belonging to the account established pursuant to the provision of the same Article, the amount of JBIC’s reserves shall be the sum of the amounts of the reserves belonging to all the accounts of JBIC after the implementation of such increase or reduction. In this case, the provisions of Articles 447 through 449, and Paragraphs 1 (limited to the portions related to Item 5) and 2 (limited to the portions related to Item 5) of Article 828 of the Companies Act shall not apply.

Article 27: Preparation and Submission of Report on Settlement of Accounts

1. After submitting the Balance Sheets, etc. pursuant to the provisions of Paragraph 2 of Article 26, JBIC shall, every business year, prepare a report on the settlement of accounts for the relevant business year (including the Electro-Magnetic Record which has recorded the matters to be described in such report on the settlement of accounts; the same shall apply hereinafter) and submit it to the Minister of Finance, without delay, by attaching the opinion of the Auditor(s), Audit and Supervisory Committee or Audit Committee concerning such report on the settlement of accounts, together with such submitted Balance Sheets, etc.
2. Upon receiving the report on the settlement of accounts pursuant to the provisions of the preceding Paragraph, the Minister of Finance shall send it to the Cabinet, together with the Balance Sheets, etc. referenced in the same Paragraph.
3. Upon making the submission pursuant to the provisions of Paragraph 1 of this Article, JBIC shall, without delay, keep the report on the settlement of accounts and the document stating the opinion of the Auditor(s), Audit and Supervisory Committee or Audit Committee at its head office and branch offices and make them available for public inspection during the period prescribed by the Ordinance of the Ministry of Finance.
4. The form and content of the report on the settlement of accounts shall be specified by the Minister of Finance.

Article 28: Sending of Report on Settlement of Accounts to Board of Audit of Japan

Upon receiving JBIC's report on the settlement of accounts pursuant to the provisions of Paragraph 2 of the preceding Article, the Cabinet shall send it, together with the Balance Sheets, etc. set forth in Paragraph 1 of the same Article, to the Board of Audit of Japan no later than November 30 of the following business year.

Article 29: Submission of Report on Settlement of Accounts to Diet

The Cabinet shall submit JBIC's report on the settlement of accounts for which the Board of Audit of Japan has finished its inspection, to the Diet, by attaching the Balance Sheets, etc. set forth in Paragraph 1 of Article 27 hereof, together with the settlement of accounts for national revenues and expenditures.

Article 30: Carryover of Budget

1. JBIC may not use the expenditure budget for each business year in the following business year; provided, however, that if JBIC has made any contract or conducted another act that leads to JBIC's payment during the relevant business year and failed to complete the payment of the expenditures during the relevant business year due to any inescapable accident, the expenditure budget related to such payment may be carried over and used in the following business year.
2. When JBIC intends to perform the carryover pursuant to the proviso of the preceding Paragraph, JBIC shall prepare a carryover statement clarifying the relevant event and amount for each matter, and shall send it to the Minister of Finance and obtain the approval thereof.
3. When JBIC obtains the approval pursuant to the provisions of the preceding Paragraph, with respect to the expenditures listed in the carryover statement for which the approval has been obtained, a notification concerning the budget shall be deemed to have been provided pursuant to the provisions of Paragraph 1 of Article 20 hereof.

Article 31: Payment to National Treasury

1. In each of the accounts related to the operations listed in each Item of Article 26-2, in the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero, JBIC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JBIC shall pay the amount of such surplus into the National Treasury within three (3) months after the end of such business year.
2. In the event that the amount of the surplus recorded in the settlement of accounts for each business year falls below zero in the respective accounts set forth in the preceding Paragraph, JBIC shall allocate such surplus by drawing down the reserve set forth in the same Paragraph until the amount of such surplus becomes zero.



3. The procedures for the payment into the National Treasury pursuant to the provisions of Paragraph 1 of this Article, the account into which such payment is to be made and other necessary matters concerning the payment to the National Treasury shall be prescribed by a Cabinet Order.
4. The reserves set forth in Paragraph 1 shall be allocated for each category of the accounts related to the operations listed in each Item of Article 26-2.
5. JBIC shall not be allowed to make any appropriation of its surplus, such as dividend of its surplus, nor any appropriation of its surplus belonging to the accounts related to the operations listed in each Item of Article 26-2, such as dividends of such surplus, unless such disposition is made pursuant to the provisions of Paragraphs 1 and 2 of this Article.

Article 32: Provision of Loans by Government

The Government may provide monetary loans to JBIC.

Article 33: Borrowings and Corporate Bonds

1. Borrowing of funds (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to a borrowing; the same shall apply hereinafter in this Article, Paragraph 1 of Article 35 and Item 5 of Article 46) made in order to meet JBIC's fund requirements for the performance of its operations shall be limited to the borrowings of short-term loans (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to short-term loans; the same shall apply hereinafter in the following Paragraph and Paragraph 6), or long-term loans in foreign currency (meaning a borrowing of an amount in foreign currency with a repayment period of more than one (1) year; the same shall apply hereinafter in this Article and Paragraph 1 of Article 35), from financial institutions, such as banks, or the borrowings related to the monetary loans obtained from the Government pursuant to the provisions of the preceding Article.
2. The short-term loans (excluding those in foreign currency) set forth in the preceding Paragraph shall be repaid during the business year in which these borrowings are made; provided, however, that in cases where repayment cannot be made due to shortage of funds, JBIC may reborrow (including those prescribed by the Ordinance of the Ministry of Finance as having an economic nature similar to an act of reborrowing; the same shall apply hereinafter in the following Paragraph and Paragraph 7) only the amount which cannot be so repaid, with the authorization of the Minister of Finance.
3. Loans reborrowed pursuant to the proviso of the preceding Paragraph shall be repaid within one (1) year.
4. Pursuant to the provisions of a Cabinet Order, JBIC shall, every business year, prepare a basic policy concerning the issuance of corporate bonds and the borrowing of long-term loans in foreign currency made in order to meet fund requirements for the performance of its operations and obtain the authorization of the Minister of Finance. When JBIC intends to make any change to the policy, the same shall apply.
5. When JBIC has issued corporate bonds or borrowed the long-term loans in foreign currency pursuant to the provisions of preceding Paragraph, it shall, without delay, make a notification of such fact to the Minister of Finance pursuant to the provisions prescribed by a Cabinet Order; provided, however, that this shall not apply if JBIC issues the certificates of corporate bonds, as prescribed by a Cabinet Order, in order to deliver to anyone who has lost such certificates of corporate bonds and, as a result of the issuance of such certificates of corporate bonds, JBIC assumes new liabilities.
6. The total amount of (i) the outstanding amounts of the short-term loans, the long-term loans in foreign currency and the borrowings related to the monetary loans obtained from the Government as set forth in Paragraph 1 of this Article that are made in order to meet JBIC's fund requirements for the performance of its Ordinary Operations, and (ii) the outstanding amount of liabilities relating to the principal amount of corporate bonds set forth in Paragraph 4 of this Article that are issued in order to meet JBIC's fund requirements for the performance of its Ordinary Operations shall not exceed the amount (hereinafter referred to as the "Limitation Amount Related to Ordinary Operations" in this Article) equivalent to ten (10) times the total amount of the capital and reserves belonging to the account related to the Ordinary Operations of JBIC (hereinafter referred to as the "Base Amount Related to Ordinary Operations" in this Article).
7. Notwithstanding the provisions of the preceding Paragraph, when the issuance of new bonds is necessary to reborrow the issued corporate bonds with respect to corporate bonds set forth in Paragraph 4 of this Article that were issued in order to meet JBIC's fund requirements for the performance of its Ordinary Operations, the corporate bonds may be issued in excess of the Limitation Amount Related to Ordinary Operations only within the period necessary to make such reborrowing.

8. Among the Ordinary Operations, the total amount of the outstanding amounts of (i) monetary loans, (ii) acquisition of the receivables related to assignment and the Corporate/Public Bonds, etc., (iii) liabilities relating to the Guarantee, etc. of Liabilities and (iv) contributions, all of which are made pursuant to the provisions of Items (1) through (6) of Article 11 hereof, shall not exceed the aggregate amount of the Base Amount Related to Ordinary Operations and the Limitation Amount Related to Ordinary Operations.
9. The provisions set forth in the preceding three (3) paragraphs shall apply *mutatis mutandis* to the Special Operations. In this case, the term, “Base Amount Related to Ordinary Operations”, referenced in Paragraphs 6 and the preceding Paragraph, shall be deemed to be replaced with “Base Amount Related to Special Operations”; the term, “Limitation Amount Related to Ordinary Operations”, referenced in the preceding three (3) paragraphs, shall be deemed to be replaced with “Limitation Amount Related to Special Operations”; and the term, “through (6)”, referenced in the preceding Paragraph, shall be deemed to be replaced with “, Item (3), (4) and (6)”.
10. The monetary funds financed through the borrowing of funds or the issuance of the corporate bonds pursuant to the provisions of this Article shall, in accordance with the separate accounting set forth in Article 26-2 hereof, be allocated to the respective accounts relevant to the operations listed in each Item of the same Article.

Article 34: Statutory Lien

1. A holder of JBIC’s corporate bonds shall, with respect to the property of JBIC, have the right to have his/her receivables satisfied in preference to other creditors.
2. The order of the statutory lien set forth in the preceding Paragraph shall be next to the general liens prescribed by the provisions of the Civil Code (Act No. 89 of 1896).

Article 35: Government Guarantee

1. Notwithstanding the provisions of Article 3 of the Act Concerning Restrictions on Financial Assistance by the Government to Corporations (Act No. 24 of 1946), the Government may execute a guarantee agreement with respect to the liabilities related to JBIC’s corporate bonds (excluding the liabilities with respect to which the Government may execute a guarantee agreement under Paragraph 2 of Article 2 of the Act on Special Measures Pertaining to the Acceptance of Foreign Capital from the International Bank for Reconstruction and Development, etc. (Act No. 51 of 1953) (referred to as the “Foreign Capital Acceptance Act” in the following Paragraph and Paragraph 1 of Article 16 of the Supplementary Provisions)) or the liabilities related to the long-term loans in foreign currency, within the scope of the amount fixed by the budget.
2. Among the amount fixed by the budget set forth in the preceding Paragraph, the amount of liabilities related to the corporate bonds issued in a foreign country and denominated in Japanese currency may be fixed by adding up to the amount fixed by the budget as set forth in Paragraph 2 of Article 2 of the Foreign Capital Acceptance Act, when it is difficult to fix the said amount of liabilities separately from the said amount fixed by the budget set forth in the same paragraph of the Foreign Capital Acceptance Act.
3. The Government may, in addition to the provisions of Paragraph 1 of this Article, execute a guarantee agreement with respect to the liabilities related to the certificates of corporate bonds or coupons thereof, which are issued by JBIC, pursuant to the provisions prescribed by a Cabinet Order, in order to deliver to a person who has lost the certificates of corporate bonds or coupons thereof.

Article 36: Investment of Surplus Funds

JBIC shall not invest any surplus funds of its business except by means of:

- (1) Acquisition of national government bonds, local government bonds or government-guaranteed bonds (which mean the bonds for which the redemption of its principal and payment of interest thereon are guaranteed by the Government) and other securities designated by the Minister of Finance;
- (2) Deposit with the Fiscal Loan Fund;
- (3) Deposit with banks or other financial institutions designated by the Minister of Finance;

- (4) Holding of negotiable deposit certificates;
- (5) Money trust to the financial institutions engaging in trust business (which mean the financial institutions that have obtained the authorization set forth in Paragraph 1 of Article 1 of the Act on Provision, etc. of Trust Business by Financial Institutions);
- (6) Lending of call funds; or
- (7) Means prescribed in the Ordinance of the Ministry of Finance as the means equivalent to the means listed in each of the preceding Items.

Article 37: Delegation to Ordinance of Ministry of Finance

In addition to those provided for in this Act and Cabinet Orders thereunder, the matters necessary with respect to the finance and accounting of JBIC shall be prescribed by the Ordinance of the Ministry of Finance.

## **CHAPTER 5: MISCELLANEOUS PROVISIONS**

Article 38: Supervision

1. The Minister of Finance shall supervise JBIC in accordance with the provisions of this Act.
2. With respect to the management or administration of JBIC, in the case where the Minister of Finance finds that there is a violation of laws and regulations or the Articles of Incorporation or any grossly unjust matter exists and in other cases where they find it necessary for the enforcement of this Act, the Minister of Finance may issue JBIC orders concerning its operations as are necessary for the supervision.

Article 39: Report and Inspection

1. If the Minister of Finance finds it necessary for the enforcement of this Act, the Minister of Finance may cause JBIC or the Juridical Person Delegated to submit reports or may cause its officials to enter the facilities of JBIC or of the Juridical Person Delegated, such as the offices to inspect the accounting books, documents and other necessary objects; provided, however, that, with respect to the Juridical Person Delegated, such action shall be limited to the scope of operations delegated to it by JBIC.
2. When an official of the Minister of Finance carries out an on-site inspection pursuant to the provisions of the preceding Paragraph, he/she shall carry with him/her identification certifying his/her status and present it to parties concerned.
3. The authority to carry out the on-site inspection pursuant to the provisions of Paragraph 1 above shall not be construed to be that given for the investigation of a criminal offense.

Article 40: Delegation of Authority

1. The Minister of Finance may, as prescribed by a Cabinet Order, delegate part of the authority to carry out an on-site inspection pursuant to the provisions of Paragraph 1 of the preceding Article to the Prime Minister.
2. If the Prime Minister has carried out an on-site inspection pursuant to the provisions of Paragraph 1 of the preceding Article on the basis of the delegation pursuant to the provisions of the preceding Paragraph, he/she shall promptly submit a report of the results of the inspection to the Minister of Finance.
3. The Prime Minister shall delegate both the authority delegated pursuant to the provisions of Paragraph 1 above and the authority set forth in the provisions of the preceding Paragraph to the Commissioner of Financial Services Agency.
4. The Commissioner of Financial Services Agency may, as prescribed by a Cabinet Order, delegate all or part of the authority delegated pursuant to the provisions of the preceding Paragraph, to Director-General of the Local Finance Bureau or the Director-General of the Local Finance Branch Bureau.
5. Part of the authority of the Minister of Finance set forth in this Act (excluding that delegated to the Prime Minister pursuant to the provisions of Paragraph 1 above) may, as prescribed by a Cabinet Order, be delegated to the Director-General of the Local Finance Bureau or the Director-General of the Local Finance Branch Bureau.

Article 41: Articles of Incorporation

1. In the Articles of Incorporation of JBIC, in addition to the matters listed in each of the Items of Article 27 of the Companies Act, matters relating to the procedures and requirements for the appointment of a person to assume management responsibility from among the Representative Directors or Representative Executive Officers shall be described or recorded.
2. With respect to the matters related to the requirements for the appointment of a person to assume management responsibility set forth in the preceding Paragraph, the provisions that the requirements listed below be satisfied shall be incorporated:
  - (1) A person who has discernment and the capability recognized as necessary in light of the purposes set forth in Article 1 hereof and the operations set forth in Article 11 hereof shall be appointed; and
  - (2) Due consideration shall be required in order to avoid automatically appointing such persons who have held certain specific governmental positions.
3. The resolution for the amendment of the Articles of Incorporation of JBIC shall not take effect unless the authorization of the Minister of Finance is granted.

Article 42: Merger, Company Split, Share Exchange, Share Delivery, Assignment and Acceptance of Assignment of Business and Dissolution

Notwithstanding the provisions of Part II, Chapters VII and VIII and Part V, Chapters II, III IV, Section I and IV-II of the Companies Act, the merger, company split, share exchange, share delivery, assignment and acceptance of assignment of all or part of business, to which JBIC becomes a party, and dissolution of JBIC shall be provided for separately by an Act.

Article 43: Exclusion from Application, etc. of Financial Instruments and Exchange Act

1. When JBIC performs the actions listed in each of the Items of Paragraph 8 of Article 2 of the Financial Instruments and Exchange Act pursuant to the provisions of Article 11, the provisions of Article 29 of the same Act shall not apply.
2. In the case set forth in the preceding Paragraph (excluding the case set forth in the following Paragraph or Paragraph 5), JBIC shall be deemed as the Financial Instruments Business Operator defined in Paragraph 9 of Article 2 of the Financial Instruments and Exchange Act, and the provisions of Chapter III, Section I, Subsection V and Section II (excluding Article 35, Article 35-2, Articles 36-2 through 36-4, Item (2) of Paragraph 1 of Article 37, Item (2) of Paragraph 1 of Article 37-3, Article 37-7 and Item (7) of Article 38) of the same Act and the provisions of Chapters VIII and VIII-II of the same Act relating to such provisions shall apply.
3. When JBIC performs the actions listed in each of the Items of Paragraph 1 of Article 63 of the Financial Instruments and Exchange Act pursuant to the provisions of Article 11 hereof, the provisions of Paragraph 2 of the said Article 63 shall not apply.
4. In the case set forth in the preceding Paragraph (excluding the case set forth in the following Paragraph), JBIC shall be deemed as the Financial Instruments Business Operator defined in Paragraph 9 of Article 2 of the Financial Instruments and Exchange Act, and the provisions of Chapter III, Section I, Subsection V, Paragraph 1 of Article 36, Article 37 (excluding Item (2) of Paragraph 1), Article 37-3 (excluding Item (2) of Paragraph 1), Article 37-4, Article 38 (limited to the portions related to Items (1), (2) and (9)), Article 39 (excluding Paragraphs 4 and 6), Article 40, Article 40-3, Article 40-3-2, Article 42, Article 42-2, Article 42-4, Article 42-7 and Article 45 of the same Act and the provisions of Chapters VIII and VIII-II of the same Act related to such provisions shall apply.
5. When JBIC performs the actions listed in each of the Items of Paragraph 1 of Article 63-8 of the Financial Instruments and Exchange Act pursuant to the provisions of Article 11 hereof, the provisions of Paragraph 1 of Article 63-9 of the same Act shall not apply.
6. In the case set forth in the preceding Paragraph, JBIC shall be deemed as the Financial Instruments Business Operator defined in Paragraph 9 of Article 2 of the Financial Instruments and Exchange Act, and the provisions of Chapter III, Section I, Subsection V, Article 35-3, Paragraph 1 of Article 36, Article 37 (excluding Item (2) of Paragraph 1), Article 37-3 (excluding Item (2) of Paragraph 1), Article 37-4, Article 38 (limited to the portions related to Items (1), (2) and (9)), Article 39 (excluding Paragraphs 4 and 6), Article 40, Article 40-3, Article 40-3-2, Article 42, Article 42-2, Article 42-4, Article 42-7 and Article 45 of the same Act and the provisions of Chapters VIII and VIII-II of the same Act related to such provisions shall apply.

## CHAPTER 6: PENAL PROVISIONS

### Article 44:

Any person who has disclosed or misappropriated any secret in violation of the provisions of Article 9 hereof shall be punished by imprisonment with work for not more than one (1) year or by a fine of not more than five hundred thousand yen (¥500,000).

### Article 45:

A Director, Executive Officer, Accounting Advisor, Auditor or employee of JBIC, or an officer or employee of the Juridical Person Delegated who has failed to submit reports pursuant to the provisions of Paragraph 1 of Article 39 hereof or submitted false reports on the matters to be reported pursuant to the provisions of the same Paragraph, or refused, obstructed or evaded an inspection to be carried out pursuant to the provisions of the same Paragraph shall be punished by a fine of not more than three hundred thousand yen (¥300,000).

### Article 46:

A Director, Executive Officer, Accounting Advisor or the member who should execute the duties of such Accounting Advisor, or Auditor of JBIC who falls under any of the following Items shall be punished by a non-penal fine of not more than one million yen (¥1,000,000):

- (1) When he/she has failed to obtain the authorization or approval of the Minister of Finance in the case where such authorization or approval is required by the provisions of this Act;
- (2) When he/she has failed to make a notification to the Minister of Finance in the case where such notification is required by the provisions of this Act;
- (3) When he/she has conducted any operations other than those set forth in Article 11 hereof or has conducted the operations set forth in Article 11 hereof in violation of the provisions of Article 12 hereof;
- (4) When he/she has violated an order of the Minister of Finance issued pursuant to the provisions of Paragraph 2 of Article 13-3 or Paragraph 2 of Article 38 hereof;
- (5) When he/she has borrowed funds or issued corporate bonds in violation of the provisions of Paragraph 6 of Article 33 hereof (including the case where the same Paragraph is applied *mutatis mutandis* pursuant to Paragraph 9 of the same Article), or he/she has provided monetary loans, acquired loan receivables by assignment, acquired the Corporate/Public Bonds, etc., provided the Guarantee, etc. of Liabilities or made contributions in violation of the provisions of Paragraph 8 of the same Article (including the case where the same Paragraph is applied *mutatis mutandis* pursuant to Paragraph 9 of the same Article); or
- (6) When he/she has invested the surplus funds having arisen in the course of the conduct of operations in violation of the provisions of Article 36 hereof.

### Article 47:

Any person who has violated the provisions of Paragraph 1 of Article 5 hereof shall be punished by a non-penal fine of not more than one hundred thousand yen (¥100,000).

SUPPLEMENTARY PROVISIONS (Act No. 39 of 2011) (Extract)

Article 1: Effective Date

This Act shall come into force as of the date of its promulgation; provided, however, that the provisions of Paragraph 1 of Article 5 and Article 47 hereof and the provisions of Articles 22 through 51 of the Supplementary Provisions hereof shall come into force as of April 1, 2012.

Article 2: Organizing Members

The Minister of Finance shall appoint the Organizing Members and cause them to perform the duties of incorporators with respect to the incorporation of JBIC.

Article 3: Articles of Incorporation

1. The Organizing Members shall prepare the Articles of Incorporation of JBIC and obtain the authorization of the Minister of Finance.
2. When the Minister of Finance intends to grant the authorization set forth in the preceding Paragraph, the Minister of Finance shall consult with the Minister of Defense in advance.

Article 4: Shares Issued upon Incorporation of JBIC

The matters listed below concerning the shares issued upon the incorporation of JBIC and the total number of shares that JBIC may issue shall be prescribed in its Articles of Incorporation. In this case, the matters listed in Item (3) below shall, in accordance with the separation of accounting prescribed in Article 18-2 of the Act on Special Measures concerning Smooth Implementation of Realignment of United States Forces in Japan (Act No. 67 of 2007) after revision (hereinafter referred to as the "New Force Realignment Special Measures Act") by the provisions of Article 47 of the Supplementary Provisions hereof, be allocated for each account related to the operations listed in each Item of Article 18-2 of the New Force Realignment Special Measures Act:

- (1) The number of shares (if JBIC intends to be incorporated as a company with class shares, the classes of such shares and the number of shares for each of such classes);
- (2) Amount to be paid in for shares (which means the amount of money to be paid in exchange for one (1) share or property (other than money) delivered in exchange therefor); and
- (3) The matters concerning the amount of capital and capital reserve.

Article 5: Subscription for Shares

1. The total number of shares issued upon the incorporation of JBIC shall be subscribed for by Japan Finance Corporation (hereinafter referred to as "JFC"), and the Organizing Members shall allocate such total number of shares to JFC.
2. The Government shall exercise the right of share subscribers concerning the incorporation of JBIC through the shares allocated pursuant to the provisions of the preceding Paragraph.

Article 6: Contribution

JFC shall, upon the incorporation of JBIC, contribute to JBIC the properties of JFC (excluding the assets succeeded by the Government pursuant to the provisions of Paragraph 6 of Article 12 of the Supplementary Provisions hereof) that are related to (i) the operations listed in Item (6) of Article 41 of the Japan Finance Corporation Act (Act No. 57 of 2007) prior to revision (hereinafter referred to as the "Former JFC Act") by the provisions of Article 46 of the Supplementary Provisions hereof (such Item (6) shall apply by making replacements pursuant to the provisions of Paragraph 2 of Article 37 of the Supplementary Provisions of the Former JFC Act) and (ii) the Financial Operations for Facilitating Realignment of United States Forces in Japan that are prescribed in Article 16 of the Act on Special Measures concerning Smooth Implementation of Realignment of United States Forces in Japan prior to revision (hereinafter referred to as the "Former Force Realignment Special Measures Act") by the provisions of Article 47 of the Supplementary Provisions hereof. (The operations stated in (i) and (ii) above are hereinafter collectively referred to as the "Japan Bank for International Cooperation's Former Operations, etc.")

Article 7: Organizational Meeting

When applying the provisions of Paragraph 1 of Article 65 of the Companies Act, which are related to the incorporation of JBIC, “on and after either the date under Item (iii) of Article 58(1) or the last day of the period under such Item, whichever comes later” referenced in the same Paragraph shall be deemed to be replaced with “after the allocation of shares made pursuant to the provisions of Paragraph 1 of Article 5 of the Supplementary Provisions of Japan Bank for International Cooperation Act (Act No. 39 of 2011).”

Article 8: Establishment of JBIC

The delivery of properties related to the contribution made by JFC pursuant to the provisions of Article 6 of the Supplementary Provisions hereof shall be made at the time of the enforcement of the provisions of Article 46 of the Supplementary Provisions hereof and, notwithstanding the provisions of Article 49 of the Companies Act, JBIC shall be established at that time.

Article 9: Registration of Incorporation

JBIC shall, notwithstanding the provisions of Paragraph 1 of Article 911 of the Companies Act, register its incorporation without delay after the establishment of JBIC.

Article 10: Transfer to Government Without Compensation

1. JBIC’s shares acquired by JFC through making contributions shall, upon the establishment of JBIC, be transferred to the Government without compensation.
2. JBIC’s shares to be transferred to the Government without compensation pursuant to the provisions of the preceding Paragraph shall, as prescribed by a Cabinet Order, belong to the general account or the special account for fiscal investments and loan programs.

Article 11: Exclusion from Application of Companies Act

The provisions of Article 30 of the Companies Act and Part II, Chapter I, Section 3 thereof shall not apply to the incorporation of JBIC.

Article 12: Succession, etc. of Rights and Obligations

1. Among the rights and obligations which JFC actually has upon the establishment of JBIC, those rights and obligations related to the Japan Bank for International Cooperation’s Former Operations, etc., except for the assets succeeded by the Government pursuant to the provisions of Paragraph 6 of this Article, shall be succeeded by JBIC upon the establishment of JBIC, pursuant to the written succession plan that prescribes the necessary matters concerning the succession of rights and obligations.
2. The written succession plan set forth in the preceding Paragraph shall be prepared by JFC in accordance with the standards prescribed by a Cabinet Order and shall be authorized by the Minister of Finance.
3. If JBIC succeeds to any of the rights and obligations of JFC pursuant to the provisions of Paragraph 1 of this Article, JFC shall, upon the succession, decrease its capital by the total amount of the amount of the capital belonging to the account related to the operations listed in Item (6) of Article 41 of the Former JFC Act and the amount of the capital belonging to the Financial Account Related to the Financial Operations for Facilitating Realignment of United States Forces in Japan that is prescribed in Article 18 of the Former Force Realignment Special Measures Act, and shall decrease its reserves by the total amount of the amount of the reserve belonging to the account related to the operations listed in Item (6) of Article 41 of the Former JFC Act and the amount of the reserve belonging to the Financial Account Related to the Financial Operations for Facilitating Realignment of United States Forces in Japan that is prescribed in Article 18 of the Former Force Realignment Special Measures Act.
4. The provisions of Articles 447 through 449 of the Companies Act shall not apply to the decrease in the amounts of capital and reserves made pursuant to the provisions of the preceding Paragraph.
5. The provisions of Article 70 of the Commercial Registration Act (Act No. 125 of 1963) shall not apply to the registration of a change due to the decrease in the amount of capital made pursuant to the provisions of Paragraph 3 of this Article.

6. Among the rights which JFC actually has upon the establishment of JBIC (limited to those rights related to the Japan Bank for International Cooperation's Former Operations, etc.), the assets recognized as unnecessary for JBIC to smoothly perform operations in the future shall be succeeded by the Government upon the establishment of JBIC.
7. The scope of assets succeeded by the Government pursuant to the provisions of the preceding Paragraph and other matters necessary for the succession of such assets to the Government shall be prescribed by a Cabinet Order.
8. The appropriation and payment to the national treasury of the surplus made pursuant to the provisions of Article 47 of the Former JFC Act that are related to the business year of JFC commencing on April 1, 2011 (limited to such appropriation and payment related to the account related to the operations listed in Item (6) of Article 41 of the Former JFC Act and the Financial Account Related to the Financial Operations for Facilitating Realignment of United States Forces in Japan that is prescribed in Article 18 of the Former Force Realignment Special Measures Act) shall be made by JBIC through the application of the provisions heretofore in force.

Article 13: Values of Properties Succeeded

1. The values of the assets and liabilities succeeded by JBIC from JFC (in the following Paragraph, referred to as the "Succeeded Properties") shall be the values assessed by the Evaluation Committee.
2. If the Evaluation Committee make an assessment pursuant to the provisions of the preceding Paragraph, the then current values of the Succeeded Properties on the date of the establishment of JBIC shall be used as the base values; provided, however, that if it is admitted that, taking into consideration the details of the Succeeded Properties, such as the kinds and uses thereof, use of the then current values of the Succeeded Properties as base values is inappropriate, the Evaluation Committee shall be allowed not to base their assessment on the then current values of the Succeeded Properties.
3. In addition to the matters prescribed in the preceding two (2) Paragraphs, the Evaluation Committee and other matters necessary for an assessment shall be prescribed by a Cabinet Order.

Article 14: Accounts for Succeeded Properties

If the assets and liabilities are succeeded by JBIC from JFC, the assets and liabilities listed in each of the following Items shall, upon such succession, be allocated as the assets and liabilities belonging to the account set forth in each of such Items, respectively:

- (1) The assets and liabilities related to the operations listed in Item (6) of Article 41 of the Former JFC Act, which shall apply by making replacements pursuant to the provisions of Paragraph 2 of Article 37 of the Supplementary Provisions of the Former JFC Act: The account related to the operations listed in Item (1) of Article 18-2 of the New Force Realignment Special Measures Act; and
- (2) The assets and liabilities related to the Financial Operations for Facilitating Realignment of United States Forces in Japan that are prescribed in Article 16 of the Former Force Realignment Special Measures Act: The account related to the operations listed in Item (2) Article 18-2 of the New Force Realignment Special Measures Act.

Article 15:

1. In the case where an allocation is made pursuant to the provisions of the preceding Article, the amount obtained by reducing, for each account related to the operations listed in each Item of Article 18-2 of the New Force Realignment Special Measures Act, the total amounts of (i) liabilities belonging to such account and (ii) capital and capital reserve belonging to such account from the amount of assets belonging to such account shall be allocated as the amount of the surplus belonging to such account.
2. In the case of the preceding Paragraph, if the amount of the surplus belonging to each account exceeds zero, such amount shall be the retained earnings reserve belonging to such account.
3. In the cases of the preceding two (2) Paragraphs, the amount of the surplus at the time of the incorporation of JBIC shall be the total amount of the surpluses belonging to all the accounts of JBIC, and the amount of the retained earnings reserve at the time of the incorporation of JBIC shall be the total amount of the retained earnings reserves belonging to all the accounts of JBIC.



Article 16: Transitional Measures Necessary in Connection with Succession of Rights and Obligations

1. The guarantee contracts prescribed in each of the following Items and executed by the Government with respect to the liabilities related to the bonds listed in each of such Items and succeeded by JBIC pursuant to the provisions of Paragraph 1 of Article 12 of the Supplementary Provisions hereof shall survive such succession with the conditions in force before such succession with respect to such liabilities related to such bonds. With respect to public dues, such as taxes, on the interest and redemption gain on the bonds listed below and related to the guarantee contracts executed pursuant to the provisions of Article 2 of the Foreign Capital Acceptance Act among such guarantee contracts, the provisions in force before such succession shall remain applicable.
  - (1) Corporate bonds set forth in Paragraph 2 of Article 50 of the Former JFC Act:  
Guarantee contracts executed pursuant to the provisions of Article 55 of the Former JFC Act or Article 2 of the Foreign Capital Acceptance Act
  - (2) The Japan Bank for International Cooperation Bonds set forth in Paragraph 1 of Article 45 of Japan Bank for International Cooperation Act (Act No. 35 of 1999) prior to the abolishment made pursuant to the provisions of Article 42 of the Supplementary Provisions of the Former JFC Act (hereinafter referred to as the “Former Japan Bank for International Cooperation Act”):  
Guarantee contracts executed pursuant to the provisions of Article 47 of the Former Japan Bank for International Cooperation Act or Article 2 of the Foreign Capital Acceptance Act prior to revision by the provisions of Article 13 of the Act Concerning Adjustment of Relevant Acts as a Consequence of the Japan Finance Corporation Act (Act No. 58 of 2007)
  - (3) Foreign currency bonds, etc. set forth in Paragraph 1 of Article 39-2 of the Export-Import Bank of Japan Act (Act No. 268 of 1950) prior to the abolishment made pursuant to the provisions of Article 15 of the Supplementary Provisions of the Former Japan Bank for International Cooperation Act (hereinafter referred to as the “Former Export-Import Bank Act”):  
Guarantee contracts executed pursuant to the provisions of Article 39-3 of the Former Export-Import Bank Act or Article 2 of the Foreign Capital Acceptance Act prior to revision by the provisions of Article 23 of the Supplementary Provisions of the Former Japan Bank for International Cooperation Act
2. The provisions of Article 34 hereof shall apply to the bond listed in each of the Items of the preceding Paragraph, by deeming these bonds as the corporate bonds of JBIC.

Article 17:

1. If the obligations related to the Japan Bank for International Cooperation’s Former Operations, etc. are succeeded by JBIC pursuant to the provisions of Paragraph 1 of Article 12 of the Supplementary Provisions hereof, the parties prescribed in each of the following Items shall jointly and severally be liable for repayment of the liabilities related to all of the bonds listed in each of such Items that have been issued at the time of such succession.
  - (1) The Japan Bank for International Cooperation Bonds set forth in Paragraph 1 of Article 45 of Japan Bank for International Cooperation Act prior to revision by the provisions of Article 11 of the Supplementary Provisions of the Act Concerning Partial Amendment of the Act on the Japan International Cooperation Agency, Independent Administrative Agency (Act No. 100 of 2006) and the foreign currency bonds, etc. set forth in Paragraph 1 of Article 39-2 of the Former Export-Import Bank Act:  
JBIC and the Japan International Cooperation Agency, Independent Administrative Agency
  - (2) Corporate bonds issued pursuant to the provisions of Articles 49 and 50 of the Former JFC Act:  
JBIC and JFC
2. A holder of the bonds listed in each of the Items of the preceding Paragraph shall, with respect to the properties of the parties listed in each of such Items, have the right to have his/her receivables satisfied in preference to other creditors.
3. The order of the statutory lien set forth in the preceding Paragraph shall be next to the general statutory liens prescribed by the provisions of the Civil Code.

Article 18: Exclusion from Taxation

1. No registration license taxes shall be imposed with respect to the registration or recording made as a result of JBIC's succession of rights under the provisions of Paragraph 1 of Article 12 of the Supplementary Provisions hereof to the extent that such registration or recording is made within one (1) year from the time of the establishment of JBIC.
2. No real property acquisition taxes or automobile acquisition taxes may be imposed on acquisition of real property or automobiles as a result of JBIC's succession of rights under the provisions of Paragraph 1 of Article 12 of the Supplementary Provisions hereof.

Article 19: Special Provisions on JFC's Operations

In addition to the operations set forth in Article 11 of the Japan Finance Corporation Act, JFC may, by obtaining the authorization of the Minister of Finance, engage in the operations listed below for the period from the date of the enforcement of this Act through March 31, 2012, so that JBIC can start its operations smoothly at the time of its establishment. In this case, in terms of applying the provisions, such as those of supervision, to the operations listed below conducted by JFC, such operations shall be deemed as meaning the operations set forth in Item (4) of Paragraph 1 of the same Article.

- (1) Among the operations listed in Item (1) of Article 11 hereof, those which are related to the Export of Equipment, etc. destined for any area other than developing areas, except for the Guarantee, etc. of Liabilities related to the Guarantee, etc. of Liabilities (limited to the cases corresponding to the case listed in Item (2) of Paragraph 1 of Article 12 hereof);
- (2) Among the operations listed in Item (3) of Article 11 hereof, loans of short-term funds made pursuant to the provisions of Paragraph 4 of Article 12 hereof; and
- (3) Among the operations listed in Item (3) of Article 11 hereof, loans to the Juridical Persons, etc. of Japan, other than the loans to the Small and Medium Enterprises, etc. (limited to the cases corresponding to the case listed in Item (1) or (2) of Paragraph 6 of Article 12 hereof).

Article 20: Special Provisions on JBIC's Operations

1. JBIC may, in addition to the operations set forth in Article 11 hereof, engage in the operations to perform the management and collection of the loan receivables related to the Japan Bank for International Cooperation's Former Operations, etc. conducted by JFC before the enforcement of the provisions of Article 46 of the Supplementary Provisions hereof (excluding those corresponding to the operations set forth in Article 11 hereof and including the operations incidental to the operations to perform such management and collection) until the collection of such loan receivables is completed.
2. If JBIC engages in the operations to perform the management and collection set forth in the preceding Paragraph pursuant to the provisions of the same Paragraph, for the purpose of applying the provisions of Paragraphs 1 and 3 of Article 43 and Item 3 of Article 46 hereof and the provisions of Article 18-2 of the New Force Realignment Special Measures Act, "Article 11 hereof" referenced in Paragraphs 1 and 3 of Article 43 hereof shall be deemed to be replaced with "Article 11 hereof or Paragraph 1 of Article 20 of the Supplementary Provisions hereof"; "other than those set forth in Article 11 hereof" referenced in Item 3 of Article 46 hereof shall be deemed to be replaced with "other than those set forth in Article 11 hereof and Paragraph 1 of Article 20 of the Supplementary Provisions hereof"; and "The operations listed in each Item of Article 11 of Japan Bank for International Cooperation Act" referenced in Item 1 of Article 18-2 of the New Force Realignment Special Measures Act shall be deemed to be replaced with "The operations listed in each Item of Article 11 of Japan Bank for International Cooperation Act and the operations to perform the management and collection set forth in Paragraph 1 of Article 20 of the Supplementary Provisions of the same Act."

Article 21: Delegation to Cabinet Orders

In addition to those prescribed in Article 2 of the Supplementary Provisions hereof through the preceding Article, the matters necessary with respect to the incorporation of JBIC shall be prescribed by Cabinet Orders.

Article 51: Transitional Measures Concerning Application of Penal Provisions

With regard to the application of penal provisions to the acts performed prior to the enforcement of the provisions of the proviso of Article 1 of the Supplementary Provisions hereof, the penal provisions in force theretofore shall remain applicable.

Article 52: Review on Status of JBIC's Operations

After the establishment of JBIC, the Government shall, taking into consideration the status of the enforcement of this Act, review the status of JBIC's operations, from the point of view that JBIC has the purpose of supplementing the financial transactions implemented by ordinary financial institutions, and the Government shall, when it finds necessary, implement the required measures, such as the abolishment of operations, based on the results thereof.

*This English version of the Act has been prepared purely for information purposes, and should not be considered as an official translation of Japan Bank for International Cooperation or any authorities of Japanese Government.*

CERTIFICATE

I, Tomoyuki Miyazaki, Attorney-at-law, do hereby certify that attached hereto is a true and correct English translation of the Japan Bank for International Cooperation Act (Act No. 39 of 2011), as amended, and that such Act is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 7th day of August, 2023.

/s/ Tomoyuki Miyazaki  
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Tomoyuki Miyazaki  
Attorney-at-law

## Independent auditor's report

The Board of Directors  
Japan Bank for International Cooperation

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Japan Bank for International Cooperation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**Key audit matter****How our audit addressed the key audit matter****Assessment of allowance for loan losses**

As of March 31, 2023, the Group reported total loans and other receivables of ¥15,507,179 million and recorded an allowance for loan losses of ¥362,802 million.

Management discloses information about credit risk in Note 37, “Financial Risk Management,” Note 38, “Maximum Exposure to Credit Risk,” Note 39, “Collateral,” Note 40, “Concentration of Credit Risk,” and Note 41 “Exercise of Rights to Obtain Collateral or Other Credit Enhancements.” Management also discloses the details of the allowance for loan losses in Note 3, “Significant Accounting Policies, H. Impairment of financial assets”, Note 4, “Significant Accounting Judgments, Estimates, and Assumptions,” Note 11, “Loans and Other Receivables,” and Note 30, “Impairment Losses (Reversals) on Financial Assets.”

The Group’s loan portfolio is characterized by a significant portion of long-term loans and loans that entail sovereign and country risks.

IFRS 9 applies the expected credit loss (“ECL”) model, which is a model for the recognition of impairment losses. IFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition of loans.

The Group estimates risk parameters in consideration of information available as of March 31, 2023 and measures ECL.

The assessment of allowance for loan losses involves significant judgment and estimation by management primarily on the following matters:

- Self-assessment of the quality of loans and other receivables, including the future prospects of borrowers’ financial conditions and repayment abilities used in the borrowers’ category determination;

The audit procedures that we performed to examine the Group’s assessment of allowance for loan losses included the following, among others:

- We obtained an understanding, evaluated the design, and tested operating effectiveness of the controls over the Group’s borrower category process. The controls tested included, but were not limited to, those controls over the accuracy of underlying internal credit rating data and schedules used in determining the borrowers’ category as well as controls over the completeness of the scope of self-assessment of asset quality.

- We selected a sample of borrowers by taking into account the degree of increase in credit risk estimated considering the type of business, the repayment status, financial position/degree of deterioration in their business performance and external factors, including the ongoing Russian invasion of Ukraine, to test management’s determination of the category of the sampled borrowers. We also considered the monetary impact of changes in the borrowers’ category on the amount recorded in the allowance for loan losses.

- We evaluated sampled borrowers’ recent repayment status, financial position, and business performance, by inspecting a set of materials related to the Group’s self-assessment of asset quality, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of actual financial position, financial statements, and the trial balance, and by evaluating the impact of COVID-19 and the international situation related to Russia and Ukraine on the future prospects of the borrowers’ business performance and compared them with available external information including, as appropriate, trends in natural resource prices. In addition, we made inquiries

- Future cash flows used in the discounted cash flow method (“DCF method”) for the impaired loans and other receivables assessed individually classified as Stage 3;

- Selection of forward looking macro-economic indicators and the approach to making adjustments based on statistical calculations using historical data and forecasts to incorporate forward looking information in the ECL measurement of loans and other receivables classified as Stage 1 or Stage 2.

The Group determines the borrowers’ category, taking into account the fact that the prolonged situation of COVID-19 is causing economic impacts on borrowers’ countries or regions as well as having financial impacts on individual borrowers. The Group also considers currently available information that may affect estimates, including the international situation relating to the ongoing Russian invasion of Ukraine. ECL measurement involves management’s judgment and estimating the timing of recovery of the macroeconomic indicators is subject to uncertainty.

Thus, we considered the assessment of allowance for loan losses as a key audit matter, due to the significance of its potential impact on the Group’s consolidated financial statements as well as management’s judgment involved and uncertainties in the estimates.

to the Finance Group in charge of the loans and the Country Credit Department as necessary to supplement our understanding. Also, we compared internal credit ratings on sovereign loans with external credit ratings.

- For the loans and other receivables assessed individually and classified as Stage 3, we assessed the future cash flows used in the DCF method as well as the inputs used by management, evaluated the model used in the DCF method, and tested their mathematical accuracy through recalculation. In addition, for samples of impaired loans and other receivables assessed individually, we performed procedures to compare cash flows estimated in the previous years to actual results.

- For the loans and other receivables classified as Stage 1 or Stage 2, we evaluated inputs applied by management related to ECL measurement and assessed those models and tested their mathematical accuracy through recalculations. We examined the Group’s approach to making adjustments based on statistical calculations using historical data and forecasts to incorporate forward looking information into the ECL model.

- We compared the estimated timing of recovery of macroeconomic indicators in the future in light of the effects of the prolonged situation of COVID-19 and the international situation related to Russia and Ukraine with available external information.

In addition to the above, we examined the disclosures in the notes related to the assessment of allowance for loan losses.

#### **Other information included in The Group’s 2023 Annual Report on Form 18-K**

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor’s reports thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Hiroshi Nishida.

/s/ Ernst & Young ShinNihon LLC  
Tokyo, Japan  
July 31, 2023

## Consolidated Statements of Financial Position

	Notes	(Millions of yen)	
		As of March 31, 2023	As of March 31, 2022
<b>Assets:</b>			
Cash and due from banks	7	2,193,775	1,451,153
Derivative financial instrument assets	8	137,156	95,072
Financial assets at fair value through profit or loss	9	475,260	480,027
Securities	10	46,998	36,999
Loans and other receivables	11	15,144,377	14,165,576
Equity method investments	13	129,892	128,987
Property and equipment	15	30,730	29,229
Other assets	16	667,093	541,677
<b>Total assets</b>		<b>18,825,285</b>	<b>16,928,723</b>
<b>Liabilities:</b>			
Derivative financial instrument liabilities	8	825,233	557,350
Borrowings	17	8,513,677	7,554,208
Bonds payable	18	5,934,320	5,559,618
Financial guarantee contracts	19	75,514	65,229
Other liabilities	20, 21	246,889	129,458
<b>Total liabilities</b>		<b>15,595,635</b>	<b>13,865,865</b>
<b>Equity:</b>			
Capital stock	22	2,108,800	2,023,800
Retained earnings		1,089,888	1,024,249
Other reserves	22	30,677	14,458
Non-controlling interests		283	350
<b>Total equity</b>		<b>3,229,650</b>	<b>3,062,857</b>
<b>Total liabilities and equity</b>		<b>18,825,285</b>	<b>16,928,723</b>

See Notes to Consolidated Financial Statements.

## Consolidated Income Statements

	Notes	(Millions of yen)	
		For the year ended March 31, 2023	For the year ended March 31, 2022
Interest income	24	576,869	186,336
Interest expense	24	334,401	137,173
Net interest income	24	242,467	49,163
Fee and commission income	25	12,848	18,374
Fee and commission expense	25	3,799	3,492
Net expense from derivative financial instruments	26	145,982	22,225
Net gain (loss) from financial assets at fair value through profit or loss	27	(12,160)	70,623
Net gain on derecognition of financial assets measured at amortized cost	28	558	9,125
Other income	29	30,787	26,409
Net non-interest income (expense)		(117,748)	98,814
<b>Total operating income *1</b>		<b>124,719</b>	<b>147,977</b>
Impairment losses (reversals) on financial assets	30	22,174	130,795
<b>Net operating income *2</b>		<b>102,545</b>	<b>17,181</b>
Operating expenses	31	24,540	21,846
Other expenses	29	4,315	668
Total operating expenses		28,855	22,515
Profits (losses) of equity method investments	13	(1,186)	4,133
<b>Profit (loss) before income tax</b>		<b>72,503</b>	<b>(1,199)</b>
Income tax expense	32	13	48
<b>Net profit (loss)</b>		<b>72,490</b>	<b>(1,248)</b>
<b>Attributable to:</b>			
Shareholder of JBIC		72,557	(1,295)
Non-controlling interests		(66)	46

\*1 Aggregate of “Net interest income” and “Net non-interest income (expense)”

\*2 “Total operating income” less “Impairment losses (reversals) on financial assets”

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
<b>Net profit ( loss)</b>	<b>72,490</b>	<b>(1,248)</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurement of defined benefit plans:		
Remeasurement arising during the year	411	111
Total of items that will not be reclassified to profit or loss	411	111
<b>Items that may be reclassified to profit or loss:</b>		
Exchange differences on translation of foreign operations:		
Net gain arising during the year	16,582	7,405
Reclassification adjustments	(362)	(1,121)
Total of items that may be reclassified to profit or loss	16,219	6,283
<b>Other comprehensive income (loss)</b>	<b>16,631</b>	<b>6,395</b>
<b>Total comprehensive income (loss)</b>	<b>89,121</b>	<b>5,146</b>
<b>Attributable to:</b>		
Shareholder of JBIC	89,188	5,099
Non-controlling interests	(66)	46

Consolidated Statements of Changes in Equity

(Millions of yen)

		Attributable to shareholder of JBIC					
				Other reserves			
					Exchange differences on translation of foreign operations	Other reserves, Total	
Notes	Capital stock	Retained earnings	Remeasurment of defined benefit plans				Sub Total
	<b>April 1, 2021</b>	<b>1,963,800</b>	<b>1,047,301</b>	—	<b>8,174</b>	<b>8,174</b>	<b>3,019,276</b>
	Net profit (loss)	—	(1,295)	—	—	—	(1,295)
	Other comprehensive income (loss)	—	—	111	6,283	6,395	6,395
	Total comprehensive income (loss)	—	(1,295)	111	6,283	6,395	5,099
	Issuance of new shares	22	60,000	—	—	—	60,000
	Payment to the National Treasury	23	—	(21,868)	—	—	(21,868)
	Other	22	—	111	(111)	(111)	—
	<b>March 31, 2022</b>	<b>2,023,800</b>	<b>1,024,249</b>	—	<b>14,458</b>	<b>14,458</b>	<b>3,062,507</b>
	Net profit (loss)	—	72,557	—	—	—	72,557
	Other comprehensive income (loss)	—	—	411	16,219	16,631	16,631
	Total comprehensive income (loss)	—	72,557	411	16,219	16,631	89,188
	Issuance of new shares	22	85,000	—	—	—	85,000
	Payment to the National Treasury	23	—	(7,329)	—	—	(7,329)
	Other	22	—	411	(411)	(411)	—
	<b>March 31, 2023</b>	<b>2,108,800</b>	<b>1,089,888</b>	—	<b>30,677</b>	<b>30,677</b>	<b>3,229,366</b>

		Non - controlling interests	Total equity
Notes			
	<b>April 1, 2021</b>	<b>318</b>	<b>3,019,594</b>
	Net profit (loss)	32	( 1,263)
	Other comprehensive income (loss)	—	6,395
	Total comprehensive income (loss)	32	5,131
	Issuance of new shares	22	60,000
	Payment to the National Treasury	23	(21,868)
	Other	22	—
	<b>March 31, 2022</b>	<b>350</b>	<b>3,062,857</b>
	Net profit (loss)	(66)	72,490
	Other comprehensive income (loss)	—	16,631
	Total comprehensive income (loss)	(66)	89,121
	Issuance of new shares	22	85,000
	Payment to the National Treasury	23	(7,329)
	Other	22	—
	<b>March 31, 2023</b>	<b>283</b>	<b>3,229,650</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

	Notes	(Millions of yen)	
		For the year ended March 31, 2023	For the year ended March 31, 2022
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		72,503	(1,199)
Depreciation and amortization		3,932	3,510
Increase (decrease) in liability for retirement benefits		(553)	(204)
Net loss (gain) from financial assets at fair value through profit or loss		12,160	(70,623)
Losses (profits) from equity method investments		1,186	(4,133)
Net decrease (increase) in loans and other receivables		(978,801)	(1,031,737)
Net increase (decrease) in borrowings		959,468	902,887
Net decrease (increase) in deposits (excluding demand deposits)		(100,185)	(367,170)
Net change in derivative financial instrument assets and liabilities		225,797	436,037
Net increase (decrease) in financial guarantee contracts		10,285	1,266
Net increase (decrease) in bonds payable		374,701	529,618
Other		(33,682)	(592,874)
<b>Net cash provided by (used in) operating activities</b>		<b>546,813</b>	<b>(194,622)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss		(16,890)	(21,416)
Sale of financial assets at fair value through profit or loss		14,821	14,874
Purchase of securities		(10,000)	(6,400)
Purchase of equity method investments		(1,739)	(15,200)
Proceeds from return of equity method investments		6,661	11,489
Other		(4,221)	(8,147)
<b>Net cash provided by (used in) investing activities</b>		<b>(11,368)</b>	<b>(24,801)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new shares	22	85,000	60,000
Payment to non-controlling interests		—	(14)
Payment to the National Treasury	23	(7,329)	(21,868)
Other		(503)	(452)
<b>Net cash provided by (used in) financing activities</b>		<b>77,166</b>	<b>37,663</b>
<b>Exchange difference on cash and cash equivalents</b>		<b>29,824</b>	<b>31,823</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>642,437</b>	<b>(149,936)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,083,983</b>	<b>1,233,919</b>
<b>Cash and cash equivalents at the end of the year</b>	7	<b>1,726,420</b>	<b>1,083,983</b>
<b>Net cash provided by (used in) operating activities includes the following:</b>			
Interest received		438,478	168,536
Interest paid		(260,885)	(127,230)

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### 1. Corporate Information

On April 1, 2012, the JBIC Operations and the Financial Operations for Facilitating Realignment of United States Forces in Japan were transferred out of the Japan Finance Corporation to establish the Japan Bank for International Cooperation (“JBIC”), a policy-based financial institution, wholly owned by the Japanese government according to the Japan Bank for International Cooperation Act (2011 Act No. 39, or “JBIC Act”). JBIC is a joint-stock corporation incorporated and domiciled in Japan with its headquarters registered at 4-1 Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan.

The consolidated financial statements for the year ended March 31, 2023 were authorized for issue by the board of directors on July 31, 2023.

The objective of JBIC and its subsidiaries (the “JBIC Group”) is to contribute to the sound development of Japan and the international economy and society by conducting financial operations in the following four fields, while supplementing the financial transactions of private sector financial institutions:

- promoting the overseas development and securement of resources which are important for Japan;
- maintaining and improving the international competitiveness of Japanese industries;
- promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming; and
- preventing disruptions to international financial order or taking appropriate measures with respect to damage caused by such disruptions.

See Note 6 “Segment Information” for details on the JBIC Group’s major operations.

### 2. Basis of Preparation

The consolidated financial statements of the JBIC Group are prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments measured at fair value. The consolidated financial statements are presented in yen, the functional currency of JBIC. Unless otherwise stated, all amounts are rounded down by omitting figures less than one million and stated in millions of yen. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts. Items less than one million yen or whose balance is nil are presented as “-”.

### 3. Significant Accounting Policies

#### A. Basis of consolidation

##### i. Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the JBIC Group. The JBIC Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Currently exercisable potential voting rights are taken into account in considering whether the JBIC Group has power over an entity. Even if the JBIC Group does not have voting rights in an investee, the JBIC Group determines that the investee is its subsidiary if, as a result of considering the scope of its decision-making rights over the investee, the rights held by other parties and other factors, the JBIC Group determines that another entity with decision-making rights is acting as an agent for the JBIC Group.

Inter-company transactions entered into with consolidated companies, the inter-company balance of receivables and payables and, if any, unrealized gains included in assets acquired as a result of transactions executed with consolidated companies are eliminated in consolidation. The JBIC Group consolidates a subsidiary from the date it obtains control over the subsidiary until the date JBIC ceases to control the subsidiary. If the JBIC Group ceases to control a consolidated subsidiary, it recognizes any investment retained in the former subsidiary at its fair value.

##### ii. Associates and joint arrangements

An associate is an entity over which the JBIC Group has significant influence in respect of managerial decisions related to the financial and operating policies of the entity but does not have control or joint control of the entity. Indications, such as ownership interest or participation in decision-making bodies, are considered in determining the existence of significant influence.

Joint control is an arrangement that constitutes contractually-agreed sharing of control, which exists only when decisions about the activities that significantly affect the variable returns of the arrangement require the unanimous consent of the parties sharing control. The classification of a joint arrangement investment as a joint operation or a joint venture depends upon the rights and obligations of each investor to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. JBIC does not have joint operation investments.

The JBIC Group's investments in associates and joint ventures are accounted for using the equity method, except for the investments made through the Russia-Japan Investment Fund, L.P., a subsidiary of the JBIC Group, as explained below. Under the equity method, the investments in the associates and joint ventures are carried at cost in the consolidated statement of financial position and are adjusted for changes in the JBIC Group's share of the net assets of the investees since their respective acquisition dates. The consolidated income statement reflects the JBIC Group's share of the results of operations of the investees. Where there has been a change in the other comprehensive income of the associates and joint ventures, the JBIC Group recognizes its share of the change in other comprehensive income. The profits (losses) of equity method investments are shown on the face of the consolidated income statements and represent the profits (losses) attributable to the investors of the associates and the joint ventures.

Where there is a joint arrangement among investors, including the Russia-Japan Investment Fund, L.P., as an investor, and the investors have rights to the net assets of the arrangement, such investees are joint ventures of the JBIC Group. However, investments in such joint ventures through the Russia-Japan Investment Fund, L.P. are accounted for as financial assets at fair value through profit or loss ("FVPL") and presented in "Financial assets at fair value through profit or loss" in the consolidated statement of financial position applying the exemption in IAS 28.

The consolidated financial statements of the JBIC Group include investments in associates and joint ventures for which the reporting date is different from that of JBIC because it is impracticable to change the reporting date of those associates and joint ventures to coincide with that of the JBIC Group in conjunction with other shareholders or for other reasons. The reporting date of certain associates and joint ventures included in the JBIC Group's consolidated financial statements is December 31, and therefore adjustments are made for the effects of significant transactions or events which occurred during the period between the reporting dates.

The JBIC Group determines whether it is necessary to recognize impairment losses on its investments in associates and joint ventures. At each reporting date, the JBIC Group determines whether there is objective evidence that its investments in associates and joint ventures are impaired. If there is such evidence, the JBIC Group recognizes impairment losses for the differences between the recoverable amounts of investments in associates or joint ventures and their carrying values.

Upon loss of significant influence or joint control over the associates and the joint ventures, the JBIC Group measures and recognizes any retained investments at their fair values. Any differences between the carrying amounts of its investments in associates or joint ventures upon the loss of significant influence or joint control and total of the fair values of the retained investments and proceeds from disposal are recognized in profit or loss.

## **B. Foreign currency translation**

The consolidated financial statements of the JBIC Group are presented in yen, which is the functional currency of JBIC.

Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Any gains or losses arising from the foreign currency translation are recognized in profit or loss.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined, and any translation differences are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into yen using the exchange rate at the reporting date. Income and expenses are translated into yen at the exchange rate (or the rate that approximates the exchange rate) at the transaction date. The exchange differences arising on translation are recognized in other comprehensive income.

## **C. Financial assets**

The JBIC Group classifies its financial assets into the following three categories: i. amortized cost, ii. financial assets at fair value through other comprehensive income ("FVOCI"), and iii. FVPL. The classification of financial instruments at initial recognition depends on the business model within which they are held and their contractual cash flow characteristics.



The JBIC Group has assessed business models based on facts and circumstances at a portfolio level. Factors that are considered in determining the business model include policies and objectives for the relevant portfolio, how the performance and risks of the portfolio are managed, evaluated and reported to management, and the level of sales activity.

The JBIC Group has assessed the contractual cash flow characteristics of financial assets with reference to whether the contractual cash flows are solely payments of principal and interest (“SPPI”). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks such as liquidity risk and costs such as administrative costs associated with holding the financial asset for a particular period of time, as well as a profit margin. In assessing whether the contractual cash flows meet the condition for SPPI, the JBIC Group considers the contractual terms that could change the contractual cash flows so that it would not meet the condition for SPPI, including leverage features, contingent events that would change the amount and timing of cash flows, contractual terms that limit the JBIC Group’s claim to cash flows from specified assets, and features that modify consideration of the time value of money.

The JBIC Group recognizes a financial asset in its consolidated statement of financial position when, and only when, the JBIC Group becomes a party to the contractual provisions of the financial instrument. The JBIC Group derecognizes a financial asset when contractual rights to cash flows from the financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset. In transactions in which substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the JBIC Group derecognizes a financial asset if control over that asset is not retained. If the terms of the financial asset are significantly modified, the existing financial asset is derecognized and a new asset is recognized, and difference in the respective carrying amounts is recognized in profit or loss.

Regular way purchases or sales of financial assets at amortized cost, FVOCI, and FVPL are recognized and derecognized using trade date accounting. Trade date accounting refers to the recognition of an asset to be received and the liability to pay for it on the trade date, derecognition of an asset that is sold, and recognition of a receivable from the buyer for payment on the trade date.

**i. Financial assets measured at amortized cost**

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold the assets in order to collect contractual cash flows, and their contractual cash flows are SPPI. These financial assets are included in “Cash and due from banks,” “Securities,” “Loans and other receivables” and “Other assets” in the consolidated statement of financial position. They are initially recognized at fair value plus directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Interest income on these financial assets is recognized in “Interest income” in the consolidated income statement using the effective interest method.

The JBIC Group engaged in a number of loan and borrowing transactions referencing LIBOR. If an interest rate benchmark used as the basis for determining the contractual cash flows is replaced, IFRS 9 requires entities to determine the effects on cash flows attributable to that change and consider whether to derecognize the financial instrument or to recognize any resulting gain or loss. The JBIC Group applies the reliefs provided in Interest Rate Benchmark Reform—Phase 2 from the fiscal year ended March 31, 2022. The reliefs permit a practical expedient to allow an entity to not recognize any modification gain or loss attributable to amendments to the contractual terms of the financial asset or financial liability if, and only if, the replacement of the interest rate benchmark is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. The JBIC Group completed contract changes related to the replacement with alternative interest rates to the existing contracts for those transactions referencing LIBOR settings that ceased to be published at the end of December 2021 by that date. For the majority of transactions referencing U.S. dollar LIBOR settings that ceased to be published at the end of June 2023, the JBIC Group completed contract changes related to the replacement with alternative interest rates by that date. The JBIC Group has developed a policy on how to treat remaining transactions after the cessation of the relevant LIBOR reference rates, including referencing synthetic LIBOR settings.

**ii. Financial assets measured at fair value through other comprehensive income**

Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows are SPPI. They are initially recognized at fair value plus directly attributable transaction costs and are subsequently measured at fair value. Gains and losses arising from changes in the fair value of these financial assets are recognized in other comprehensive income, until they are derecognized. When they are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss. However, interest income calculated using the effective interest method, foreign currency gains and losses, and impairment gains and losses are recognized in the consolidated income statement.

In addition, the JBIC Group has an option to make an irrevocable election, at initial recognition, for particular non-trading equity instruments that would otherwise be measured at FVPL, to present subsequent changes in fair value in other comprehensive income. They are initially recognized at fair value plus directly attributable transaction costs and are subsequently measured at fair value. Amounts presented in other comprehensive income shall not be subsequently reclassified to profit or loss. The JBIC Group does not make this designation.

As of March 31, 2023 and 2022, there were no financial assets measured at FVOCI.

### **iii. Financial assets measured at fair value through profit or loss**

Any financial assets that do not meet the criteria of amortized cost or FVOCI are classified as FVPL, unless an entity makes an irrevocable election for non-trading equity instruments to be measured at FVOCI. Derivatives are measured at FVPL and included in “Derivative financial instrument assets” in the consolidated statement of financial position. Financial assets measured at FVPL, other than derivatives, are included in “Financial assets at fair value through profit or loss” in the consolidated statement of financial position. Additionally, financial assets measured at amortized cost or FVOCI can be designated at initial recognition to be measured at FVPL in order to eliminate or significantly reduce an accounting mismatch. The JBIC Group does not make this designation.

Financial assets measured at FVPL are initially recognized at fair value with transaction costs being recognized in the consolidated income statement and are subsequently measured at fair value. Gains or losses arising from derivatives are included in “Net expense from derivative financial instruments”, “Other income” or “Other expenses” in the consolidated income statement. Gains or losses arising from financial assets measured at FVPL are included in “Net gain (loss) from financial assets at fair value through profit or loss” in the consolidated income statement.

## **D. Financial liabilities**

Financial liabilities are measured at fair value less directly attributable transaction costs at initial recognition and subsequently measured at amortized cost using the effective interest method, except for financial liabilities at FVPL and financial guarantee contracts. Amortization using the effective interest method and any gains or losses arising from the derecognition of a financial liability are recognized in profit or loss.

### **i. Financial liabilities at fair value through profit or loss**

Financial liabilities that the JBIC Group classifies as held for trading or designates as FVPL are classified as financial liabilities at FVPL.

#### **a. Financial liabilities classified as held for trading**

In the JBIC Group, financial liabilities classified as held for trading only include derivatives and are included in “Derivative financial instrument liabilities” in the consolidated statement of financial position.

#### **b. Financial liabilities at fair value through profit or loss**

Financial liabilities can be designated as financial liabilities at FVPL upon initial recognition, if they meet either of the following criteria:

- (i) a measurement or recognition inconsistency is eliminated or significantly reduced by the designation; or
- (ii) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

When the JBIC Group is required to separate an embedded derivative from its host contract but is unable to measure the embedded derivative separately either at acquisition or at a subsequent reporting date, the JBIC Group designates the entire hybrid contract as FVPL. Financial liabilities at FVPL are initially and subsequently measured at fair value for which changes in the liability’s credit risk from initial recognition are recognized in other comprehensive income. Transaction costs are recognized in profit or loss.

As of March 31, 2023 and 2022, there were no financial liabilities that had been designated as FVPL.

### **ii. Financial guarantee contracts**

A financial guarantee contract requires its issuer to reimburse the contract holder for a loss caused by a specific debtor’s failure to make payment on the due date pursuant to the original or modified terms of a debt instrument. Upon initial recognition, financial liabilities associated with financial guarantee contracts are measured at fair value. They are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance with IFRS 9 and (b) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

## **E. Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, there is a currently enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **F. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial instruments traded in active markets are based on their quoted market prices. A financial instrument is regarded as quoted in an active market if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis, for example, quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or pricing service. If an active market for a financial instrument is not available, the JBIC Group determines the fair value using valuation techniques, such as using recent arm's-length market transactions between independent parties, discounted cash flow ("DCF") analyses, and other valuation techniques commonly used by market participants.

See a detailed discussion in Note 35 "Fair Value of Financial Assets and Liabilities" and Note 36 "Fair Value Hierarchy."

## **G. Hedge accounting**

The JBIC Group applies fair value hedge accounting and hedge accounting of net investments in foreign operations in order to reflect the effect of risk management activities on its consolidated financial statements.

### **i. Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustments to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity and recorded as interest expense.

### **ii. Net investment hedges in foreign operations**

The effective portion of the gain or loss on the hedging instruments is recognized in other comprehensive income, whereas the ineffective portion of the gain or loss on the hedging instruments is recognized in "Net income (expense) from derivative financial instruments" in the consolidated income statement. The cumulative gain or loss recognized in other comprehensive income is recognized in the profit or loss on the disposal or partial disposal of the foreign operations.

### **iii. Interest rate benchmark reform**

The JBIC Group applies Interest Rate Benchmark Reform - Phase 1 from the fiscal year ended March 31, 2020. In applying hedge accounting, IFRS 9 requires an assessment in a forward-looking manner, and that there is an economic relationship between the hedged item and the hedging instrument. Pursuant to the Phase 1 amendments, the JBIC Group assumes that hedged items, hedging instruments and interest rate benchmark-based cash flows, which are the hedged risk, are not affected by interest rate benchmark reform.

The JBIC Group applies Interest Rate Benchmark Reform - Phase 2 from the fiscal year ended March 31, 2022. IFRS 9 requires entities to consider discontinuing hedge accounting if the designation of a hedging relationship is amended as a result of the replacement of an interest rate benchmark. Given that the replacement of interest rate benchmarks is a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the JBIC Group completed amendments to its hedge documentation by the cessation of interest rate benchmarks and considered that these amendments would not result in the discontinuation of hedge accounting.

## **H. Impairment of financial assets**

IFRS 9 applies the expected credit loss ("ECL") model, which is a model for the recognition of impairment losses. The impairment requirements apply to financial assets measured at amortized cost, and FVOCI debt instruments, certain loan commitments and financial guarantee contracts. Under the ECL model, an entity is required to account for expected credit losses from initial recognition of financial instruments and to recognize full lifetime expected losses on a timely basis.

IFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the JBIC Group. If a significant increase in credit risk since initial recognition is identified, the financial asset is moved to “Stage 2” but is not yet deemed to be credit-impaired. If the financial asset is credit-impaired, the financial asset is then moved to “Stage 3.” ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. ECL of financial assets in Stages 2 or 3 is measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The assessment of significant increases in credit risk and the measurement of ECL are performed on an individual financial instrument basis. The JBIC Group considers asset type, credit risk ratings, collateral collectibility, past-due status and other relevant characteristics of financial instruments and assesses whether there have been significant increases in credit risk on an individual financial instrument basis.

The JBIC Group determines whether there has been a significant increase in credit risk by comparing the risk of a default occurring on a financial instrument at the reporting date with that at the date of initial recognition, based on quantitative and qualitative assessments. As for the quantitative assessment, the JBIC Group measures whether the probability of default (“PD”) has increased since initial recognition. A significant increase in credit risk is recognized if the increase of PD exceeds the threshold defined by the JBIC Group. In addition, if a borrower has been downgraded to a certain degree, reflecting an increase in its PD, the assessment of whether there has been a significant increase in credit risk is performed for such a borrower. A borrower’s grade is determined under the JBIC Group’s internal credit rating system. As for the qualitative assessment, the JBIC Group evaluates credit risk characteristics in accordance with the JBIC Group’s credit risk management practices and takes them into consideration for determining whether there has been a significant increase in credit risk. A backstop is applied, and a financial asset is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The criteria that the JBIC Group uses to determine that a financial asset is credit-impaired include:

- (i) significant financial difficulty of the issuer or borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A quantitative criterion that the borrower is more than 90 days past due on its contractual payments is also applied.

The JBIC Group’s definition of “default” of a financial asset is consistent with the definition of credit-impaired described above that is used for ECL recognition and measurement and is also consistent with that used for internal credit risk management purposes. The JBIC Group manages credit risk with the internal credit rating system, whereby loans to substandard borrowers, potentially bankrupt borrowers, substantially bankrupt borrowers and bankrupt borrowers are defined as default for the purpose of the ECL model.

If the contractual cash flows on a financial asset have been renegotiated or modified, but the financial asset is not derecognized because the modification is not considered to be substantial, the JBIC Group assesses whether there has been a significant increase in the credit risk of the modified asset at the reporting date. Specifically, a risk of default of the modified asset is assessed by comparing with the risk under the original terms at initial recognition. In addition, the JBIC Group monitors the subsequent performance of modified assets, in particular for those that have been moved from Stage 3 or Stage 2 to Stage 1 as a result of being determined that the credit risk has significantly improved after restructuring. For such assets, the JBIC Group continues to monitor if there is a subsequent significant increase in credit risk using specific models for modified assets.

The JBIC Group measures ECL of a financial asset in a way that reflects an unbiased and probability-weighted amount, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL models have been built by using PD, loss given default (“LGD”) and exposure at default (“EAD”). For financial assets at Stage 1 and Stage 2, the JBIC Group uses 12-month PDs and lifetime PDs developed to measure 12-month ECL and lifetime ECL, respectively, and considers forward looking macro-economic information. For financial assets at Stage 3, the JBIC Group applies the DCF method for individually significant impaired financial assets.

To incorporate forward looking information into the ECL models, an approach based on multiple scenarios is introduced. In this approach, three scenarios (upside, downside, and base scenarios) are modelled to ensure an unbiased ECL calculation. Under each scenario, the relationship between credit losses and macroeconomic factors such as world gross domestic product (“GDP”) growth rates and West Texas Intermediate Crude Oil Prices (“WTI”) growth rates are analyzed. The analysis is based on statistical calculations by using historical data and forecasts. The outcomes are utilized for ECL calculation on a probability-weighted basis.

The DCF method is used to measure ECL, which is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. If financial assets have a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate determined under the contract for the current period. The estimated future cash flows are individually calculated taking into account factors including historical loss information, the appropriateness of the borrower’s business plan or operational improvement plan, the status of progress of its plan, the overall support from financial institutions, and the realizable value of any collateral held.

ECL is recognized through allowance accounts. Changes in the carrying amount of the allowance accounts are recognized as impairment gain or loss in “Impairment losses (reversals) on financial assets” in the consolidated income statement.

The JBIC Group writes off financial assets, in whole or in part, when it has implemented all practical recovery efforts and has concluded that there is no reasonable expectation of recovery after any collateral is foreclosed and the amount of the loss has been determined. Those assets primarily include loans for borrowers that have been legally or formally declared bankrupt and borrowers that may not have been legally or formally declared bankrupt but are essentially bankrupt.

The measurement of ECL allowance for financial instruments is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Management estimates and judgments may change from time to time as the economic environment changes or new information becomes available. Changes in these estimates and judgments may have a direct impact on impairment charges. For further information about estimates and assumptions for ECL models, refer to Note 4 “Significant Accounting Judgements, Estimates, and Assumptions.”

#### **I. Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment includes costs directly attributable to the acquisition of the item.

Depreciation is generally calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings (including leasehold improvements): 3 to 50 years
- Other: 2 to 35 years

An item of property and equipment and any significant part thereof initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

#### **J. Leases**

Lease transactions entered into by the JBIC Group as a lessee primarily consist of rental offices. The lease liabilities are initially recognized at the discounted present value of the remaining lease payments in the lease term at the commencement date of the lease and are subsequently measured at amortized cost using the effective interest method. The lease liabilities are included in “Other liabilities” in the consolidated statement of financial position. The discount rate used to calculate the discounted present value is the lessor’s interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the JBIC Group’s incremental borrowing rate is used.

The right-of-use assets are initially recognized at the amount of the initial measurement of the lease liabilities, plus any lease payments made at or before the commencement date, an estimate of costs to be incurred in, for example, restoring the underlying asset, and any initial direct costs. The right-of-use assets are subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are included in “Other assets” in the consolidated statement of financial position.

The JBIC Group does not enter into lease transactions as a lessor.

## **K. Impairment of non-financial assets**

The JBIC Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, an impairment test is performed. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss is recognized.

## **L. Post-employment benefits**

JBIC has defined benefit plans and defined contribution plans to secure funds to pay employees' retirement benefits.

### **i. Defined benefit plans**

JBIC determines the present value of its defined benefit obligations and the related current and past service costs for each plan using the projected unit credit method. Remeasurements of defined benefit plans are recognized in full in other comprehensive income in the year incurred, and immediately transferred to retained earnings. Past service costs are recognized in full in the year incurred.

The liability for retirement benefits is the present value of the defined benefit obligation less the fair value of the plan assets (the present value is determined using a discount rate based on market yields on high-quality corporate bonds. See the detailed discussion in Note 21 "Employee Benefits"). The plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The plan assets are not used to repay JBIC's creditors and are not returned to JBIC, except under certain circumstances. The fair value of the plan assets is based on market price information. The recognition of the net defined benefit asset is limited to the total amount of the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

### **ii. Defined contribution plans**

JBIC recognizes contributions to the defined contribution plans as expenses in the periods in which employees render the related services.

## **M. Taxes**

JBIC is a nontaxable entity according to Paragraph 2, Item 5 of the Corporate Tax Act of Japan (Act No. 34, 1965) and has no obligation to pay corporate taxes. JBIC IG Partners, a subsidiary of the JBIC Group, is a taxable entity and has an obligation to pay corporate taxes as applicable under relevant laws. The Russia-Japan Investment Fund, L.P. is a tax-exempt limited partnership established under Cayman Islands laws and has no obligation to pay corporate taxes.

## **N. Interest income and interest expense**

Interest income and expense for all financial instruments, except for financial assets and financial liabilities at FVPL, is recognized in "Interest income" and "Interest expense" using the effective interest rate method. For financial assets, the interest rate is applied to the gross carrying amount of financial assets, except for:

- a. Purchased or originated credit-impaired ("POCI") financial assets, for which the original credit-adjusted effective interest rate is applied to their amortized cost.
- b. Financial assets that are not POCI but have subsequently become credit-impaired or Stage 3, for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

The effective interest rate method is a method for calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period.

## **O. Fee and commission income**

Fee and commission income is mainly attributable to guarantee income arising from financial guarantee contracts. Guarantee income is recognized over the time period stipulated in the relevant contract.

## **P. Fee and commission expense**

Fee and commission expense is mainly attributable to outsourcing expenses. Outsourcing expenses are recognized as the services are rendered on an accrual basis in accordance with the terms of the relevant agreement.

## **Q. Net income (expense) from derivative financial instruments**

Net income (expense) from derivative financial instruments comprises gains and losses arising from changes in the fair values of derivatives and interests on these derivatives, except for gains or losses arising from the foreign currency translation of notional amounts of the currency swap contracts by using the exchange rate at the reporting date. This account also includes adjustments of the carrying amounts of hedged items under fair value hedge.

**R. Net gain (loss) from financial assets at fair value through profit or loss**

Net gain (loss) from financial assets at fair value through profit or loss includes all gains and losses arising from changes in the fair value of these financial assets and sales of such assets, as well as interest and dividend income, and upfront and commitment fee on these financial assets.

**S. Net gain (loss) on derecognition of financial assets measured at amortized cost**

Net gain (loss) on derecognition of financial assets measured at amortized cost comprises gains or losses on the sale, redemption or other events which resulted in the derecognition of financial assets measured at amortized cost.

**T. Cash and cash equivalents**

Cash and cash equivalents as stated in the consolidated statement of cash flows consist of cash on hand and demand deposits included in “Cash and due from banks” in the consolidated statement of financial position.

**4. Significant Accounting Judgments, Estimates, and Assumptions**

The preparation of the consolidated financial statements requires the JBIC Group to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the reporting date.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are described below. The JBIC Group based its key assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the JBIC Group. Such changes are reflected in the assumptions when they occur.

***Fair value of financial instruments***

Where the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including DCF models. The JBIC Group uses its judgment in selecting valuation techniques and the inputs to these models are derived from observable markets, where possible. However, inputs that are not derived from observable markets are used for the estimation of the fair value for some financial instruments based on the JBIC Group’s estimates and judgments.

The JBIC Group’s estimates and judgments are continually evaluated and updated in line with market conditions, and these changes could directly affect the fair values of these financial instruments.

See a detailed discussion in Note 35 “Fair Value of Financial Assets and Liabilities” and Note 36 “Fair Value Hierarchy.”

***Expected Credit Losses***

ECL represents the JBIC Group’s estimates of expected credit losses on financial instruments subject to impairment at the reporting date. The JBIC Group is required to exercise judgment in making assumptions and estimates.

Judgments in making assumptions and estimates made by the JBIC Group’s include:

- Self-assessment of the quality of loans and other receivables, including the future prospects of borrowers’ financial condition and repayment abilities used in the borrowers’ category determination;
- Future cash flows used in the DCF method for the impaired loans and other receivables assessed individually classified as Stage 3;
- Selection of forward looking macro-economic indicators and the approach to making adjustments based on statistical calculations using historical data and forecasts to incorporate forward looking information in the ECL measurement of loans and other receivables classified as Stage 1 or Stage 2.

The JBIC Group’s estimates and judgments are continually evaluated and updated in response to changes in the economic environment and in the light of new information. These changes could lead to a revision of the amount of impairment losses.

ECL is disclosed in more detail in Note 11 “Loans and Other Receivables,” Note 19 “Financial Guarantee Contracts” and Note 30 “Impairment Losses (Reversals) on Financial Assets.” Credit risk is described in more detail in Note 38 “Maximum Exposure to Credit Risk”, Note 39 “Collateral”, Note 40 “Concentration of Credit Risk” and Note 41 “Exercise of Rights to Obtain Collateral or Other Credit Enhancements.”

The prolonged situation of COVID-19 is causing economic impacts on borrowers’ countries or regions as well as financial impacts on individual borrowers. The borrowers’ category is determined in consideration of currently available information that may affect estimates, including the international situation relating to the ongoing Russian invasion of Ukraine. While the effects of the prolonged situation of COVID-19 vary across countries and are subject to uncertainty related to the degree of vaccine roll-out and the development in policy-based support, uncertainty over the effects of COVID-19 is declining. The JBIC Group currently estimates risk parameters (PD, LGD and EAD) and measures ECL based on the World Economic Outlook released by the International Monetary Fund (“IMF”) that the global economy is expected to continue to grow to a certain extent in 2023.

With respect to the international situation related to Russia and Ukraine, while the national governments, including the Government of Japan, have taken various measures, such as economic sanctions against Russia, the effects of the global situations of Russia and Ukraine are reflected in the ECL in the fiscal year ended March 31, 2023 by assessing in detail the effects of such measures on the business of, or the performance of obligations by, Russia-related borrowers in the process of the borrowers' category determination and in assessing the effects on credit risk individually.

As the future outlook of these events is uncertain, the situation of COVID-19 or its economic impacts may differ significantly from the assumptions above, or the expansion of the scope, or extension, of economic sanctions and other developments in the international situation related to Russia and Ukraine may have direct and indirect effects on the borrowers' category. In such a case, the ECL as of the end of the fiscal year ending March 31, 2024 may change.

The amount of ECL as of March 31, 2023 is the current best estimate. However, given a high estimation uncertainty related to other factors in addition to the prolonged situation of COVID-19 and the international situation related to Russia and Ukraine, there is a risk that the borrowers' results of operations, financial position or other items may change more than what was assumed at the time of estimation and such changes may have a significant effect on the consolidated financial statements for the next fiscal year.

#### ***Post-employment benefits***

The present value of defined benefit obligations and related costs are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the JBIC Group considers the market yield of high-quality corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

See Note 21 "Employee Benefits" for further details about the assumptions used.

#### **5. Standards Issued but Not Yet Effective**

##### ***Early application of standards and interpretations***

The JBIC Group has not applied any standards early.

##### ***Standards and interpretations issued but not yet applied***

The following is a listing of standards and interpretations issued but not yet applied by the JBIC Group as of the date of the issuance of the consolidated financial statements. The JBIC Group intends to apply the standards and interpretations from the date they become effective.

##### ***IFRS 17 Insurance Contracts***

IFRS 17 Insurance Contracts replaces IFRS 4 and sets out new principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 4 allowed entities to account for insurance contracts using national accounting standards, resulting in a variety of different accounting practices. IFRS 17 requires that all insurance contracts be accounted for in a consistent manner. In principle, insurance contracts are required to be measured at the total of the fulfilment cash flows and the contractual service margin and are required to be remeasured at the end of each reporting period.

As of the date of the issuance of the consolidated financial statements, the JBIC Group expects that the application of these changes has no effect on JBIC's consolidated financial statements.

IFRS 17 is effective for fiscal years beginning on or after January 1, 2023.



## 6. Segment Information

The JBIC Group's operating segments are those for which discrete financial information is available, and whose operating results are regularly reviewed by the JBIC Group's management. Figures reported to management, including those used for purposes of budget management and performance evaluation, are prepared under Japanese GAAP. Therefore, Japanese GAAP-based figures are reported in operating segments. For business operations defined under the Act on Japan Bank for International Cooperation and other acts, the JBIC Group has two reporting segments: "Ordinary Operations" account and "Special Operations" account. Accounting operations are separately carried out for respective accounts.

The Special Operations account includes the businesses that offer financing services such as lending to overseas infrastructure business projects that have risks but generate a sufficient level of expected return. The Ordinary Operations account covers the businesses that are not included in the Special Operations account. The Ordinary Operations account also includes the investment business of the subsidiaries.

The reconciliation tables show differences between the amounts reported in the reportable segments and those reported in the IFRS-based consolidated financial statements.

### A. Reportable segment information

	For the year ended March 31, 2023				(Millions of yen)
	Ordinary Operations	Special Operations	Sub-total for reportable segments	Adjustments *	Amount reported in the Japanese GAAP-based consolidated financial statements
Ordinary income					
Ordinary income from customers	657,719	2,234	659,954	(30)	659,923
Intersegment ordinary income	62	—	62	(62)	—
Total	657,782	2,234	660,016	(93)	659,923
Segment profit	155,621	964	156,585	—	156,585
Segment assets	19,826,521	331,398	20,157,920	(37)	20,157,883
Segment liabilities	17,202,608	5,917	17,208,526	(37)	17,208,488
Other items					
Depreciation and amortization	3,445	—	3,445	—	3,445
Interest income	568,495	2,071	570,567	—	570,567
Interest expense	459,290	731	460,022	—	460,022
Profits of equity method investments	2,058	—	2,058	—	2,058
Impairment losses on equity and other securities	3,486	—	3,486	—	3,486
Extraordinary income	13	—	13	—	13
Gain on disposal of noncurrent assets	13	—	13	—	13
Extraordinary loss	—	—	—	—	—
Loss on disposal of noncurrent assets	—	—	—	—	—
Income tax expenses	13	—	13	—	13
Equity method investments	44,298	—	44,298	—	44,298
Increase in property, equipment and intangible assets	4,240	—	4,240	—	4,240
Reversal of allowance for loan losses	19,194	158	19,352	—	19,352

\* The "Adjustments" above represent elimination of intersegment transactions.

\* Adjustments to ordinary income from customers, which are ¥30 million, represent reclassification.

(Millions of yen)

	For the year ended March 31, 2022				Amount reported in the Japanese GAAP-based consolidated financial statements
	Ordinary Operations	Special Operations	Sub-total for reportable segments	Adjustments *	
Ordinary income					
Ordinary income from customers	312,965	1,896	314,862	(1,381)	313,480
Intersegment ordinary income	52	—	52	(52)	—
Total	313,018	1,896	314,914	(1,433)	313,480
Segment profit	17,153	145	17,299	—	17,299
Segment assets	18,109,423	320,046	18,429,469	(39)	18,429,429
Segment liabilities	15,520,239	6,262	15,526,502	(39)	15,526,462
Other items					
Depreciation and amortization	3,067	—	3,067	—	3,067
Interest income	226,708	1,809	228,518	(545)	227,973
Interest expense	135,362	545	135,908	(545)	135,363
Profits of equity method investments	1,483	—	1,483	—	1,483
Impairment losses on equity and other securities	2,526	—	2,526	—	2,526
Extraordinary income	4	—	4	—	4
Gain on disposal of noncurrent assets	4	—	4	—	4
Extraordinary loss	0	—	0	—	0
Loss on disposal of noncurrent assets	0	—	0	—	0
Income tax expenses	48	—	48	—	48
Equity method investments	33,754	—	33,754	—	33,754
Increase in property, equipment and intangible assets	8,148	—	8,148	—	8,148
Reversal of allowance for loan losses	—	83	83	(83)	—
Provision of allowance for loan losses	131,076	—	131,076	(83)	130,992

\* The “Adjustments” above represent elimination of intersegment transactions.

\* Adjustments to ordinary income from customers, which are ¥1,381 million, represent reclassification.

## B. Reconciliation of reportable segment information to consolidated statement of financial position and consolidated income statement

Reconciliation of ordinary income

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Ordinary income under Japanese GAAP	659,923	313,480
Interest income	6,860	(37,355)
Fees and commission income	(9,898)	(7,463)
Net gain (loss) from financial assets at fair value through profit or loss	(2,643)	43,365
Net income (expense) from derivative financial instruments *2	(6,674)	—
Net gain on derecognition of financial assets measured at amortized cost	—	9,125
Impairment losses (reversals) on financial assets *3	(19,352)	(3,990)
Profits (losses) of equity method investments	(2,058)	—
Others	(5,092)	(2,158)
Ordinary income under IFRS *1	621,063	315,003

Reconciliation of net profit attributable to shareholder of JBIC

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Segment profit under Japanese GAAP	156,585	17,299
Interest income	10,007	13,772
Fees and commission income	(9,762)	(7,463)
Net income (expense) from derivative financial instruments *2	(24,780)	(73,038)
Net gain (loss) from financial assets at fair value through profit or loss	(11,793)	45,899
Net gain on derecognition of financial assets measured at amortized cost	—	9,125
Impairment losses (reversals) on financial assets *3	(41,526)	(3,793)
Other expenses	1,345	1,009
Others	(7,519)	(4,106)
Net profit (loss) attributable to shareholder of JBIC under IFRS	72,557	(1,295)

Reconciliation of assets

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Segment assets under Japanese GAAP	20,157,883	18,429,429
Derivative financial instrument assets *4	105,869	74,801
Financial assets at fair value through profit or loss	24,691	26,317
Securities	1,376	—
Loans and other receivables *5	(1,485,770)	(1,619,400)
Equity method investments	19,326	15,451
Others	1,908	2,123
Total assets under IFRS	18,825,285	16,928,723

Reconciliation of liabilities

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Segment liabilities under Japanese GAAP	17,208,488	15,526,462
Derivative financial instrument liabilities *4	105,869	74,801
Bonds payable	(257,435)	(75,365)
Financial guarantee contracts *5	(1,474,192)	(1,677,891)
Other liabilities	12,905	17,858
Total liabilities under IFRS	15,595,635	13,865,865

Reconciliation of interest income

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest income under Japanese GAAP	570,567	227,973
Derivative financial instrument assets	—	(51,128)
Loans and other receivables	9,324	15,900
Financial assets at fair value through profit or loss	(3,705)	(6,964)
Others	683	556
Interest income under IFRS	576,869	186,336

Reconciliation of interest expense

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest expense under Japanese GAAP	460,022	135,363
Derivative financial instrument liabilities	(127,876)	—
Others	2,255	1,810
Interest expense under IFRS	334,401	137,173

## Reconciliation of equity method investments

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Equity method investments under Japanese GAAP	44,298	33,754
Difference in the scope of the equity method	85,594	95,233
Equity method investments under IFRS	129,892	128,987

## Reconciliation of impairment losses (reversals) on financial assets

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Provision (reversal) of allowance for loan losses under Japanese GAAP	(19,352)	130,992
Securities	—	—
Loans and other receivables *3	26,022	(6,981)
Financial guarantee contracts	15,503	6,784
Impairment losses (reversals) on financial assets under IFRS	22,174	130,795

\*1 “Ordinary income under IFRS” is an aggregate of “Interest income,” “Fee and commission income,” “Net gain from financial assets at fair value through profit or loss,” “Net gain on derecognition of financial assets measured at amortized cost,” “Other income,” “Impairment reversals on financial assets,” and “Profits (losses) of equity method investments” reported in the consolidated income statement.

\*2 This primarily represents an impact of reversing “Deferred gains (losses) on hedges” recognized as a result of applying hedge accounting under Japanese GAAP.

\*3 This primarily represents a difference between “Provision of allowance for loan losses” under Japanese GAAP and “Impairment losses (reversals) on financial assets” under IFRS.

\*4 This primarily represents a difference in presentation of derivative financial instrument assets and derivative financial instrument liabilities between a net basis under Japanese GAAP and a gross basis under IFRS.

\*5 This primarily represents a difference between the amounts of financial guarantee contracts recognized under Japanese GAAP and those recognized under IFRS.

## C. Information about geographical areas

### i. Interest income\*

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Japan	169,344	26,022
Asia and Oceania (excluding Japan)	168,561	74,362
Europe, the Middle East, and Africa	136,115	56,214
North America and Latin America	102,847	29,735
Other *	—	1
Total interest income in the consolidated income statement	576,869	186,336

\* The above information is based on the locations of customers.

\* “Other” includes interest income from international organizations.

### ii. Noncurrent assets

Noncurrent assets mainly consist of property and equipment. The majority of the noncurrent assets on the consolidated statement of financial position are located in Japan and hence, further information is not presented.

## D. Information about major customers

There are no transactions with a single external customer resulting in more than 10% of ordinary income.

## 7. Cash and Due from Banks

Cash and due from banks as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Cash and due from banks		
Due from banks	2,193,775	1,451,153
<b>Total cash and due from banks</b>	<b>2,193,775</b>	<b>1,451,153</b>

Cash and cash equivalents in the consolidated statement of cash flows reconcile to cash and due from banks in the consolidated statement of financial position as of March 31, 2023 and 2022, respectively, as follows:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Cash and due from banks	2,193,775	1,451,153
Due from banks (excluding demand deposits)	(467,355)	(367,170)
<b>Cash and cash equivalents</b>	<b>1,726,420</b>	<b>1,083,983</b>

## 8. Derivative Financial Instrument Assets and Liabilities

Derivative financial instrument assets and derivative financial instrument liabilities as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)		
	As of March 31, 2023		
	Notional amounts	Derivative financial instrument assets	Derivative financial instrument liabilities
Interest rate-related transactions			
Interest rate swaps	6,548,599	26,812	375,702
Currency-related transactions			
Currency swaps	4,329,610	110,332	449,531
Forward foreign exchange contracts	5,541	12	—
<b>Total</b>	<b>—</b>	<b>137,156</b>	<b>825,233</b>

	(Millions of yen)		
	As of March 31, 2022		
	Notional amounts	Derivative financial instrument assets	Derivative financial instrument liabilities
Interest rate-related transactions			
Interest rate swaps	6,205,113	36,062	125,363
Currency-related transactions			
Currency swaps	4,194,367	58,441	431,986
Forward foreign exchange contracts	36,728	568	—
<b>Total</b>	<b>—</b>	<b>95,072</b>	<b>557,350</b>

### Hedge Accounting

#### i. Fair value hedge

The JBIC Group issues long-term fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The JBIC Group manages this risk exposure by entering into pay floating/receive fixed interest rate swaps. For more information about the benchmark interest rates to which the JBIC Group's hedging relationships are exposed, see "Interest Rate Benchmark Reform" in this note.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The JBIC Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and therefore a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the JBIC Group uses the hypothetical derivative method to assess effectiveness.

The JBIC Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

- a. the JBIC Group or counterparty credit risk which impacts the fair value of interest rate swaps; and
- b. tenor differences between the hedging instruments and the hedged items.

The JBIC Group held the following interest rate swaps to hedge its interest rate risk on bonds payable as of March 31, 2023 and 2022.

	(Millions of yen)		
	As of March 31, 2023		
	Currency	Notional amounts	Maturity
Interest rate swap	USD	3,905,752	May 2023 to April 2031
	EUR	72,860	June 2029
	GBP	41,390	July 2026
	Total	4,020,002	

	(Millions of yen)		
	As of March 31, 2022		
	Currency	Notional amounts	Maturity
Interest rate swap	USD	3,243,335	October 2022 to April 2031
	GBP	40,222	July 2026
	Total	3,283,557	

The amounts related to items designated as hedging instruments were as follows.

	(Millions of yen)				
	As of March 31, 2023				
	Currency	Notional amounts	Carrying amount of hedging instruments		Line item in the statement of financial position
			Assets	Liabilities	
Interest rate swap	USD	3,905,752	—	239,177	Derivative financial instrument liabilities
	EUR	72,860	—	6,107	Derivative financial instrument liabilities
	GBP	41,390	—	5,198	Derivative financial instrument liabilities
	Total	4,020,002	—	250,483	

	(Millions of yen)			
	As of March 31, 2023			
	Currency	Change in fair value of hedging instruments for ineffectiveness assessment	Hedge ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	USD	(171,259)	(505)	Net income (expense) from derivative financial instruments
	EUR	(6,107)	(1,679)	Net income (expense) from derivative financial instruments
	GBP	(2,207)	(1)	Net income (expense) from derivative financial instruments
	Total	(179,573)	(2,186)	

	(Millions of yen)				
	As of March 31, 2022				
	Currency	Notional amounts	Carrying amount of hedging instruments		Line item in the statement of financial position
			Assets	Liabilities	
Interest rate swap	USD	3,243,335	—	67,918	Derivative financial instrument assets
	GBP	40,222	—	2,990	Derivative financial instrument liabilities
	Total	3,283,557	—	70,909	

	(Millions of yen)			
	As of March 31, 2022			
	Currency	Change in fair value of hedging instruments for ineffectiveness assessment	Hedge ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	USD	(137,955)	(92)	Net income (expense) from derivative financial instruments
	GBP	(2,259)	—	Net income (expense) from derivative financial instruments
	Total	(140,215)	(92)	

The amounts related to items designated as hedged items were as follows.

(Millions of yen)						
As of March 31, 2023						
	Carrying amount of hedged items		Accumulated amount of fair value		Line item in the statement of financial position	Change in fair value of hedged item for ineffectiveness assessment
	Assets	Liabilities	Assets	Liabilities		
Bonds payable in USD	—	3,683,541	239,480	—	Bonds payable	(171,764)
Bonds payable in EUR	—	138,674	7,786	—	Bonds payable	(7,786)
Bonds payable in GBP	—	36,229	5,199	—	Bonds payable	(2,209)
Total	—	3,858,446	252,467	—		(181,760)

(Millions of yen)						
As of March 31, 2022						
	Carrying amount of hedged items		Accumulated amount of fair value		Line item in the statement of financial position	Change in fair value of hedged item for ineffectiveness assessment
	Assets	Liabilities	Assets	Liabilities		
Bonds payable in USD	—	3,186,192	67,716	—	Bonds payable	(137,863)
Bonds payable in GBP	—	37,250	2,990	—	Bonds payable	(2,259)
Total	—	3,223,443	70,706	—		(140,122)

### **Interest Rate Benchmark Reform**

The replacement with alternative interest rates is continuing, giving rise to uncertainties about interest rate benchmark-based cash flows of hedged items or of hedging instruments. The JBIC Group adopted the Phase 2 amendments from April 1, 2021. The Phase 2 amendments complement the “Interest Rate Benchmark Reform - Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7” published in 2019 and provide relief from applying specific requirements when the basis for determining the contractual cash flows or hedging relationships changes as a result of interest rate benchmark reform. The reliefs are intended to permit the use of a practical expedient for the effective interest rate method and the continuation of hedge accounting when interest rate benchmarks are replaced as a result of interest rate benchmark reform.

The JBIC Group engages in a number of loans, borrowings and derivatives transactions that reference LIBOR. In response to the permanent cessation of LIBOR, reference rates for these financial instruments are replaced, which may have an impact on elements such as profitability, liquidity, and fair value.

The JBIC Group has developed an internal policy on changes to contractual interest rates of financial instruments and is amending applicable contracts for replacement with alternative interest rates. The JBIC Group has modified its systems and is establishing a post-transition structure in order to engage in transactions for financial instruments referencing risk-free rates.

With respect to the JBIC Group’s fair value hedges where interest-linked derivatives are designated as hedging instruments, the JBIC Group has monitored technical guidance issued by, and the progress of considerations made by, national authorities and industry associations in relation to the U.S. dollar and GBP LIBOR rates as they are significant interest rate benchmarks affecting hedging relationships. Regarding the two LIBOR rates above, the JBIC Group has recognized when the rates will no longer be representative (June 2023 and December 2021 for U.S. dollar LIBOR and GBP LIBOR, respectively) and the alternative reference rates announced by the respective national authorities. The actions taken by the JBIC Group included adherence to the IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association, Inc. The JBIC Group has been taking actions to prepare for the transition, and has completed the replacement of GBP LIBOR, which lost its representativeness at the end of December 2021, with alternative interest rates. As of March 31, 2023, the notional amount of the hedging instruments related to the U.S. dollar LIBOR, whose replacement is not completed, was ¥3,905,752 million, which approximates the amount of risk exposure the JBIC Group manages that is directly affected by interest rate benchmark reform. The JBIC Group has completed the replacement of U.S. dollar LIBOR with alternative interest rates in accordance with the IBOR Fallbacks Protocol and therefore the uncertainties arising from interest rate benchmark reform for U.S. dollar LIBOR at the loss of representativeness of the LIBOR rates which is the end of June 2023 has been resolved.

The following table provides quantitative information on those financial instruments that have not transitioned to alternative benchmark rates as of March 31, 2023 and 2022, excluding the hedge transactions above.

	(Millions of yen)			
	As of March 31, 2023		As of March 31, 2022	
	Nominal amount of transactions that refer to LIBOR		Nominal amount of transactions that refer to LIBOR	
	USD LIBOR	Others	USD LIBOR	Others
Non-derivative financial assets Loans and other receivables	4,364,132	—	10,392,621	53,391
Non-derivative financial Liabilities Borrowings	5,020,364	—	3,244,084	—
Derivatives	4,822,712	—	4,569,997	50,541

## ii. Net investment hedges in foreign operations

The JBIC Group has investments in foreign operations which are equity method investments in its consolidated financial statements and whose functional currency is the U.S. dollar. The foreign exchange rate exposures arising from these investments are hedged through the use of forward foreign exchange contracts. These contracts are entered into to hedge designated layer components of the exposure arising from the net assets held in the foreign operations and are rolled forward on a periodic basis.

The JBIC Group designates the spot element of the foreign exchange forwards only as hedging instruments. Changes in the fair value of the hedging instruments attributable to changes in forward points are recognized directly in profit or loss, in principle, as “Net expense from derivative financial instruments” in the consolidated income statement. These amounts are, therefore, not included in the hedge ineffectiveness assessment.

The JBIC Group establishes the hedging ratio by matching the notional amounts of the forward foreign exchange contracts with designated layer component of the net assets of the foreign operation. Given that only the spot element of the forward foreign exchange contracts is designated in the hedge relationship and the amount of hedging instruments and hedged items are equivalent in U.S. dollars, no ineffectiveness is expected except for credit risk of the JBIC Group or counterparty of forward foreign exchange contracts, which is included in fair value of forward foreign exchange contracts.

The JBIC Group held the following forward foreign exchange contracts to hedge its net investments in foreign operations as of March 31, 2023 and 2022.

	(Millions of yen)	
	As of March 31, 2023	
	Notional amounts Less than 1 year	Average JPY-USD exchange rates
Forward foreign exchange contracts	—	—

	(Millions of yen)	
	As of March 31, 2022	
	Notional amounts Less than 1 year	Average JPY-USD exchange rates
Forward foreign exchange contracts	33,275	122.4



The amounts related to items designated as hedging instruments were as follows.

	As of March 31, 2023				(Millions of yen)
	Notional amounts	Carrying amount of hedging instrument		Line item in the statement of financial position	Change in fair value of hedging instrument recognized in other comprehensive income
		Assets	Liabilities		
Forward foreign exchange contracts	—	—	—	—	(1,973)
	Hedge ineffectiveness			Reclassification	
	Change in fair value of hedging instrument for ineffectiveness assessment	Hedge ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item affects profit or loss because of reclassification
Forward foreign exchange contracts	3,455	—	Net income (expense) from derivative financial instruments	1,482	Other expenses

	As of March 31, 2022				(Millions of yen)
	Notional amounts	Carrying amount of hedging instrument		Line item in the statement of financial position	Change in fair value of hedging instrument recognized in other comprehensive income
		Assets	Liabilities		
Forward foreign exchange contracts	33,275	553	—	Derivative financial instrument assets	(3,055)
	Hedge ineffectiveness			Reclassification	
	Change in fair value of hedging instrument for ineffectiveness assessment	Hedge ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item affects profit or loss because of reclassification
Forward foreign exchange contracts	2,941	—	Net income (expense) from derivative financial instruments	(114)	Other expenses

The amounts related to items designated at hedged items were as follows.

	As of March 31, 2023		(Millions of yen)
	Change in fair value of hedged items for ineffectiveness assessment	Exchange differences on translation of foreign operations	
Net investments in USD	(3,456)	(4,457)	
	As of March 31, 2022		(Millions of yen)
	Change in fair value of hedged items for ineffectiveness assessment	Exchange differences on translation of foreign operations	
Net investments in USD	(2,940)	(2,483)	

The following table provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items resulting from hedge accounting.

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Exchange differences on translation of foreign operations		
Beginning of the year	(2,483)	571
Net gains (losses) arising during the year	(3,456)	(2,940)
Reclassification adjustments	1,482	(114)
End of the year	(4,457)	(2,483)
Discontinued hedges	(4,457)	—

## 9. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Listed and unlisted equity securities	215,593	203,671
Unlisted debt instruments	259,666	276,355
<b>Total</b>	<b>475,260</b>	<b>480,027</b>

## 10. Securities

Securities as of March 31, 2023 and 2022, which were classified as amortized cost consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Securities		
Unlisted debt securities	46,998	36,999
<b>Securities, total</b>	<b>46,998</b>	<b>36,999</b>

## 11. Loans and Other Receivables

Loans and other receivables as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Sovereign	464,478	480,951
Non-sovereign	15,042,701	14,034,167
<b>Total sovereign and non-sovereign</b>	<b>15,507,179</b>	<b>14,515,118</b>
Allowance for loan losses	(362,802)	(349,542)
<b>Loans and other receivables, total</b>	<b>15,144,377</b>	<b>14,165,576</b>

The portfolio of loans and other receivables is disclosed in more detail in Note 40 “Concentration of Credit Risk.”

Details of changes in the loss allowance for loans and other receivables for the year ended March 31, 2023 were as follows:

Loss allowance:

	(Millions of yen)				
	For the year ended of March 31, 2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As of April 1, 2022	6,430	111,407	231,703	—	349,542
Transfers:					
Transfer to Stage 1	21,945	(18,503)	(3,442)	—	—
Transfer to Stage 2	(15)	15	—	—	—
Transfer to Stage 3	—	(137)	137	—	—
Net remeasurement from stage changes	(21,374)	8,621	4,311	—	(8,441)
Modification of contractual cash flows	—	—	(158)	—	(158)
Decrease in exposures	(1,202)	(5,629)	(56,737)	—	(63,569)
Increase in exposures	459	438	12,460	—	13,357
Write-offs	—	—	—	—	—
Changes in risk parameters	610	3,047	(5,145)	—	(1,487)
Other changes	632	8,752	64,174	—	73,559
<b>As of March 31, 2023</b>	<b>7,486</b>	<b>108,011</b>	<b>247,303</b>	<b>—</b>	<b>362,802</b>

The following table provides changes in the gross carrying amount of the loans and other receivables to show their impact on the changes in the loss allowance presented above.

Gross carrying amount:

	(Millions of yen)				
	For the year ended of March 31, 2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As of April 1, 2022	12,297,808	1,616,308	581,312	19,689	14,515,118
Transfers:					
Transfer to Stage 1	332,201	(298,989)	(33,211)	—	—
Transfer to Stage 2	(219,947)	219,947	—	—	—
Transfer to Stage 3	(6,744)	(5,524)	12,269	—	—
Modification of contractual cash flows	—	—	(2,049)	1,930	(118)
Decrease in exposures	(1,638,718)	(174,991)	(229,523)	—	(2,043,233)
Increase in exposures	1,666,787	45,130	83,429	884	1,796,232
Write-offs	—	—	—	—	—
Other changes*	1,022,316	133,951	82,279	633	1,239,181
As of March 31, 2023	13,453,702	1,535,832	494,506	23,137	15,507,179

\* “Other changes” mainly include foreign exchange translations.

Details of changes in the loss allowance for loans and other receivables for the year ended March 31, 2022 were as follows:

Loss allowance:

	(Millions of yen)				
	For the year ended of March 31, 2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As of April 1, 2021	5,907	50,599	205,746	—	262,252
Transfers:					
Transfer to Stage 1	—	—	—	—	—
Transfer to Stage 2	(5)	58	(53)	—	—
Transfer to Stage 3	(5)	—	5	—	—
Net remeasurement from stage changes	—	45,675	8,900	—	54,576
Modification of contractual cash flows	—	—	104	—	104
Decrease in exposures	(1,105)	(2,180)	(8,894)	—	(12,180)
Increase in exposures	362	7,565	20	—	7,947
Write-offs	—	—	(37,883)	—	(37,883)
Changes in risk parameters	484	387	1,796	—	2,668
Other changes	792	9,302	61,961	—	72,056
As of March 31, 2022	6,430	111,407	231,703	—	349,542

The following table provides changes in the gross carrying amount of the loans and other receivables to show their impact on the changes in the loss allowance presented above.

Gross carrying amount:

	(Millions of yen)				
	For the year ended March 31, 2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As of April 1, 2021	11,469,725	1,373,723	552,642	—	13,396,091
Transfers:					
Transfer to Stage 1	37,617	(37,588)	(28)	—	—
Transfer to Stage 2	(355,371)	359,193	(3,821)	—	—
Transfer to Stage 3	(91,034)	(449)	91,484	—	—
Modification of contractual cash flows	—	—	1,412	1,049	2,462
Decrease in exposures	(1,777,999)	(270,923)	(81,410)	—	(2,130,334)
Increase in exposures	1,930,690	40,317	9,554	17,189	1,997,752
Write-offs	—	—	(37,883)	—	(37,883)
Other changes	1,084,180	152,036	49,363	1,449	1,287,029
As of March 31, 2022	12,297,808	1,616,308	581,312	19,689	14,515,118

There were no contractual amounts outstanding on financial assets that were written off for the year ended March 31, 2022 but were still subject to enforcement activity.

The amount of undiscounted ECL of POCI initially recognized for the year ended March 31, 2022 was ¥6,399 million.

The following table includes summary information for loans and other receivables with lifetime ECL whose cash flows were modified during the period:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Loans and other receivables		
Amortized cost before modification	273,400	322,276
Net modification gains (losses)*	(2,049)	1,412

\* Net modification gains (losses) were included in “Impairment losses (reversals) on financial assets” in the consolidated income statement.

The gross carrying amount of loans and other receivables with 12-month ECL whose cash flows were modified and moved from Stage 3 or Stage 2 to Stage 1 for the fiscal year ended March 31, 2023 and 2022 were ¥28,941 million and nil, respectively.

The policy for managing credit risk is disclosed in Note 37 “Financial Risk Management.”

## 12. Interests in Other Entities

The JBIC Group’s principal subsidiaries as of March 31, 2023 are shown in the table below. The JBIC Group consolidates all entities over which the JBIC Group has control. See Note 3 “Significant Accounting Policies” for additional information.

Name of entity	Country of incorporation	Ownership interest held by the JBIC Group (%)	Voting rights (%)	Principal activities
JBIC IG Partners	Japan	51	51	Management services for investments
Russia-Japan Investment Fund, L.P.*	Cayman Islands	100	—	Investments

\* Although JBIC does not have direct decision-making rights in the Russia-Japan Investment Fund, L.P., JBIC has determined that the Russia-Japan Investment Fund, L.P. is its subsidiary because another entity that is considered to be an agent of JBIC has all of the decision-making rights.

### 13. Equity Method Investments

#### *Investments in Associates*

Investments in associates are accounted for using the equity method. The JBIC Group does not have any investments in associates that are individually material. Investments in associates that were not individually material were as follows:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Total carrying amount	110,844	111,116

Financial information of associates that were not individually material was as follows (the amount presented is based on the JBIC Group's ownership interest):

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Total comprehensive income	(1,186)	4,133

Associates did not record other comprehensive income. Therefore, profits of equity method investments were equal to the associates' total comprehensive income presented above.

#### *Investments in Joint Ventures*

Investments in joint ventures are accounted for using the equity method except for the investments made through the Russia-Japan Investment Fund L.P. The JBIC Group does not have any joint ventures that are individually material, and the aggregate balance of investments in joint ventures that are not individually material are not significant. Accordingly, the carrying amount of the investment and the financial information of the joint ventures are not presented.

### 14. Unconsolidated Structured Entities

The JBIC Group has interests in structured entities formed by other entities ("unconsolidated structured entities") for the purpose of providing project financing, mainly to resources and infrastructure projects, aircraft leasing, ship leasing, and others. These unconsolidated structured entities obtain funds mainly through bank borrowings. The JBIC Group has interests in these unconsolidated structured entities in the form of loans, financial guarantees, or investments, and therefore the JBIC Group is exposed to credit risk and market risk of these unconsolidated structured entities.

The JBIC Group's maximum exposure to losses from its interests in these unconsolidated structured entities consists of the carrying amounts of its investments in equity securities, the amounts of loans and loan commitments, and the amount of financial guarantee obligations. The maximum exposure represents the possible amount of total losses the JBIC Group could ever incur without considering any collateral held and other credit enhancements, and does not represent the probability of loss occurrence. Income received from interests in unconsolidated structured entities is mainly interest income and guarantee fees.

The following table summarizes the carrying amounts of assets and liabilities recognized in the consolidated statement of financial position of the JBIC Group and its maximum exposure to losses from its interests in the unconsolidated structured entities.

	(Millions of yen)			
	As of March 31, 2023		As of March 31, 2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss	2,584	2,584	3,552	3,552
Loans and other receivables	6,608,749	7,765,314	6,440,615	7,411,749
Equity method investments	8,111	8,111	11,588	11,588
Assets, total	6,619,445	7,776,010	6,455,755	7,426,890
Financial guarantee contracts	53,253	406,420	41,875	412,344
Liabilities, total	53,253	406,420	41,875	412,344

## 15. Property and Equipment

Changes in the carrying amounts of property and equipment for the years ended March 31, 2023 and 2022 were as follows:

	(Millions of yen)			
	Land	Buildings	Others	Total
<b>Cost</b>				
As of April 1, 2021	24,311	5,300	2,676	32,288
Additions	—	242	967	1,209
Disposals	—	(5)	(63)	(69)
Other decreases	—	—	(425)	(425)
As of March 31, 2022	24,311	5,537	3,154	33,003
Additions	—	215	2,495	2,711
Disposals	—	—	(55)	(55)
Other decreases	—	—	(515)	(515)
As of March 31, 2023	24,311	5,752	5,079	35,143
<b>Accumulated depreciation</b>				
As of April 1, 2021	—	1,593	1,584	3,178
Depreciation	—	234	429	663
Disposals	—	(5)	(62)	(68)
As of March 31, 2022	—	1,822	1,951	3,773
Depreciation	—	247	444	691
Disposals	—	—	(52)	(52)
As of March 31, 2023	—	2,069	2,342	4,412
<b>Carrying amount</b>				
As of April 1, 2021	24,311	3,706	1,091	29,110
As of March 31, 2022	24,311	3,714	1,203	29,229
As of March 31, 2023	24,311	3,682	2,736	30,730

## 16. Other Assets

Other assets as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
<b>Other assets</b>		
Cash collateral paid for financial instruments	651,110	527,100
Intangible assets	8,461	9,170
Right-of-use assets	1,908	1,870
Other	5,612	3,536
Other assets, total	667,093	541,677

## 17. Borrowings

Borrowings, including the currency of denomination and maturity dates, as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)			
Currency	As of March 31, 2023		As of March 31, 2022	
	Maturity dates	Carrying amount	Maturity dates	Carrying amount
USD	May 2023 to January 2028	6,021,290	August 2022 to September 2026	5,662,002
EUR	October 2027	17,486	October 2022	24,606
JPY	June 2023 to February 2042	2,474,900	July 2022 to February 2042	1,867,600
Borrowings, total		8,513,677		7,554,208

Weighted-average contractual interest rates as of March 31, 2023 and 2022 were 3.74% and 0.56%, respectively.

The amounts of undiscounted contractual cash flows for borrowings by maturity date are disclosed in Note 43 “Maturity Analysis of Financial Liabilities.”

## 18. Bonds Payable

Bonds payable, including the currency of denomination, maturity dates and associated contractual interest rates, as of March 31, 2023 and 2022 consisted of the following:

(Millions of yen)						
As of March 31, 2023			As of March 31, 2022			
Currency	Maturity dates	Contractual interest rates	Carrying amount	Maturity dates	Contractual interest rates	Carrying amount
USD	May 2023 to April 2031	(Fixed) 0.375% – 4.375%	5,595,847	June 2022 to April 2031	(Fixed) 0.375% – 3.500%	5,462,282
EUR	February 2028 to June 2029	(Fixed) 1.500% – 3.125%	282,207	–	–	–
GBP	July 2026	(Fixed) 0.375%	36,122	July 2026	(Fixed) 0.375%	37,146
JPY	December 2025	(Fixed) 2.090%	20,142	June 2022 to December 2025	(Fixed) 0.030% – 2.090%	60,190
Bonds payable, total			5,934,320			5,559,618

JBIC's bonds are secured by JBIC's assets in the form of general liens in accordance with Article 34 of the JBIC Act.

The amounts of undiscounted contractual cash flows for bonds payable by maturity date are disclosed in Note 43 "Maturity Analysis of Financial Liabilities."

## 19. Financial Guarantee Contracts

Financial guarantee contracts as of March 31, 2023 and 2022 consisted of the following:

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2022
Sovereign	11,320	9,598
Non-sovereign	64,193	55,630
Financial guarantee contracts, total	75,514	65,229

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of: (a) the amount initially recognized less accumulated amortization recognized in accordance with IFRS 15 and (b) the loss allowance determined in accordance with IFRS 9 required for settling the guarantee obligation at the reporting date.

Details of changes in the loss allowance for financial guarantee contracts for the year ended March 31, 2023 were as follows:

Loss allowance:

(Millions of yen)				
For the year ended of March 31, 2023				
	ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As of April 1, 2022	3,783	30,490	550	34,824
Transfers:				
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(756)	756	—	—
Transfer to Stage 3	—	—	—	—
Decrease in exposures	(429)	(648)	—	(1,078)
Increase in exposures	169	1,173	—	1,343
Net remeasurement	257	17,605	(246)	17,615
Other changes	23	2,716	50	2,789
As of March 31, 2023	3,048	52,092	353	55,494

The following table provides changes in the exposure amount of the financial guarantee contracts to show their impact on the changes in the loss allowance presented above.

Exposure amount:

	(Millions of yen)			
	For the year ended March 31, 2023			
	ECL staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As of April 1, 2022	1,525,012	186,517	9,686	1,721,217
Transfers:				
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(137,400)	137,400	—	—
Transfer to Stage 3	—	—	—	—
Decrease in exposures	(334,517)	(8,995)	—	(343,512)
Increase in exposures	121,197	6,688	—	127,885
Other changes	11,626	16,158	881	28,666
As of March 31, 2023	1,185,919	337,768	10,568	1,534,256

Details of changes in the loss allowance for financial guarantee contracts for the year ended March 31, 2022 were as follows:

Loss allowance:

	(Millions of yen)			
	For the year ended March 31, 2022			
	ECL staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As of April 1, 2021	3,954	22,589	803	27,346
Transfers:				
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	28	(28)	—
Transfer to Stage 3	—	—	—	—
Decrease in exposures	(1,148)	(309)	(392)	(1,850)
Increase in exposures	206	910	—	1,117
Net remeasurement	764	4,919	126	5,810
Other changes	7	2,353	40	2,401
As of March 31, 2022	3,783	30,490	550	34,824

The following table provides changes in the exposure amount of the financial guarantee contracts to show their impact on the changes in the loss allowance presented above.

Exposure amount:

	(Millions of yen)			
	For the year ended March 31, 2022			
	ECL staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As of April 1, 2021	1,650,057	164,801	20,263	1,835,122
Transfers:				
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	2,537	(2,537)	—
Transfer to Stage 3	—	—	—	—
Decrease in exposures	(253,500)	(4,164)	(8,963)	(266,628)
Increase in exposures	112,700	6,128	—	118,829
Other changes	15,754	17,215	924	33,894
As of March 31, 2022	1,525,012	186,517	9,686	1,721,217



## 20. Other Liabilities

Other liabilities as of March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Other liabilities		
Accrued expenses	113,819	45,106
Unearned revenue	18,444	16,678
Cash collateral received for financial instruments	30,860	18,610
Liability for retirement benefits	5,675	6,229
Lease liabilities	2,248	2,120
Other	75,841	40,712
Other liabilities, total	246,889	129,458

## 21. Employee Benefits

### Post-employment Benefits

#### i. Defined benefit plans

JBIC has defined benefit pension plans composed of funded-type defined benefit corporate pension plans and unfunded-type lump-sum severance indemnity plans. Benefits provided under the plans are determined based on multiple factors, such as the employees' number of years of service and their salary levels.

In accordance with Japanese laws and regulations, JBIC's defined benefit corporate pension plans are operated by corporate pension funds that are legally separate from JBIC. The laws and regulations require that JBIC or the board of the corporate pension funds and pension-managing trustees act in the best interests of the plan members and are responsible for managing the plan assets based on the prescribed policy.

JBIC is responsible for contributing funds determined based on a prescribed proportion of the salaries stipulated in JBIC's pension rules. If the funded balance is below the minimum funding requirement at the annual close of the pension fund, JBIC is required to pay an additional contribution. Further, the contribution is calculated to maintain the balance in future periods and is recalculated every five years at the fiscal year-end of the pension fund.

JBIC's defined benefit corporate pension plans are multi-employer plans, which are different from single-employer plans from the following perspectives:

- a. Assets contributed to multi-employer plans may be used to provide benefits to employees of other entities participating in the plan.
- b. When certain employers discontinue contributions, other employers may bear the unfunded obligations.
- c. When multi-employer plans are wound up or when an entity withdraws from a multi-employer plan, the entity may be required to pay for unfunded obligations as a special contribution.

The plans expose JBIC to the following actuarial risks, including investment risk, interest rate risk, and longevity risk:

#### a. Investment risk

The present value of defined benefit obligations is calculated using a discount rate, which is determined based on market yields on high-quality corporate bonds. Should the return on plan assets fall below this discount rate, a deficit in the defined benefit plan could arise.

#### b. Interest rate risk

A decline in market yields on high-quality corporate bonds leads to an increase in defined benefit obligations. The increase in obligations, however, is partly offset by an increase in the fair value of debt instruments (i.e., plan assets).

#### c. Longevity risk

JBIC's defined benefit plans include lifelong annuity plans, which require JBIC's guarantee at the time of the employees' retirement to pay retirement benefits to plan members over their lifetime. The present value of defined benefit obligations is determined based on JBIC's best estimate of the mortality of plan members both during and after their employment. An extended average longevity of plan members will cause an increase in defined benefit obligations.

*Changes in the present value of defined benefit obligations and the fair value of plan assets*

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Net defined benefit liability for funded and unfunded type plans (beginning) (b)-(d)+(g)	6,229	6,434
Changes in the present value of defined benefit obligations for funded type plans:		
(b) Beginning balance	6,245	6,360
Current service cost	125	128
Interest expense	43	38
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	—	7
Actuarial gains and losses arising from changes in financial assumptions	(430)	(120)
Other	76	62
Payments by the plan	(228)	(231)
(c) Ending balance	5,832	6,245
Changes in the fair value of plan assets:		
(d) Beginning balance	4,914	4,830
Interest income	34	28
Remeasurements		
Return on plan assets	19	154
Contributions by the employer	134	131
Payments by the plan	(228)	(231)
(e) Ending balance	4,873	4,914
(f) Net defined benefit liability for funded type plans (ending) (c)-(e)	958	1,330
Changes in the present value of defined benefit obligations for unfunded type plans:		
(g) Beginning balance	4,898	4,904
Current service cost	332	342
Past service cost	—	—
Interest expense	33	29
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	—	—
Actuarial gains and losses arising from changes in financial assumptions	(140)	(215)
Other	101	308
Payments by the plan	(508)	(470)
(h) Ending balance	4,716	4,898
(i) Net defined benefit liability for funded and unfunded type plans (ending) (f)+(h)	5,675	6,229

*Significant actuarial assumptions used in determining the present value of defined benefit obligations*

Items	As of March 31, 2023	As of March 31, 2022
Discount rate (%)	1.1%	0.7%
Salary increase rate (%)	4.1%	4.1%

An assessment of defined benefit obligations requires judgments in respect of uncertain future events. The following table shows the impact in the form of a sensitivity analysis of changes in discount rates on the defined benefit obligations at each reporting date. The sensitivity analysis is prepared based on the assumption that other variables remain constant; however, in practice, variables do not necessarily change in isolation. Negative amounts represent a decrease, while positive amounts show an increase in the defined benefit obligations.

*Sensitivity analysis (discount rate)*

	(Millions of yen)	
	0.5% increase	0.5% decrease
Effect on defined benefit obligations as of March 31, 2023	(665)	719
Effect on defined benefit obligations as of March 31, 2022	(743)	808

*Fair value by plan asset category*

	(Millions of yen)		
	As of March 31, 2023		
Categories of plan assets	With quoted market prices in an active market	Without quoted market prices in an active market	Total
Equity securities (Japan)	643	—	643
Equity securities (foreign countries)	614	—	614
Total equity securities	1,258	—	1,258
Debt securities (Japan)	2,100	—	2,100
Debt securities (foreign countries)	924	—	924
Total debt securities	3,025	—	3,025
General accounts of life insurance companies	—	545	545
Cash and due from banks	29	—	29
Other	—	14	14
Plan assets, total	4,313	559	4,873

	(Millions of yen)		
	As of March 31, 2022		
Categories of plan assets	With quoted market prices in an active market	Without quoted market prices in an active market	Total
Equity securities (Japan)	584	—	584
Equity securities (foreign countries)	622	—	622
Total equity securities	1,206	—	1,206
Debt securities (Japan)	2,535	—	2,535
Debt securities (foreign countries)	595	—	595
Total debt securities	3,130	—	3,130
General accounts of life insurance companies	—	535	535
Cash and due from banks	17	—	17
Other	—	23	23
Plan assets, total	4,354	559	4,914

*Expected contribution to plan assets for the fiscal year ending March 31, 2024:*

¥168 million

*Weighted-average duration of defined benefit obligations*

As of March 31, 2023	14 years
As of March 31, 2022	15 years

**ii. Defined contribution plans**

On October 1, 2014, JBIC introduced defined contribution plans. JBIC recognized costs of ¥28 million and ¥27 million related to the defined contribution plans for the years ended March 31, 2023 and 2022, respectively.

*Employee Benefit Expenses*

Total employee benefit expenses included in operating expenses in the consolidated income statement were as follows:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Employee benefit expenses	7,842	7,808

## 22. Capital Stock and Other Reserves

### Total number of authorized shares

	(Thousands of shares)	
	As of March 31, 2023	As of March 31, 2022
Common stock with no stated value	5,164,000,000	5,164,000,000

### Shares of common stock issued and fully paid (common stock with no stated value)

	(Millions of yen)			
	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Thousands of shares	Amount	Thousands of shares	Amount
Beginning of the year	1,873,800,000	1,873,800	1,813,800,000	1,813,800
Issuance of new shares	85,000,000	85,000	60,000,000	60,000
End of the year	1,958,800,000	1,958,800	1,873,800,000	1,873,800

### Total amount of capital stock

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Capital stock	2,108,800	2,023,800

### Other reserves presented in the consolidated statement of changes in equity

#### Remeasurement of defined benefit plans

Remeasurement of defined benefit plans represents the changes in actuarial gains and losses and the return on plan assets, excluding amounts included in interest income. Actuarial gains and losses represent experience adjustments to the defined benefit obligations (i.e., differences between the actuarial assumptions at the beginning of the year and what has actually occurred) and the effects of changes in actuarial assumptions. Actuarial gains and losses are recognized in other comprehensive income as incurred and are immediately transferred from other reserves to retained earnings.

#### Exchange differences on translation of foreign operations

The amount represents the JBIC Group's share of the translation differences arising on translating the consolidated financial statements of foreign subsidiaries, associates and joint ventures into the functional currency of JBIC. The amount includes gains or losses on the hedging instruments that are determined to be effective hedges of the net investments in foreign operations.

### Capital controls

JBIC is not subject to either the Banking Act or capital adequacy regulations; however, JBIC is subject to the JBIC Act, and it has the following agreements with the Japanese government:

- The government, at all times, holds the total number of outstanding shares of JBIC (Article 3 of the JBIC Act).
- The government may make contributions to JBIC, if necessary, limited to the amount appropriated in the budget (Article 4 of the JBIC Act).
- JBIC prepares a budget for revenues and expenditures and submits it to the Minister of Finance each fiscal year. After the Cabinet's decision is made, the Cabinet submits the budget to the Diet together with the national budget (Article 16 and Article 19 of the JBIC Act). JBIC's business plans and financial plans (e.g., borrowings from the fiscal loan funds and foreign exchange funds, corporate bonds, capital contribution from the general account, and loans) are attached to the above-mentioned budget and submitted to the Diet (Article 17 of the JBIC Act).

JBIC manages the equity presented in the consolidated statement of financial position as its capital. Capital stock as of March 31, 2023 and 2022 is as presented above.

## 23. Dividend Distribution

JBIC is restricted in its ability to distribute dividends in accordance with Article 31 of the JBIC Act.

JBIC paid ¥21,868 million on June 29, 2021, for the year ended March 31, 2021, and ¥7,329 million on June 29, 2022, for the year ended March 31, 2022, and ¥79,945 million on June 29, 2023, for the year ended March 31, 2023 in accordance with the JBIC Act as noted below. These amounts are calculated based on the amount of the retained earnings under Japanese GAAP.

In the event that the amount of the retained earnings recorded at each year-end closing in respective accounts for operations defined in each item of Article 26-2 of the JBIC Act:

- i. exceeds zero, JBIC accumulates an amount calculated in accordance with the standards prescribed by the Cabinet Order as a reserve, until it reaches a certain amount stipulated by the Cabinet Order; and if there is a surplus, JBIC pays such a surplus into the National Treasury within three months after the annual closing date (Paragraph 1 of Article 31 of the JBIC Act); or
- ii. falls below zero, the reserve is transferred to the retained earnings to the extent that the amount of retained earnings becomes zero (Paragraph 2 of Article 31 of the JBIC Act).

#### 24. Interest Income and Interest Expense

Interest income and interest expense for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
<b>Interest income</b>		
Due from banks	16,332	1,920
Securities	1,057	515
Loans and other receivables	559,467	183,874
Other	11	27
Interest income, total	<u>576,869</u>	<u>186,336</u>
<b>Interest expense</b>		
Borrowings	186,866	21,107
Bonds payable	144,755	115,369
Financial guarantee contracts	683	556
Other	2,094	140
Interest expense, total	<u>334,401</u>	<u>137,173</u>
Net interest income	242,467	49,163

#### 25. Fee and Commission Income and Fee and Commission Expense

Fee and commission income, as well as fee and commission expense for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
<b>Fee and commission income</b>		
Guarantee fees	11,708	12,409
Other	1,140	5,964
Fee and commission income, total	<u>12,848</u>	<u>18,374</u>
<b>Fee and commission expense</b>		
Outsourcing expenses	2,620	2,722
Other	1,178	770
Fee and commission expense, total	<u>3,799</u>	<u>3,492</u>

## 26. Net Expense from Derivative Financial Instruments

Net expense from derivative financial instruments for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Net expense from derivative financial instruments		
Net interest income from interest rate swaps	127,836	(50,853)
Net loss on valuation of derivative financial instruments	206,580	212,885
Other *	(188,434)	(139,806)
Net expense from derivative financial instruments, total	145,982	22,225

\* The amount includes adjustments of the carrying amounts of hedged items under fair value hedge.

## 27. Net Gain (Loss) from Financial Assets at Fair Value through Profit or Loss

Net gain (loss) from financial assets at fair value through profit or loss for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Net gain (loss) from financial assets at fair value through profit or loss		
Net gain (loss) from listed and unlisted equity securities	(1,699)	45,196
Net gain (loss) from unlisted debt instruments	(10,462)	25,427
Net gain (loss) from financial assets at fair value through profit or loss, total	(12,160)	70,623

## 28. Net Gain on Derecognition of Financial Assets Measured at Amortized Cost

The JBIC Group realized gains of ¥558 million and ¥9,125 million on the derecognition of the assets for the fiscal year ended March 31, 2023 and 2022, respectively. The derecognition of the assets are aligned with the JBIC Group's objective of collecting the contractual cash flows and credit risk management policies.

## 29. Other Income and Other Expenses

Other income and other expenses for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Other income		
Gain on foreign exchange transactions *	30,474	26,303
Other	313	206
Other income, total	30,787	26,409
Other expenses		
Impairment loss on equity method investments	3,486	—
Other	828	668
Other expenses, total	4,315	668

\* The amount includes gains or losses arising on the foreign currency translation of notional amounts of the currency swap contracts by using the exchange rate at the reporting date.

### 30. Impairment Losses (Reversals) on Financial Assets

Impairment losses (reversals) on financial assets for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Impairment losses (reversals) on financial assets		
Loans and other receivables *	6,669	124,011
Financial guarantee contracts	15,503	6,784
Securities	—	—
Impairment losses (reversals) on financial assets, total	22,174	130,795

\* Impairment losses on loans and other receivables increased for the fiscal year ended March 31, 2022 due to factors including an increase in the allowance for loan losses from a deterioration in credit risk of a certain large-scale borrower and the impact of Russia-related borrowers on credit risk that were assessed individually with respect to the international situation related to Russia and Ukraine.

### 31. Operating Expenses

Operating expenses for the years ended March 31, 2023 and 2022 consisted of the following:

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Operating expenses		
Salaries and allowances	6,411	6,329
Retirement benefit costs	529	536
Welfare expenses	959	998
Depreciation and amortization	3,932	3,510
Travel expenses	1,554	335
Other	11,152	10,135
Operating expenses, total	24,540	21,846

### 32. Income Taxes

JBIC is a nontaxable entity in accordance with Paragraph 2, Item 5 of the Corporate Tax Act of Japan (Act No. 34, 1965) and has no obligation to pay corporate taxes. JBIC IG Partners is a taxable entity and has an obligation to pay corporate taxes as applicable under relevant laws. The Russia-Japan Investment Fund, L.P. is a tax-exempt limited partnership established under Cayman Islands laws and has no obligation to pay corporate taxes. As the balances of income taxes are insignificant, information for income taxes is not presented.

### 33. Analysis of Financial Assets and Liabilities by Measurement Basis

Subsequent to initial recognition, financial assets and liabilities are measured either at fair value or amortized cost in accordance with the measurement classifications defined in IFRS 9. Note 3 “Significant Accounting Policies” describes how these classifications of financial assets and liabilities are measured, and how income and expenses are recognized in profit or loss.

The following tables present the carrying amounts of the financial assets and liabilities in the consolidated statement of financial position, by category and by line item, as of March 31, 2023 and 2022:

	(Millions of yen)			Total
	As of March 31, 2023			
	Financial assets and liabilities measured at FVPL	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	
<b>Financial assets</b>				
Cash and due from banks	—	2,193,775	—	2,193,775
Derivative financial instrument assets	137,156	—	—	137,156
Financial assets at fair value through profit or loss	475,260	—	—	475,260
Securities	—	46,998	—	46,998
Loans and other receivables	—	15,144,377	—	15,144,377
<b>Financial assets, total</b>	<b>612,417</b>	<b>17,385,152</b>	<b>—</b>	<b>17,997,569</b>
<b>Financial liabilities</b>				
Derivative financial instrument liabilities	825,233	—	—	825,233
Borrowings	—	—	8,513,677	8,513,677
Bonds payable	—	—	5,934,320	5,934,320
<b>Financial liabilities, total</b>	<b>825,233</b>	<b>—</b>	<b>14,447,997</b>	<b>15,273,230</b>

In addition to the above, JBIC had ¥75,514 million of financial guarantee contracts measured in accordance with IFRS 9 as of March 31, 2023.

	(Millions of yen)			Total
	As of March 31, 2022			
	Financial assets and liabilities measured at FVPL	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	
<b>Financial assets</b>				
Cash and due from banks	—	1,451,153	—	1,451,153
Derivative financial instrument assets	95,072	—	—	95,072
Financial assets at fair value through profit or loss	480,027	—	—	480,027
Securities	—	36,999	—	36,999
Loans and other receivables	—	14,165,576	—	14,165,576
<b>Financial assets, total</b>	<b>575,099</b>	<b>15,653,729</b>	<b>—</b>	<b>16,228,828</b>
<b>Financial liabilities</b>				
Derivative financial instrument liabilities	557,350	—	—	557,350
Borrowings	—	—	7,554,208	7,554,208
Bonds payable	—	—	5,559,618	5,559,618
<b>Financial liabilities, total</b>	<b>557,350</b>	<b>—</b>	<b>13,113,827</b>	<b>13,671,178</b>

In addition to the above, JBIC had ¥65,229 million of financial guarantee contracts measured in accordance with IFRS 9 as of March 31, 2022.



### 34. Offsetting Financial Assets and Financial Liabilities

The following tables present quantitative information in respect of financial instruments that are subject to enforceable master netting arrangements or similar agreements as of March 31, 2023 and 2022. Of the financial assets held by the JBIC Group, amounts related to master netting agreements in respect of derivative transactions are disclosed in the following tables. The right to offset in accordance with these master netting agreements only becomes effective in the event of default or certain other events outside the normal course of business. The excess portion of the collateral received and collateral pledged is excluded.

(Millions of yen)						
As of March 31, 2023						
	Gross amounts of financial assets and liabilities recognized (a)	Amounts that are offset (b)	Net amounts presented in the consolidated statement of financial position (c)=(a)-(b)	Amounts subject to an enforceable master netting agreement or similar agreement and not included in (b) (d)		Net amount (e)=(c)-(d)
				Amounts related to financial instruments recognized that do not meet the offsetting criteria	Amounts related to financial collateral (including cash collateral)	
Financial assets						
Derivative financial instrument assets	137,144	—	137,144	(105,869)	(30,860)	415
Financial assets, total	137,144	—	137,144	(105,869)	(30,860)	415
Financial liabilities						
Derivative financial instrument liabilities	825,233	—	825,233	(105,869)	(651,110)	68,254
Financial liabilities, total	825,233	—	825,233	(105,869)	(651,110)	68,254

(Millions of yen)						
As of March 31, 2022						
	Gross amounts of financial assets and liabilities recognized (a)	Amounts that are offset (b)	Net amounts presented in the consolidated statement of financial position (c)=(a)-(b)	Amounts subject to an enforceable master netting agreement or similar agreement and not included in (b) (d)		Net amount (e)=(c)-(d)
				Amounts related to financial instruments recognized that do not meet the offsetting criteria	Amounts related to financial collateral (including cash collateral)	
Financial assets						
Derivative financial instrument assets	94,503	—	94,503	(74,801)	(18,610)	1,091
Financial assets, total	94,503	—	94,503	(74,801)	(18,610)	1,091
Financial liabilities						
Derivative financial instrument liabilities	557,350	—	557,350	(74,801)	(527,100)	—
Financial liabilities, total	557,350	—	557,350	(74,801)	(527,100)	—

### 35. Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair values stated below represent the best estimate determined using various valuation methods and assumptions, and the JBIC Group gives the highest priority to quoted prices in active markets. If such prices are not available, the fair values are determined using valuation techniques. The valuation techniques, if used, maximize the use of observable inputs and minimize the use of unobservable inputs.

The table below sets forth the carrying amounts and fair values of major financial assets and liabilities as of March 31, 2023 and 2022:

	(Millions of yen)			
	As of March 31, 2023		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>				
Derivative financial instrument assets	137,156	137,156	95,072	95,072
Financial assets at fair value through profit or loss	475,260	475,260	480,027	480,027
Securities	46,998	45,621	36,999	36,746
Loans and other receivables	15,144,377	15,242,916	14,165,576	14,264,514
Financial Assets, total	15,803,793	15,900,955	14,777,674	14,876,359
<b>Financial Liabilities</b>				
Derivative financial instrument liabilities	825,233	825,233	557,350	557,350
Borrowings	8,513,677	8,490,362	7,554,208	7,563,923
Bonds payable	5,934,320	5,881,695	5,559,618	5,554,752
Financial guarantee contracts	75,514	8,671	65,229	7,830
Financial Liabilities, total	15,348,745	15,205,962	13,736,405	13,683,855

#### *Valuation methods used in determining the fair values of financial assets and liabilities*

##### *Derivative financial instrument assets and liabilities*

As derivative transactions by JBIC Group are OTC transactions whose quoted prices are not available, their fair value is determined by using the present value method and other valuation methodologies according to the transaction type and the term to maturity. Price adjustments are made based on the counterparty's credit risk and JBIC's credit risk. Main inputs used in these valuation methodologies include interest rates, exchange rates, and credit spreads. Such transactions include plain vanilla interest rate swaps, currency swaps, and forward foreign exchange contracts.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss comprise listed and unlisted equity securities (i.e., some stocks and investments in partnerships), which include financial assets classified as debt instruments in accordance with IAS 32 *Financial instruments: Presentation*, and certain loans and other receivables.

Fair values of listed equity securities are determined using quoted market prices if the market prices are appropriate for valuation. Otherwise or as it pertains to stocks included in unlisted equity securities, their fair values are determined using valuation techniques, including the DCF method. The inputs used include unobservable inputs, such as the expected rate of return. For certain unlisted equity securities, the reported net asset values or the recent transaction prices are considered to represent the fair values of these investments at the reporting date.

Since loans with variable interest rates reflect market interest rates in the short term, amounts calculated by applying the floating rate note method and a risk-free rate adjusted by unobservable inputs, such as the default ratio and collateral coverage ratio, represent the fair values of the loans.

The fair value of loans is determined by discounting at a risk-free rate the sum of principal and interest after adjusting for credit risk and other elements according to the classifications based on the type of loans, internal ratings and periods. Of which, the fair value of those loans with variable interest rates is their carrying amount as such loans reflect market interest rates over the short term and approximates the carrying amount if the borrower's credit conditions have not changed significantly since the issuance of loans.

For claims on Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, credit losses estimated on such claims are calculated based on the discounted present value of estimated future cash flows or the expected collectible amount from the collateral or guarantee. Since fair value approximates the amount on the consolidated balance sheets at the fiscal year end after deducting the allowance for loan losses, this amount is used for fair value.

### *Securities*

Securities held by JBIC Group are unlisted debt securities. Quoted prices that are made available by third parties, such as brokers, are used for measuring fair values of the securities.

### *Loans and other receivables*

The fair value of loans is determined by discounting at a risk-free rate the sum of principal and interest after adjusting for credit risk and other elements according to the classifications based on the type of loans, internal ratings and periods. Of which, the fair value of those loans with variable interest rates is their carrying amount as such loans reflect market interest rates over the short term and approximates the carrying amount if the borrower's credit conditions have not changed significantly since the issuance of loans.

For claims on Bankrupt borrowers, Substantially bankrupt borrowers, and Potentially bankrupt borrowers, credit losses estimated on such claims are calculated based on the discounted present value of estimated future cash flows or the expected collectible amount from the collateral or guarantee. Since fair value approximates the amount on the consolidated balance sheets at the fiscal year end after deducting the allowance for loan losses, this amount is used for fair value.

### *Borrowings*

As for borrowed money, the present value is calculated by discounting the sum of principal and interest of the borrowed money classified by certain periods at a rate adjusted by the remaining period and credit risk of borrowed money. Of which, borrowed money with variable interest rates reflect short-term market interest rates and the credit conditions of JBIC and its consolidated subsidiaries have not changed significantly since the execution of borrowings. Therefore, the carrying amount is used as fair value because it is considered that the carrying amount approximates the fair value.

### *Bonds payable*

Of bonds issued by JBIC Group, the Reference Statistical Prices [Yields] for OTC bond Transactions is used as fair value for the fiscal investment and loan program (FILP) agency bonds. As for government-guaranteed foreign currency bonds, the prices obtained from, among others, information vendors are used as fair value.

### *Financial guarantee contracts*

The fair value of financial guarantee contracts is determined by discounting the estimated future losses arising from guarantee obligations using a risk-free rate adjusted by the credit default swap spread of government bonds. Unobservable inputs, such as the default ratio and coverage ratio, are used to determine the estimated future losses associated with guarantee obligations. The fair value hierarchy of financial assets and liabilities is described in Note 36 "Fair Value Hierarchy."

### 36. Fair Value Hierarchy

The inputs used in the valuation techniques that measure the fair values of assets and liabilities are categorized into the following three-level hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly; and
- Level 3: unobservable inputs.

The fair value hierarchy of an asset or liability is determined based on the hierarchy of inputs used in the fair value measurement of that asset or liability. If the inputs used to measure the fair value of an asset or a liability are categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows a breakdown of assets and liabilities measured at fair value by level of the fair value hierarchy as of March 31, 2023 and 2022:

	(Millions of yen)			
	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative financial instrument assets				
Interest-related derivatives				
Interest rate swaps	—	26,812	—	26,812
Currency-related derivatives				
Currency swaps	—	110,332	—	110,332
Forward foreign exchange contracts	—	12	—	12
Derivative financial instrument assets, total	—	137,156	—	137,156
Financial assets at fair value through profit or loss	—	—	475,260	475,260

<b>Liabilities</b>				
Derivative financial instrument liabilities				
Interest-related derivatives				
Interest rate swaps	—	375,702	—	375,702
Currency-related derivatives				
Currency swaps	—	449,531	—	449,531
Forward foreign exchange contracts	—	—	—	—
Derivative financial instrument liabilities, total	—	825,233	—	825,233

	(Millions of yen)			
	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative financial instrument assets				
Interest-related derivatives				
Interest rate swaps	—	36,062	—	36,062
Currency-related derivatives				
Currency swaps	—	58,441	—	58,441
Forward foreign exchange contracts	—	568	—	568
Derivative financial instrument assets, total	—	95,072	—	95,072
Financial assets at fair value through profit or loss	—	—	480,027	480,027

<b>Liabilities</b>				
Derivative financial instrument liabilities				
Interest-related derivatives				
Interest rate swaps	—	125,363	—	125,363
Currency-related derivatives				
Currency swaps	—	431,986	—	431,986
Forward foreign exchange contracts	—	—	—	—
Derivative financial instrument liabilities, total	—	557,350	—	557,350

### Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 during the years ended March 31, 2023 and 2022.

### Quantitative Information about the Significant Unobservable Inputs Used in the Fair Value Measurement of Level 3 Financial Assets

The following tables present the significant unobservable inputs used in the fair value measurement of Level 3 financial assets that are recorded in the consolidated statement of financial position at fair value:

	As of March 31, 2023			
	Fair value (Millions of yen)	Valuation Method	Unobservable input	Range
Financial assets at fair value through profit or loss				
Listed equity securities (stocks)	8,921	DCF method	Discount rates	16.2%
			Expected cash flows	— *1
Unlisted equity securities (stocks)	115,776	DCF method	Discount rates	4.3%-21.1%
			Expected cash flows	— *1
	2,333	Net asset value	— *2	— *2
Unlisted equity securities (investments in partnerships)	88,561	Net asset value	— *2	— *2
Unlisted debt instruments (loans)	259,249	DCF method	Discount rates	(0.0)%-3.2%
			Expected cash flows	— *1
	417	Recent transaction price	— *3	— *3

	As of March 31, 2022			
	Fair value (Millions of yen)	Valuation Method	Unobservable input	Range
Financial assets at fair value through profit or loss				
Listed equity securities (stocks)	6,333	DCF method	Discount rates	16.1%
			Expected cash flows	— *1
Unlisted equity securities (stocks)	101,552	DCF method	Discount rates	1.1%-23.7%
			Expected cash flows	— *1
	2,579	Net asset value	— *2	— *2
Unlisted equity securities (investments in partnerships)	93,206	Net asset value	— *2	— *2
Unlisted debt instruments (loans)	276,026	DCF method	Discount rates	(0.0)%-2.1%
			Expected cash flows	— *1
	329	Recent transaction price	— *3	— *3

\*1 Expected cash flows used in the valuation based on the DCF method are unobservable inputs, and accordingly, various scenarios reflecting the performance of the issuers are taken into account in performing the valuation.

\*2 The net asset values reported by the partnerships are deemed to represent the fair value as of the reporting date.

\*3 The fair value as of the reporting date is based on recent transaction prices.

### Movements in the Fair Value of Level 3 Financial Assets

The following table presents a reconciliation of the beginning and ending amounts of Level 3 financial assets that are recorded at fair value in the consolidated statement of financial position for the years ended March 31, 2023 and 2022:

	(Millions of yen)				Total
	Securities Unlisted equity securities	Financial assets at fair value through profit or loss			
	Unlisted equity securities	Listed equity securities	Unlisted equity securities	Unlisted debt instruments	
As of March 31, 2021	—	7,086	144,724	202,099	353,911
Total gains (losses) recorded in profit or loss	—	(753)	45,281	18,991	63,519
Purchases	—	—	20,242	82,958	103,201
Sales and redemptions	—	—	(12,910)	(27,693)	(40,604)
As of March 31, 2022	—	6,333	197,338	276,355	480,027
Total gains (losses) recorded in profit or loss	—	2,587	4,346	(11,450)	(4,516)
Purchases	—	—	16,890	23,362	40,252
Sales and redemptions	—	—	(11,901)	(28,600)	(40,502)
As of March 31, 2023	—	8,921	206,672	259,666	475,260

### Sensitivity Analysis of Level 3 Instruments

The fair value measurements of Level 3 financial assets are performed using valuation techniques based on inputs, such as prices and rates that are not observable in the market. The following sensitivity analysis provides the impact on the profit or loss and other comprehensive income when changing the unobservable inputs used in determining the fair value measurements of Level 3 financial assets recorded at fair value in the consolidated statement of financial position, to the extent reasonably possible.

The nature of the sensitivity analysis is determined based on the type of financial instrument and the market conditions at the time. As of March 31, 2023 and 2022, the sensitivity analysis was performed by increasing or decreasing the discount rates used in the DCF method by 1%.

	(Millions of yen)		
	As of March 31, 2023		
	Total fair value measured using valuation techniques	Impact on profit or loss	
		Favorable change	Unfavorable change
Financial assets at fair value through profit or loss			
Listed equity securities (stocks)	8,921	898	(741)
Unlisted equity securities (stocks)	115,776	4,262	(3,971)
Unlisted debt instruments (loans)	259,249	13,598	(12,800)
	(Millions of yen)		
	As of March 31, 2022		
	Total fair value measured using valuation techniques	Impact on profit or loss	
		Favorable change	Unfavorable change
Financial assets at fair value through profit or loss			
Listed equity securities (stocks)	6,333	510	(440)
Unlisted equity securities (stocks)	101,552	5,871	(5,383)
Unlisted debt instruments (loans)	276,026	15,393	(14,429)

For the listed equity securities, certain unlisted equity securities (i.e., some stocks and investments in partnerships) and debt securities, the sensitivity analysis was not performed since the effect of changing the unobservable inputs to reflect reasonably possible alternative assumptions did not change their fair values significantly.

### Unrealized Gain (Loss) of Level 3 Instruments

The following table presents changes in unrealized gain (loss) included in profit or loss for the years ended March 31, 2023 and March 31, 2022 related to Level 3 financial assets.

	(Millions of yen)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Net gain (loss) from financial assets at fair value through profit or loss	(4,144)	48,702

### Fair Value Hierarchy of Assets and Liabilities that are Not Measured at Fair Value

The breakdown by fair value hierarchy of assets and liabilities that were not measured at fair value in the consolidated statement of financial position as of March 31, 2023 and 2022 was as follows:

	(Millions of yen)			
	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans and other receivables	—	—	15,242,916	15,242,916
Securities	—	45,621	—	45,621
<b>Liabilities</b>				
Borrowings	—	8,490,362	—	8,490,362
Bonds payable	—	5,881,695	—	5,881,695
Financial guarantee contracts	—	—	8,671	8,671

	(Millions of yen)			
	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans and other receivables	—	—	14,264,514	14,264,514
Securities	—	36,746	—	36,746
<b>Liabilities</b>				
Borrowings	—	7,563,923	—	7,563,923
Bonds payable	—	5,554,752	—	5,554,752
Financial guarantee contracts	—	—	7,830	7,830

## 37. Financial Risk Management

JBIC is a policy-based financial institution, conducting financial operations to achieve policy objectives, and its operations involve various risks, including credit risk, market risk (interest rate risk and exchange rate risk), liquidity risk, and operational risk. As such, JBIC has the following risk management policies in place.

### Risk Management Structure

The types and magnitude of the risks associated with JBIC's financial operations and its risk mitigation measures are different from those of risks associated with private financial institutions' operations and their risk mitigation measures. Nonetheless, JBIC, as a financial institution, recognizes the importance of managing risk appropriately, and has built an organizational structure for risk management tailored to the types of risks and integrated risk management.

More specifically, JBIC identifies, measures, and monitors various risks to which JBIC is exposed in its operations, and defines ensuring the soundness and integrity of its operations and increasing transparency as the risk management objective. For this purpose, JBIC has designated staff responsible for managing various risks and established a department responsible for controlling the risk management efforts. In addition, the Corporate Risk Management Committee and the Asset Liability Management (ALM) Committee have also been set up to facilitate evaluations and discussions regarding successful risk management. JBIC has also established the Risk Advisory Committee, which mainly consists of external experts, to provide JBIC's board of directors with advice for matters requiring their review, such as a risk assessment and the management structure of large credit exposures and issues related to the risk of large-scale projects.

## ***Credit Risk Management***

Credit risk refers to the potential loss from a decline or loss in the value of credit assets due to deterioration in the financial conditions of a debtor. This risk is inherent in JBIC's operations as it primarily engages in lending activities. The credit risk exposure of JBIC may be classified into the following categories: sovereign risk, which involves financing to foreign governments; corporate risk, which involves financing to business firms; project risk, which occurs when a project is financed by project financing—a financing structure in which a loan is primarily secured by the cash flows generated from the project—fails to generate the planned cash flows; and country risk, which involves financing to foreign firms as well as projects located in foreign countries (a risk arising from the country where the debtor resides and the project is located that adds to corporate risk and project risk). Given the very nature of the financial support the JBIC Group provides, including support for developing and securing strategically important resources for Japan overseas, for maintaining and improving the international competitiveness of Japanese industries, and for promoting overseas business in order to preserve the global environment, such as preventing global warming, the JBIC Group frequently extends loans to foreign governments, government agencies, and foreign companies. As such, sovereign and country risks account for a significant portion of the credit risk accompanying JBIC's lending activities.

### ***Credit risk management structure***

The cornerstone of credit risk management at JBIC is the evaluation of an individual borrower's creditworthiness in advance of credit approval. When a new credit application is processed, the relevant finance departments (sales promotion departments) and credit departments collect and analyze information on the borrower. JBIC's overseas representative offices also play a part in collecting information on foreign governments and corporations. Credit appraisal takes place based on the information that has been gathered and analyzed with the different departments ensuring appropriate checks throughout the process, leading to the final decision by the management. In providing credit to foreign governments and other governmental entities, JBIC takes maximum advantage of its unique position as a public financial institution. This includes exchanging views and information with the governments and relevant authorities in the recipient countries, multilateral institutions such as the IMF and the World Bank, other regional development banks such as export credit agencies, and private financial institutions in developed countries. Using all these channels to exchange views and information, JBIC evaluates sovereign and country risks based on the broad range of information collected on the borrowing governments, the government agencies, and the political and economic conditions in their countries.

In providing credit to domestic and foreign companies, JBIC evaluates their creditworthiness and the appropriateness of the collateral and guarantees they offer. In respect of the credit provision related to overseas projects, credit evaluation involves examining the certainty of transactions to be financed, feasibility studies of the projects, and the industry in which the borrower operates. The concentration of credit risk is managed by setting a certain ratio to capital. The relevant finance departments and credit departments conduct proper credit risk management based on the credit risk rating system for segmented risk categories and the asset self-assessment system. In addition, an Integrated Risk Management Committee is held regularly to report the status of credit management to the management. The credit management situation is also checked by an independent auditing department.

### ***Credit risk management methodology***

#### **A. Credit risk assessment**

##### *Internal credit rating*

JBIC has established an internal credit rating system, which covers, in principle, all borrowers. Internal credit ratings are the cornerstone of credit risk management, being used for individual credit appraisals and quantifying credit risk as described below.

##### *Self-assessment of asset quality*

JBIC performs a self-assessment of asset quality to ensure that the characteristics of its assets will be accurately reflected in its assessment results. In carrying out the self-assessment of the asset quality, the first-stage of the assessment is conducted by the finance departments, while the second-stage of the assessment is conducted by the credit department, and the internal inspection is performed by the internal audit department. The results of the self-assessment of the asset quality are used for determining the existence of evidence indicating that a financial asset or group of financial assets classified into loans and receivables is credit-impaired. In addition, they are used for the continuous reviews of the loan portfolio as well as actively used in the disclosures of assets to enhance the transparency of the JBIC Group's financial position.



The “borrower category” is used to classify borrowers by their repayment abilities used in the self-assessment of asset quality, and borrowers are classified depending on their financial conditions as below:

<b>Borrower Category</b>	<b>Borrowers’ financial condition</b>
Normal borrowers	Borrowers with good business performances and no significant financial problems
Borrowers needing attention	Borrowers requiring close monitoring, excluding substandard borrowers
Substandard borrowers	Borrowers in the “borrowers needing attention category” with loans that are completely or partially more than three months past due or borrowers whose loans have been restructured
Potentially bankrupt borrowers	Borrowers perceived to have a high risk of becoming bankrupt
Substantially bankrupt borrowers	Borrowers who may not have legally or formally declared bankruptcy but are essentially bankrupt
Bankrupt borrowers	Borrowers who have legally or formally declared bankruptcy

## B. Quantifying credit risk

In addition to the above credit risk management related to individual borrowers, JBIC quantifies credit risk with a view to evaluating the risk of the overall loan portfolio. To quantify credit risk, it is important to take into account the characteristics of JBIC’s loan portfolio, which are not typically seen in other private financial institutions, namely that JBIC holds a significant portion of long-term loans that entail sovereign and country risks. Also to be taken into account are mechanisms for securing assets under an international supporting framework, such as the Paris Club\*, which is a unique framework of debt management by official creditors. JBIC’s own credit risk quantification model, incorporating these factors, measures credit risk and is utilized for internal control purposes.

\* The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties encountered by debtor nations. Since the first meeting took place in 1956 to resolve the debt problem of Argentina, the meeting has been held in Paris, with the French Treasury (in Paris) acting as its secretariat. Hence, it is known as the Paris Club.

### *Credit Risk Management in Financial Markets*

Credit risk in financial markets is the risk that JBIC will suffer losses if a counterparty to a derivative financial instrument transaction is unable to execute the transactions in accordance with the terms of the contract due to its financial difficulties or bankruptcy. As such, JBIC continuously gathers information on the market value of derivative financial instruments, the credit risk amount in respect of each counterparty and counterparties’ financial conditions. JBIC also monitors and utilizes such data in assessing the appropriateness of counterparties. JBIC mitigates credit risk in financial markets arising from derivatives transactions by entering into master netting agreements. Under IFRS, JBIC’s derivative financial instrument assets and liabilities do not meet the offsetting criteria and they are presented on a gross basis in the consolidated statement of financial position. In addition to the above, collateral is pledged by both parties to a transaction in accordance with market trends and risk levels.

## 38. Maximum Exposure to Credit Risk

The following tables summarize the JBIC Group’s maximum exposure to credit risk before recognizing risk mitigation by collateral or other credit enhancements as of March 31, 2023 and 2022:

### *Financial instruments not subject to impairment*

	<b>(Millions of yen)</b>			
	<b>As of March 31, 2023</b>		<b>As of March 31, 2022</b>	
	<b>Carrying amount</b>	<b>Maximum exposure</b>	<b>Carrying amount</b>	<b>Maximum exposure</b>
Financial assets at fair value through profit or loss*1	475,260	601,009	480,027	619,672

\*1 Maximum exposure represents the total of investments, loans, equity participation commitments and loan commitments.

### Financial instruments subject to impairment

	(Millions of yen)			
	As of March 31, 2023		As of March 31, 2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Securities*2	46,998	46,998	36,999	36,999
Loans and other receivables*3	15,144,377	17,445,663	14,165,576	15,967,128
Financial guarantee contracts*4	75,514	1,636,457	65,229	1,726,917

\*2 Maximum exposure represents the amounts of investments.

\*3 Maximum exposure represents the total of loans and loan commitments.

\*4 Maximum exposure represents the total of guarantee obligations and guarantee commitments.

The tables above exclude financial instruments whose carrying amounts best represent their maximum exposure to credit risk.

### 39. Collateral

#### Financial assets pledged as collateral

JBIC held ¥651,110 million and ¥527,100 million in cash collateral for derivatives transactions as of March 31, 2023 and 2022, respectively, which was included in “Other assets” in the consolidated statement of financial position. The general collateral in respect of bonds payable is described in Note 18 “Bonds Payable.”

#### Collateral and other credit enhancements

JBIC obtains collateral, such as financial assets and real estate, and utilizes guarantees to strengthen loan recovery and minimize the credit risk. JBIC also obtains collateral, such as movable property, for credit enhancement purposes in order to minimize the credit risk in relation to the financial guarantee contracts.

The JBIC’s policies regarding collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by JBIC since the prior period.

A portion of the JBIC Group’s financial assets are fully covered by collateral, which results in no loss allowance being recognized in accordance with the JBIC Group’s expected credit loss model. The carrying amount of such financial assets was ¥3,253,963 million and ¥3,033,432 million as of March 31, 2023 and 2022, respectively.

The following tables present financial effects of collateral and other credit enhancements in respect of credit-impaired loans and loans measured at FVPL on which the impairment requirements in IFRS 9 are not applied as of March 31, 2023 and 2022. If the value of the collateral exceeds the carrying amount of the loan, the maximum amount of collateral is limited to the carrying amount of the corresponding loan.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Credit-impaired loans and other receivables	8,921	52,902
Loans and other receivables measured at FVPL	183,470	186,973

#### 40. Concentration of Credit Risk

The following tables present the analysis of the concentration of credit risk in respect of loans and other receivables by borrowers' key characteristics as of March 31, 2023 and 2022:

Analysis of loans and other receivables by borrowers' grade of the internal credit rating system as of March 31, 2023;

	(Millions of yen)				
	As of March 31, 2023				
	ECL staging			POCI	Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL			
<b>Sovereign</b>					
S to BB3	94,020	—	—	—	94,020
BI to C	237,035	7,200	—	—	244,236
D to F	21,577	—	104,644	—	126,221
<b>Total sovereign</b>	<b>352,633</b>	<b>7,200</b>	<b>104,644</b>	<b>—</b>	<b>464,478</b>
Allowance for loan losses	(3,558)	(1,474)	(714)	—	(5,747)
<b>Non-sovereign</b>					
S to BB3	12,099,880	—	—	—	12,099,880
BI to C	1,001,188	1,528,632	167	—	2,529,988
D to F	—	—	389,694	23,137	412,831
<b>Total non-sovereign</b>	<b>13,101,069</b>	<b>1,528,632</b>	<b>389,862</b>	<b>23,137</b>	<b>15,042,701</b>
Allowance for loan losses	(3,927)	(106,537)	(246,588)	—	(357,054)
<b>Total loans and other receivables</b>	<b>13,446,216</b>	<b>1,427,820</b>	<b>247,202</b>	<b>23,137</b>	<b>15,144,377</b>

Analysis of loans and other receivables by borrowers' geographic area and industry as of March 31, 2023;

	(Millions of yen)				
	As of March 31, 2023				
	ECL staging			POCI	Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL			
<b>Sovereign</b>					
Asia and Oceania	269,595	3,260	31,540	—	304,397
Europe, the Middle East, and Africa	83,037	—	40,929	—	123,967
North America and Latin America	—	3,939	32,174	—	36,113
<b>Total sovereign</b>	<b>352,633</b>	<b>7,200</b>	<b>104,644</b>	<b>—</b>	<b>464,478</b>
Allowance for loan losses	(3,558)	(1,474)	(714)	—	(5,747)
<b>Non-sovereign</b>					
Manufacturing industry	1,700,717	535,761	108,783	23,137	2,368,400
Mining industry	1,668,685	406,456	4,397	—	2,079,538
Electricity, gas, heat supply, and water industry	2,881,708	505,558	15,251	—	3,402,519
Transport industry	430,951	44,409	29,282	—	504,643
Wholesale and retail industry	1,217,879	1,792	103	—	1,219,775
Finance and insurance industry	3,931,949	5,001	225,556	—	4,162,508
Other	1,269,176	29,651	6,487	—	1,305,316
<b>Total non-sovereign</b>	<b>13,101,069</b>	<b>1,528,632</b>	<b>389,862</b>	<b>23,137</b>	<b>15,042,701</b>
Allowance for loan losses	(3,927)	(106,537)	(246,588)	—	(357,054)
<b>Total loans and other receivables</b>	<b>13,446,216</b>	<b>1,427,820</b>	<b>247,202</b>	<b>23,137</b>	<b>15,144,377</b>

Analysis of loans and other receivables by borrowers' grade of the internal credit rating system as of March 31, 2022;

	(Millions of yen)				
	As of March 31, 2022				
	ECL staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>					
S to BB3	94,081	—	—	—	94,081
B1 to C	229,969	7,225	—	—	237,195
D to F	24,470	—	125,204	—	149,674
<b>Total sovereign</b>	<b>348,521</b>	<b>7,225</b>	<b>125,204</b>	<b>—</b>	<b>480,951</b>
Allowance for loan losses	(3,278)	(1,583)	(1,369)	—	(6,231)
<b>Non-sovereign</b>					
S to BB3	11,251,123	—	—	—	11,251,123
B1 to C	698,163	1,609,083	—	—	2,307,246
D to F	—	—	456,108	19,689	475,797
<b>Total non-sovereign</b>	<b>11,949,286</b>	<b>1,609,083</b>	<b>456,108</b>	<b>19,689</b>	<b>14,034,167</b>
Allowance for loan losses	(3,152)	(109,824)	(230,334)	—	(343,310)
<b>Total loans and other receivables</b>	<b>12,291,377</b>	<b>1,504,901</b>	<b>349,608</b>	<b>19,689</b>	<b>14,165,576</b>

Analysis of loans and other receivables by borrowers' geographic area and industry as of March 31, 2022;

	(Millions of yen)				
	As of March 31, 2022				
	ECL staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>					
Asia and Oceania	273,359	3,254	38,172	—	314,786
Europe, the Middle East, and Africa	74,367	—	48,769	—	123,137
North America and Latin America	795	3,970	38,261	—	43,027
<b>Total sovereign</b>	<b>348,521</b>	<b>7,225</b>	<b>125,204</b>	<b>—</b>	<b>480,951</b>
Allowance for loan losses	(3,278)	(1,583)	(1,369)	—	(6,231)
<b>Non-sovereign</b>					
Manufacturing industry	1,747,860	492,593	156,753	19,689	2,416,897
Mining industry	1,624,831	463,975	—	—	2,088,806
Electricity, gas, heat supply, and water industry	2,387,250	566,817	14,212	—	2,968,280
Transport industry	455,047	53,000	32,278	—	540,326
Wholesale and retail industry	1,138,086	20	—	—	1,138,107
Finance and insurance industry	3,812,737	59	252,773	—	4,065,570
Other	783,472	32,616	89	—	816,178
<b>Total non-sovereign</b>	<b>11,949,286</b>	<b>1,609,083</b>	<b>456,108</b>	<b>19,689</b>	<b>14,034,167</b>
Allowance for loan losses	(3,152)	(109,824)	(230,334)	—	(343,310)
<b>Total loans and other receivables</b>	<b>12,291,377</b>	<b>1,504,901</b>	<b>349,608</b>	<b>19,689</b>	<b>14,165,576</b>

The following tables present an analysis of the concentration of credit risk in respect of financial guarantee contracts by the guaranteed parties' key characteristics as of March 31, 2023 and 2022:

Analysis of financial guarantee contracts by guaranteed parties' grade of the internal credit rating system as of March 31, 2023;

	(Millions of yen)			
	As of March 31, 2023			
	ECL staging			Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>				
S to BB3	1,993	—	—	1,993
B1 to C	2,739	6,586	—	9,326
D to F	—	—	—	—
<b>Total sovereign</b>	<b>4,733</b>	<b>6,586</b>	<b>—</b>	<b>11,320</b>
<b>Non-sovereign</b>				
S to BB3	17,376	—	—	17,376
B1 to C	820	45,505	—	46,326
D to F	—	—	490	490
<b>Total non-sovereign</b>	<b>18,196</b>	<b>45,505</b>	<b>490</b>	<b>64,193</b>
<b>Total financial guarantee contracts</b>	<b>22,930</b>	<b>52,092</b>	<b>490</b>	<b>75,514</b>

Analysis of financial guarantee contracts by guaranteed parties' geographic area and industry as of March 31, 2023;

	(Millions of yen)			
	As of March 31, 2023			
	ECL staging			Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>				
Asia and Oceania	2,413	—	—	2,413
Europe, the Middle East, and Africa	2,320	6,381	—	8,701
North America and Latin America	—	205	—	205
<b>Total sovereign</b>	<b>4,733</b>	<b>6,586</b>	<b>—</b>	<b>11,320</b>
<b>Non-sovereign</b>				
Manufacturing industry	—	—	490	490
Mining industry	6,156	—	—	6,156
Electricity, gas, heat supply, and water industry	6,461	45,505	—	51,967
Transport industry	3,657	—	—	3,657
Finance and insurance industry	742	—	—	742
Other	1,178	—	—	1,178
<b>Total non-sovereign</b>	<b>18,196</b>	<b>45,505</b>	<b>490</b>	<b>64,193</b>
<b>Total financial guarantee contracts</b>	<b>22,930</b>	<b>52,092</b>	<b>490</b>	<b>75,514</b>

Analysis of financial guarantee contracts by guaranteed parties' grade of the internal credit rating system as of March 31, 2022;

	(Millions of yen)			
	As of March 31, 2022			
	ECL staging			Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>				
S to BB3	2,755	—	—	2,755
B1 to C	6,575	268	—	6,843
D to F	—	—	—	—
<b>Total sovereign</b>	<b>9,330</b>	<b>268</b>	<b>—</b>	<b>9,598</b>
<b>Non-sovereign</b>				
S to BB3	23,975	—	—	23,975
B1 to C	882	30,222	—	31,105
D to F	—	—	550	550
<b>Total non-sovereign</b>	<b>24,858</b>	<b>30,222</b>	<b>550</b>	<b>55,630</b>
<b>Total financial guarantee contracts</b>	<b>34,188</b>	<b>30,490</b>	<b>550</b>	<b>65,229</b>

Analysis of financial guarantee contracts by guaranteed parties' geographic area and industry as of March 31, 2022;

	(Millions of yen)			
	As of March 31, 2022			
	ECL staging			Total
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Sovereign</b>				
Asia and Oceania	3,740	—	—	3,740
Europe, the Middle East, and Africa	5,585	—	—	5,585
North America and Latin America	4	268	—	272
<b>Total sovereign</b>	<b>9,330</b>	<b>268</b>	<b>—</b>	<b>9,598</b>
<b>Non-sovereign</b>				
Manufacturing industry	—	7	550	557
Mining industry	8,099	—	—	8,099
Electricity, gas, heat supply, and water industry	10,214	30,215	—	40,429
Transport industry	4,415	—	—	4,415
Finance and insurance industry	880	—	—	880
Other	1,247	—	—	1,247
<b>Total non-sovereign</b>	<b>24,858</b>	<b>30,222</b>	<b>550</b>	<b>55,630</b>
<b>Total financial guarantee contracts</b>	<b>34,188</b>	<b>30,490</b>	<b>550</b>	<b>65,229</b>

#### 41. Exercise of Rights to Obtain Collateral or Other Credit Enhancements

The JBIC Group did not obtain any material financial or non-financial assets through exercise of rights to collateral or other credit enhancements.

#### 42. Market Risk and Liquidity Risk

Market risk is the risk that the value of assets and liabilities (including off-balance-sheet items) will fluctuate and losses will be incurred, or profits derived from assets and liabilities (including off-balance-sheet items) will fluctuate and losses will be incurred, due to changes in various market risk factors, such as interest rates and foreign exchange rates.

The market risk borne by JBIC mainly consists of foreign exchange risk and interest rate risk, and JBIC may suffer losses from these risks due to fluctuations in the markets, such as market turmoil. These risks are hedged, in principle, by interest rate swaps, currency swaps, and forward foreign exchange contracts.

Liquidity risk is the risk that losses will be incurred as a result of difficulties in obtaining the funds necessary due to a maturity mismatch between financing and funding, or unexpected outflow of funds, or being forced to fund at an interest rate significantly higher than that under normal circumstances (funding risk). It is also the risk that losses will be incurred from being unable to conduct market transactions due to market turmoil or being forced to transact at far more unfavorable prices than those under normal circumstances (market liquidity risk).

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and the FILP agency bonds, are secured to finance JBIC. Deposits are not accepted. Therefore, JBIC considers liquidity risk to be limited. However, financing costs could increase due to market turmoil and unexpected events.

## *Overview of market risk and liquidity risk management*

### **i. Market risk management**

JBIC manages foreign exchange risk and interest rate risk through its ALM. Market risk management protocols contain detailed stipulations in respect of risk management methods and procedures, and JBIC established an ALM Committee to assess and confirm the execution of ALM, and to discuss future responses to market risk. In addition, JBIC assesses and monitors the interest rate and terms of financial assets and liabilities in detail through a gap analysis and an interest rate sensitivity analysis as well as Value at Risk (“VaR”). The results are reported to the ALM Committee on a regular basis.

The basic policy for managing foreign exchange risk and interest rate risk at JBIC is described below:

**a. Foreign exchange risk**

Foreign currency-denominated loans conducted in the JBIC Group involve risks related to exchange rate fluctuations. The JBIC Group has a consistent policy of managing this risk by fully hedging this risk exposure through the use of currency swaps and forward foreign exchange contracts. Furthermore, a portion of the foreign exchange risk arising from investments in affiliates denominated in foreign currencies is hedged using forward foreign exchange contracts as hedging instruments.

**b. Interest rate risk**

Interest rate risk arises from exposure to market interest rate fluctuations for yen-denominated loan and foreign currency-denominated loan operations and the policy for managing interest rate risk is described below.

**(i) Yen-denominated loan operations**

Yen-denominated loan operations are managed based on fixed interest rates by matching the maturities of the loans and funds. As a result, JBIC's exposure to interest rate risk is limited. For any loan operations that are significantly impacted by interest rate fluctuations, JBIC hedges the interest rate risk through hedging instruments, such as swaps.

**(ii) Foreign currency-denominated loan operations**

For foreign currency-denominated loan operations, interest rate risk is hedged through the application of a consistent policy of using interest rate swaps and managing the funds with floating interest rates for both loans and related funding arrangements.

**c. Status of market risk**

JBIC only maintains a banking book and does not have financial instruments in a trading book. While in principle JBIC holds derivatives only for hedging purposes, as stated previously, market risk is measured in order to assess potential risk exposures. The following represents the market risk exposure (VaR) as of March 31, 2023 and 2022. JBIC measures market risk (VaR) by taking into account the degree of correlation between interest rate risk and foreign exchange risk.

*Risk management using VaR*

VaR is a market risk measure that assesses the maximum possible fluctuation of gains or losses in fair values that could occur after a certain period of time ("holding period") based on historical market movements of interest rates or exchange rates, etc., over a specific period in the past (or observation period) within a given probability (confidence interval), that is derived statistically by employing the theory of probability distribution.

The measurement assumes historical market trends and the theory of probability distribution. However, bearing in mind that future market trends could deviate from these assumptions, JBIC validates the effectiveness of its market risk measurements using the VaR model by back-testing, which cross-checks the measured VaR against the actual gains or losses. In addition, a stress test, which goes beyond the probability distribution of historical market movements, is carried out in order to capture risks from various perspectives.

The following points should generally be noted in measuring VaR

- VaR will differ depending on the choice of confidence interval, holding period, and observation period;
- VaR indicates the maximum fluctuation of gains or losses in fair values at the time of measurement. In practice, the actual results at a point in the future may differ from the VaR calculation due to changes in the assumptions caused by market movements during the holding period; and
- VaR indicates the maximum value based on specific assumptions. As such, when utilizing VaR as a risk management measure, it is imperative to keep in mind that VaR may underestimate the potential losses.

The table below provides VaR calculated as of March 31, 2023 and 2022.

	<b>(Billions of yen)</b>	
	<b>As of</b>	<b>As of</b>
<b>VaR</b>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	164.6	121.7

JBIC calculated VaR based on a historical model. The calculation is based on a 99% confidence interval, a one-year holding period and a five-year observations period.

**ii. Liquidity risk management**

Long-term and stable funds, such as fiscal loan funds, government-guaranteed bonds and FILP agency bonds, are used to finance JBIC's operations and deposits are not accepted.



Cash flows are assessed and proper measures, including establishing overdraft facility accounts with multiple private sector financial institutions, are taken to maintain daily cash flows for proper risk management.

### 43. Maturity Analysis of Financial Liabilities

The following tables present the amounts of financial liabilities by contractual maturity based on undiscounted contractual cash flows as of March 31, 2023 and 2022.

For financial liabilities, payments related to financial guarantee contracts are made when all the relevant contractual requirements for payment are met. Accordingly, total guarantee amounts do not indicate the settlement amounts. Financial guarantee contracts represent the total of guarantee obligations and guarantee commitments.

For off-balance-sheet items, loan commitments and equity participation commitments are exercised based on the status of the corresponding businesses. Accordingly, total commitment amounts do not indicate the settlement amounts.

	(Millions of yen)							
	As of March 31, 2023							
	On demand	Not later than one year	Later than one year and not later than three years	Later than three years and not later than five years	Later than five years and not later than seven years	Later than seven years and not later than ten years	Later than ten years	Total
<b>Financial liabilities</b>								
Derivative financial instrument liabilities	—	425,896	316,405	245,555	99,589	76,827	96,752	1,261,027
Borrowings	—	1,115,538	3,032,777	3,995,509	420,465	625,590	228,550	9,418,432
Bonds payable	—	1,204,847	2,496,750	1,632,128	748,983	614,655	—	6,697,364
Financial guarantee contracts	1,636,457	—	—	—	—	—	—	1,636,457
<b>Off-balance-sheet items</b>								
Loan commitments	2,347,605	—	—	—	—	—	—	2,347,605
Equity participation commitments	79,619	—	—	—	—	—	—	79,619

	(Millions of yen)							
	As of March 31, 2022							
	On demand	Not later than one year	Later than one year and not later than three years	Later than three years and not later than five years	Later than five years and not later than seven years	Later than seven years and not later than ten years	Later than ten years	Total
<b>Financial liabilities</b>								
Derivative financial instrument liabilities	—	219,838	274,676	134,702	59,379	32,212	60,555	781,365
Borrowings	—	2,294,922	1,954,762	3,216,337	232,606	13,577	229,507	7,941,713
Bonds payable	—	1,072,517	1,940,567	1,427,509	972,101	697,393	—	6,110,090
Financial guarantee contracts	1,726,917	—	—	—	—	—	—	1,726,917
<b>Off-balance-sheet items</b>								
Loan commitments	1,864,266	—	—	—	—	—	—	1,864,266
Equity participation commitments	76,931	—	—	—	—	—	—	76,931

#### 44. Related-Party Disclosures

##### Shares held by the Government

The total number of outstanding shares of JBIC is required to be held, at all times, by the Japanese government (Article 3 of JBIC Act). Accordingly, all the shares outstanding are wholly owned by the Japanese government (the Ministry of Finance). Transactions between JBIC and the Japanese government or entities controlled by the Japanese government were as follows:

##### Transactions with the Japanese government, which controls JBIC

		Transactions and transaction amounts					(Millions of yen) Balance	
		Underwriting of capital increase*1	Receipt of funds*2	Repayment of borrowings	Payment of interest on borrowings	Guarantee of corporate bonds*3	Borrowings	Other liabilities (interest payable)
Ministry of Finance (Minister of Finance)	Year ended March 31, 2023	85,000	3,433,096	2,999,052	186,843	6,171,755	8,513,677	68,641
	Year ended March 31, 2022	60,000	1,310,687	926,306	21,107	5,574,984	7,554,208	7,523

\*1 The underwriting of capital increase represents the increase in capital through shareholder allocation by JBIC at an allocation amount of ¥1 per share.

\*2 The receipt of funds represents borrowings from the FILP special account and the Foreign Exchange Funds Special Account (FEFSA). FILP interest rates are applied to the borrowings from the FILP, while the interest rates in accordance with the respective agreements related to the FEFSA are applied to the borrowings from the FEFSA.

\*3 No guarantee fees have been paid in respect of the guarantee of bonds.

##### Transactions with entities controlled by the Japanese government

		(Millions of yen)		
		Transactions	As of March 31, 2023	As of March 31, 2022
Japan International Cooperation Agency (JICA)		Joint obligations	20,000*1,*3	20,000*1,*3
Japan Finance Corporation (JFC)		Joint obligations	60,000*2,*3	60,000*2,*3

\*1 JBIC assumed the obligations of the JBIC bonds in accordance with Article 12 (1) of the Supplementary Provisions of the JBIC Act, and JICA is jointly responsible for the obligations of these bonds in accordance with Article 4 (1) of Supplementary Provisions of the JICA Act. According to Article 4 (2) hereof, all of JICA's assets are pledged as general collateral for these joint obligations.

\*2 JBIC is jointly responsible for the obligations of the JFC bonds in accordance with Article 17 (1) (ii) of Supplementary Provisions of the JBIC Act. In accordance with Article 17 (2) hereof, all of JBIC's assets are pledged as general collateral for these joint obligations. Accordingly, the creditors of the bonds are entitled to JBIC's assets prior to other creditors. The statutory lien is secondary to the general statutory lien under the Civil Code of Japan.

\*3 No transactions are recognized in the consolidated income statement for these joint obligations.

##### Remuneration of the JBIC Group's key management personnel

		(Millions of yen)	
		For the year ended March 31, 2023	For the year ended March 31, 2022
Short-term employee benefits		157	147
Post-employment benefits		7	8
Total		164	155

The above represents the remuneration expenses of the members of board of directors of JBIC recognized in the consolidated income statement.

#### 45. Current and Noncurrent Distinction

Carrying amounts expected to be recovered or settled in no more than and more than 12 months after March 31, 2023 and 2022 were as follows:

	(Millions of yen)		
	As of March 31, 2023		
	No more than 12 months*1	More than 12 months*2	Total
<b>Assets</b>			
Cash and due from banks	2,193,775	—	2,193,775
Derivative financial instrument assets	7,668	129,488	137,156
Financial assets at fair value through profit or loss	49,621	425,638	475,260
Securities	—	46,998	46,998
Loans and other receivables	2,072,933	13,071,444	15,144,377
Equity method investments	—	129,892	129,892
Property and equipment	—	30,730	30,730
Other assets	656,204	10,888	667,093
<b>Liabilities</b>			
Derivative financial instrument liabilities	182,542	642,690	825,233
Borrowings	800,832	7,712,844	8,513,677
Bonds payable	8,046	5,926,273	5,934,320
Financial guarantee contracts	75,514	—	75,514
Other liabilities	239,489	7,399	246,889

	(Millions of yen)		
	As of March 31, 2022		
	No more than 12 months*1	More than 12 months*2	Total
<b>Assets</b>			
Cash and due from banks	1,451,153	—	1,451,153
Derivative financial instrument assets	16,241	78,830	95,072
Financial assets at fair value through profit or loss	53,800	426,226	480,027
Securities	—	36,999	36,999
Loans and other receivables	1,725,668	12,439,908	14,165,576
Equity method investments	—	128,987	128,987
Property and equipment	—	29,229	29,229
Other assets	530,124	11,552	541,677
<b>Liabilities</b>			
Derivative financial instrument liabilities	181,047	376,303	557,350
Borrowings	2,214,763	5,339,444	7,554,208
Bonds payable	7,541	5,552,077	5,559,618
Financial guarantee contracts	65,229	—	65,229
Other liabilities	121,108	8,349	129,458

\*1 Includes demand deposits.

\*2 Includes amounts with no fixed maturity dates.

#### 46. Events after the Reporting Period

There were no reportable events after the reporting period.

Consent of Independent Auditor

We consent to the incorporation by reference in the Registration Statement (No. 333-250107) of Japan Bank for International Cooperation of our report dated July 31, 2023, with respect to the consolidated financial statements of Japan Bank for International Cooperation prepared in accordance with International Financial Reporting Standards included in its Annual Report on Form 18-K for the year ended March 31, 2023.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
August 7, 2023

Reconciliation of assets, liabilities, and equity of Japan Bank for International Cooperation (“JBIC”) and its subsidiaries (the “JBIC Group”) as of March 31, 2023 and 2022, and reconciliation of net profit of the JBIC Group for the fiscal years ended March 31, 2023 and 2022, between accounting principles generally accepted in Japan (“Japanese GAAP”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “Reconciliation”).\*

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\* The JBIC Group has applied Japanese GAAP for reporting purposes in Exhibit 2. The audited consolidated financial statements prepared in accordance with IFRS are included in Exhibit 7 for reference purposes in order to improve comparability with international issuers.

**Reconciliation of assets, liabilities, and equity as of March 31, 2023**

(Millions of yen)

Japanese GAAP		Reclassifications	Adjustments		IFRS	Notes
<b>Assets</b>					<b>Assets</b>	
Cash and due from banks	2,193,775	—	—	2,193,775	Cash and due from banks	
	—	137,156	—	137,156	Derivative financial instrument assets	A
	—	477,256	(1,996)	475,260	Financial assets at fair value through profit or loss	B, C
Securities	347,087	(318,933)	18,845	46,998	Securities	B, C
Loans and bills discounted	15,587,788	(491,899)	48,487	15,144,377	Loans and other receivables	B, D
	—	101,346	28,546	129,892	Equity method investments	C, E
Property, plant and equipment	30,730	—	—	30,730	Property and equipment	
Intangible assets	8,461	(8,461)	—	—		
Other assets	866,306	(201,122)	1,908	667,093	Other assets	A, D, F
Customers' liabilities for acceptances and guarantees	1,534,258	—	(1,534,258)	—		H
Allowance for loan losses	(410,526)	410,526	—	—		D
<b>Total assets</b>	<b>20,157,883</b>	<b>105,869</b>	<b>(1,438,466)</b>	<b>18,825,285</b>	<b>Total assets</b>	
<b>Liabilities</b>					<b>Liabilities</b>	
	—	825,233	—	825,233	Derivative financial instrument liabilities	A
Borrowed money	8,513,677	—	—	8,513,677	Borrowings	
Bonds payable	6,191,755	—	(257,435)	5,934,320	Bonds payable	G
	—	—	75,514	75,514	Financial guarantee contracts	H
Net defined benefit liability	5,690	(5,690)	—	—		I
Provision for directors' retirement benefits	37	(37)	—	—		
Other liabilities	962,446	(713,012)	(2,544)	246,889	Other liabilities	A, F, I
Provision for bonuses	614	(614)	—	—		
Provision for directors' bonuses	10	(10)	—	—		
Acceptances and guarantees	1,534,258	—	(1,534,258)	—		H
<b>Total liabilities</b>	<b>17,208,488</b>	<b>105,869</b>	<b>(1,718,722)</b>	<b>15,595,635</b>	<b>Total liabilities</b>	
<b>Net assets</b>					<b>Equity</b>	
Capital stock	2,108,800	—	—	2,108,800	Capital stock	
Retained earnings	1,126,210	411	(36,733)	1,089,888	Retained earnings	
	—	(286,311)	316,989	30,677	Other reserves	E, I
Valuation difference on available-for-sale securities	25,300	(25,300)	—	—		C
Deferred gains or losses on hedges	(323,123)	323,123	—	—		A
Foreign currency translation adjustment	11,923	(11,923)	—	—		E
Non-controlling interests	283	—	—	283	Non-controlling interests	
<b>Total net assets</b>	<b>2,949,394</b>	<b>—</b>	<b>280,256</b>	<b>3,229,650</b>	<b>Total equity</b>	
<b>Total liabilities and net assets</b>	<b>20,157,883</b>	<b>105,869</b>	<b>(1,438,466)</b>	<b>18,825,285</b>	<b>Total liabilities and equity</b>	

**Reconciliation of assets, liabilities, and equity as of March 31, 2022**

(Millions of yen)

Japanese GAAP		Reclassifications	Adjustments		IFRS	Notes
<b>Assets</b>					<b>Assets</b>	
Cash and due from banks	1,451,153	—	—	1,451,153	Cash and due from banks	
	—	95,072	—	95,072	Derivative financial instrument assets	A
	—	483,699	(3,672)	480,027	Financial assets at fair value through profit or loss	B, C
Securities	328,053	(316,532)	25,477	36,999	Securities	B, C
Loans and bills discounted	14,759,174	(695,415)	101,816	14,165,576	Loans and other receivables	B, D
	—	109,074	19,913	128,987	Equity method investments	C, E
Property, plant and equipment	29,229	—	—	29,229	Property and equipment	
Intangible assets	9,170	(9,170)	—	—		
Other assets	602,264	(62,760)	2,174	541,677	Other assets	A, D, F
Customers' liabilities for acceptances and guarantees	1,721,217	—	(1,721,217)	—		H
Allowance for loan losses	(470,834)	470,834	—	—		D
<b>Total assets</b>	<b>18,429,429</b>	<b>74,801</b>	<b>(1,575,508)</b>	<b>16,928,723</b>	<b>Total assets</b>	
<b>Liabilities</b>					<b>Liabilities</b>	
	—	557,350	—	557,350	Derivative financial instrument liabilities	A
Borrowed money	7,554,208	—	—	7,554,208	Borrowings	
Bonds payable	5,634,984	—	(75,365)	5,559,618	Bonds payable	G
	—	—	65,229	65,229	Financial guarantee contracts	H
Net defined benefit liability	6,056	(6,056)	—	—		I
Provision for directors' retirement benefits	51	(51)	—	—		
Other liabilities	609,336	(475,832)	(4,045)	129,458	Other liabilities	A, F, I
Provision for bonuses	597	(597)	—	—		
Provision for directors' bonuses	9	(9)	—	—		
Acceptances and guarantees	1,721,217	—	(1,721,217)	—		H
<b>Total liabilities</b>	<b>15,526,462</b>	<b>74,801</b>	<b>(1,735,398)</b>	<b>13,865,865</b>	<b>Total liabilities</b>	
<b>Net assets</b>					<b>Equity</b>	
Capital stock	2,023,800	—	—	2,023,800	Capital stock	
Retained earnings	976,953	—	47,295	1,024,249	Retained earnings	
	—	(98,136)	112,595	14,458	Other reserves	E, I
Valuation difference on available-for-sale securities	16,084	(16,084)	—	—		C
Deferred gains or losses on hedges	(116,730)	116,730	—	—		A
Foreign currency translation adjustment	2,508	(2,508)	—	—		E
Non-controlling interests	350	—	—	350	Non-controlling interests	
<b>Total net assets</b>	<b>2,902,967</b>	<b>—</b>	<b>159,890</b>	<b>3,062,857</b>	<b>Total equity</b>	
<b>Total liabilities and net assets</b>	<b>18,429,429</b>	<b>74,801</b>	<b>(1,575,508)</b>	<b>16,928,723</b>	<b>Total liabilities and equity</b>	

## Reconciliation of net profit for the year ended March 31, 2023

(Millions of yen)

Japanese GAAP		Reclassifications	Adjustments		IFRS	Notes
Interest income	570,567	(3,705)	10,007	576,869	Interest income	B, D
Interest expense	460,022	(127,876)	2,255	334,401	Interest expense	G
				242,467	Net interest income	
Fees and commissions	22,746	(135)	(9,762)	12,848	Fee and commission income	B
Fees and commissions payments	3,799	—	—	3,799	Fee and commission expense	
					Net expense from derivative financial instruments	A
Loss on investments in partnerships *2	—	121,202	24,780	145,982		
	6,129	(6,129)	—	—		B
					Net loss from financial assets at fair value through profit or loss	B
					Net gain on derecognition of financial assets measured at amortized cost	D
Other ordinary income	44,744	(44,744)	—	—		
Other income *1	454	(454)	—	—		B
Extraordinary income	13	(13)	—	—		
	—	35,894	(5,106)	30,787	Other income	
				117,748	Net non-interest expense	
				124,719	<b>Total operating income</b>	
Reversal of allowance for loan losses *1	19,352	(19,352)	—	—		D
					Impairment losses on financial assets	D
				102,545	<b>Net operating income</b>	
Other ordinary expenses	2,111	(2,111)	—	—		
General and administrative expenses	24,382	—	157	24,540	Operating expenses	I
Other expenses *2	6,959	(6,959)	—	—		B
				4,315	Other expenses	
				28,855	Total operating expenses	
Profits of equity method investments *1	2,058	(3,244)	—	(1,186)	Profits (losses) of equity method investments	E
				72,503	<b>Profit before income tax</b>	
Income tax expense	13	—	—	13	Income tax expense	
<b>Net income</b>	<b>156,518</b>	<b>—</b>	<b>(84,028)</b>	<b>72,490</b>	<b>Net profit</b>	

\*1 These accounts are included in “Other income” under Japanese GAAP.

\*2 These accounts are included in “Other expenses” under Japanese GAAP.



## Reconciliation of net profit for the year ended March 31, 2022

(Millions of yen)						
Japanese GAAP		Reclassifications	Adjustments		IFRS	Notes
Interest income	227,973	(55,409)	13,772	186,336	Interest income	B, D
Interest expense	135,363	—	1,810	137,173	Interest expense	G
				49,163	Net interest income	
Fees and commissions	26,100	(262)	(7,463)	18,374	Fee and commission income	B
Fees and commissions payments	3,492	—	—	3,492	Fee and commission expense	
					Net expense from derivative financial instruments	A
Gain on investments in partnerships *1	17,470	(17,470)	—	—		B
		24,723	45,899	70,623	Net gain from financial assets at fair value through profit or loss	B
			9,125	9,125	Net gain on derecognition of financial assets measured at amortized cost	D
Other ordinary income	31,416	(31,416)	—	—		
Other income *1	2,361	(2,361)	—	—		B
Extraordinary income	4	(4)	—	—		
		28,572	(2,163)	26,409	Other income	
				98,814	Net non-interest income	
				147,977	<b>Total operating income</b>	
Recoveries of written-off claims *1	6,673	(6,673)	—	—		D
Provision of allowance for loan losses *2	130,992	(130,992)	—	—		D
		127,002	3,793	130,795	Impairment losses on financial assets	D
				17,181	<b>Net operating income</b>	
Other ordinary expenses	1,988	(1,988)	—	—		
General and administrative expenses	21,713	—	133	21,846	Operating expenses	I
Other expenses *2	2,538	(2,538)	—	—	Other expenses	B
		1,678	(1,009)	668	Total operating expenses	
				22,515		
Profits of equity method investments *1	1,483	2,650	—	4,133	Profits of equity method investments	E
				(1,199)	<b>Loss before income tax</b>	
Income tax expense	48	—	—	48	Income tax expense	
<b>Net income</b>	<b>17,345</b>	<b>—</b>	<b>(18,594)</b>	<b>(1,248)</b>	<b>Net loss</b>	

\*1 These accounts are included in “Other income” under Japanese GAAP.

\*2 These accounts are included in “Other expenses” under Japanese GAAP.

**Notes to the reconciliation of assets, liabilities, and equity as of March 31, 2023 and 2022, and the reconciliation of net profit for the fiscal years ended March 31, 2023 and 2022**

**A. Derivative financial instrument assets and liabilities**

**i. Hedge accounting**

The JBIC Group uses derivative financial instruments in order to hedge interest rate risk and foreign exchange risk. The JBIC Group has been applying hedge accounting under Japanese GAAP, which mostly follows macro hedge accounting, for 99.9% or more of its derivative transactions on a fair value basis, in order to eliminate accounting mismatches in its consolidated financial statements.

From the adoption of IFRS in 2012 to March 31, 2018, the JBIC Group had not applied hedge accounting under IAS 39 and did not present the effect of its risk management activities involving derivative financial instruments in its consolidated financial statements. Since the adoption of IFRS 9, the JBIC Group has applied hedge accounting mainly to fair value hedges of interest rate risk for bonds payable issued on or after April 1, 2018.

Refer to Notes 3.G and 8 to the consolidated financial statements for details on hedge accounting under IFRS. In addition, refer to Note 26 to the consolidated financial statements for “Net loss on valuation of derivative financial instruments,” which does not reflect profit or loss deferred by hedge accounting under Japanese GAAP, and adjustments to the carrying amounts of hedged items under fair value hedge accounting.

**ii. Offsetting derivative financial instrument assets and liabilities**

Derivative financial instrument assets and liabilities that meet the offset requirements under Japanese GAAP are presented on a net basis by counterparty and included in “Other assets” or “Other liabilities.” Derivative financial instrument assets and liabilities that do not meet the offset requirements under IFRS are presented on a gross basis as “Derivative financial instrument assets” and “Derivative financial instrument liabilities.”

**B. Financial assets at fair value through profit or loss**

Under IFRS, if contractual cash flows of financial assets are not solely payments of principal and interest, the JBIC Group measures such financial assets at fair value through profit or loss. If contractual cash flows of financial assets are solely payments of principal and interest, and financial assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows, financial assets are measured at amortized cost. Whereas, Japanese GAAP sets out the approach to measure financial assets according to their legal form and the entity’s intention to hold the financial assets.

Stocks, investments in partnerships and certain loans, excluding investments held by the JBIC Group and accounted for using the equity method, are measured at fair value and presented as “Financial assets at fair value through profit or loss” under IFRS, whereas they are measured at either cost or fair value according to their legal form and holding intention and presented as “Securities” or “Loans and bills discounted” under Japanese GAAP. Under Japanese GAAP, if the net asset value of shares has declined significantly due to a deterioration in the financial position of an issuer, the carrying amount is written down and such valuation difference is recognized as impairment loss for the current period.

Under IFRS, the JBIC Group presents gains and losses arising from such assets as “Net gain (loss) from financial assets at fair value through profit or loss.” Under Japanese GAAP, the JBIC Group presents interest income and dividend income as “Interest income,” upfront and commitment fees as “Fee and commissions,” and realized gains and losses arising from changes in fair value and sales of such assets as “Other income” (when it is a gain) or “Other expenses” (when it is a loss).

**C. Securities**

The JBIC Group presents investments in associates and joint ventures as “Securities” under Japanese GAAP and “Equity method investments” under IFRS. For the differences in the measurement method between the accounting standards, see “E. Equity method investments.”

Stocks and investments in partnerships other than investments in associates and joint ventures are presented as “Securities” under Japanese GAAP and “Financial assets at fair value through profit or loss” under IFRS. For the differences in the measurement method between the accounting standards, see “B. Financial assets at fair value through profit or loss.”

Debt securities included in “Securities” under Japanese GAAP are also presented as “Securities” under IFRS. For the measurement method, debt securities are measured at fair value and valuation gains and losses are recognized as “Valuation difference on available-for-sale securities” under Japanese GAAP, whereas these debt securities are measured at amortized cost under IFRS.

Under IFRS, impairment losses are recognized for securities measured at amortized cost under the expected credit loss model. Impairment losses are estimated at the amount of the expected credit losses expected to occur within the next 12-months from the reporting date or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition of the financial assets. Such impairment losses measured are deducted from securities using an allowance account, which represents such impairment losses and which is deducted from securities, resulting in net presentation.

#### **D. Loans and other receivables**

“Loans and other receivables” under IFRS include accrued interest income on loans in “Other assets” under Japanese GAAP, and also financial assets associated with financial guarantee contracts described in “H. Financial guarantee contracts,” but do not include loans and other receivables measured at fair value through profit or loss.

Under IFRS, the JBIC Group measures loans and other receivables initially at fair value plus transaction costs directly attributable to loan origination, and subsequently at amortized cost using the effective interest method. The JBIC Group amortizes loan origination fees, which are considered integral to the origination using the effective interest method. If contractual terms are amended after initial recognition of loans and other receivables, loans and other receivables are derecognized when, and only when, contractual rights to the cash flows from such loans and other receivables expire, or applicable requirements under the related accounting standard are met, and the difference between the carrying amount allocated to the part derecognized and a financial asset newly recognized is recognized in profit or loss.

Under Japanese GAAP, the JBIC Group recognizes a general allowance as well as a specific allowance for loan losses.

In accordance with the expected credit loss model under IFRS, the JBIC Group recognizes impairment losses, and the carrying amount of loans and other receivables is reduced by the amount of impairment losses measured through the allowance for loan losses. See “C. Securities” for the method for recognizing expected credit losses. If certain conditions are met, amendments to contractual terms after initial recognition of loans and other receivables may be determined as not meeting the criteria for derecognizing financial assets.

#### **E. Equity method investments**

The JBIC Group’s investments in associates and joint ventures are comprised mainly of investments in partnerships. Under Japanese GAAP, the JBIC Group applies the equity method to certain investments in partnerships. Under IFRS, the JBIC Group adopts the equity method for all of its investments in partnerships that are determined as investments in associates and joint ventures, except for investments held through a subsidiary of JBIC for which the exemption in IAS 28 to measure such entities at fair value is applied. Gains or losses on investments in partnerships to which the equity method is not applied under Japanese GAAP but applied under IFRS are recognized as “Profits (losses) of equity method investments” under IFRS.

The JBIC Group presents exchange differences on translation of foreign operations from applying the equity method as “Other reserves” under IFRS, whereas they are presented as “Foreign currency translation adjustment” under Japanese GAAP.

#### **F. Leases**

Lease transactions entered into by the JBIC Group as a lessee primarily consist of rental offices. Under Japanese GAAP, lease transactions are classified as either finance leases or operating leases based on the risk and economic value approach. The significant lease transactions entered into by the JBIC Group are classified as operating leases and are expensed when lease payments occur. Under IFRS, on the other hand, right-of-use assets and lease liabilities are presented in “Other assets” and “Other liabilities,” respectively, in the consolidated statement of financial position at the commencement date of the lease. Those assets and liabilities are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, and amortized cost using the effective interest method, respectively.

The JBIC Group does not enter into lease transactions as a lessor.

#### **G. Bonds payable**

Under Japanese GAAP, the JBIC Group expenses bond issuance costs as incurred.

Under IFRS, the JBIC Group measures bonds payable initially at fair value less transaction costs directly attributable to bond issuance, such as fees paid to underwriters and discounts at issuance, and subsequently at amortized cost using the effective interest method. For bonds payable to which hedge accounting is applied in accordance with IFRS 9, their carrying amount is adjusted to reflect changes in fair value arising from the underlying hedged risks.

#### **H. Financial guarantee contracts**

Under Japanese GAAP, the JBIC Group records the same contractual amounts of financial guarantee obligations in both “Customers’ liabilities for acceptances and guarantees” as assets and in “Acceptances and guarantees” as liabilities.

Under IFRS, the JBIC Group initially measures financial liabilities associated with financial guarantee contracts at fair value as well as financial assets associated with financial guarantee contracts. They are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance with IFRS 9 and (b) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

**I. Liability for retirement benefits**

Under Japanese GAAP, the JBIC Group expenses actuarial gains or losses on defined benefit plans in profit or loss as incurred.

Under IFRS, the JBIC Group recognizes the remeasurement of defined benefit plans directly in “Other reserves” as incurred and reclassifies them immediately to retained earnings. The JBIC Group remeasures retirement benefit obligations based on IFRS, and charges for differences caused by the period allocation method of retirement benefit obligations, etc. as “Operating expenses.” The JBIC Group includes a liability for retirement benefits in “Other liabilities.”

**J. Difference between the reporting date of consolidated financial statements and of subsidiaries**

Under Japanese GAAP, if the difference between the reporting date of consolidated financial statements and of the subsidiary does not exceed three months, only material inter-company transactions made during that period need to be reflected in the financial statements of the subsidiary. Accordingly, the JBIC Group adjusts only material inter-company transactions in the consolidated financial statements under Japanese GAAP.

On the other hand, IFRS requires that financial statements of consolidated subsidiaries be prepared on the reporting date of the parent company, except when it is impracticable. For this reason, the JBIC Group prepares the financial statements of the subsidiaries whose reporting dates are different from JBIC to conform to the reporting date of JBIC.