



NEXI

Nippon Export and Investment Insurance

ANNUAL REPORT 2017

Nippon Export and Investment Insurance



Message from the Chairman



I would like to express my deep appreciation for your extensive support and cooperation with Nippon Export and Investment Insurance (NEXI) as we present this report.

During FY2017, the global economy continued its gradual recovery on account of growth in trade and production throughout the world and firm demand. On the other hand, it is necessary to keep in mind several points about the future, including the outlook for Asian and other emerging economies and possible impact of both policy uncertainty and financial and capital market volatility.

Under these conditions, NEXI transformed from an incorporated administrative agency into a special stock company wholly owned by the government in April 2017 and the government's reinsurance system was abolished. With NEXI's launch as a stock company, we laid the necessary foundation by strengthening governance through various efforts such as establishing the Board of Directors and the Audit and Supervisory Board as well as undertaking several new activities, including ceding reinsurance to private-sector reinsurance companies and launching sales of US dollar-denominated loan insurance.

In addition to actively supporting power and other infrastructure projects to promote quality infrastructure exports, a policy pushed by the government, we worked to improve our products and services reflecting the needs of our customers, such as relaunching of the underwriting of Export Credit Insurance for projects with long-term deferred payment. Another important policy promoted by the government is supporting the overseas expansion of small- and medium-sized enterprises (SMEs) and the agricultural, forestry, and fishery (AFF) industry. During the fiscal year, we continued to promote our insurance by further expanding the SME overseas business support network based on collaboration with regional and shinkin banks, and strengthening PR activities. As a result, the number of NEXI insurance users increased by more than 10% compared to the previous fiscal year.

As the economy becomes more global, we will continue to strive for not only providing quality insurance services that satisfy more diverse business needs but also giving a sense of reassurance to more NEXI users in order to win the global competition through public and private collaboration. We appreciate your continued understanding and support.

Kazuhiko Bando

Chairman and CEO
Nippon Export and Investment Insurance

July 2018

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In principle, figures in this report are rounded to the nearest unit. Therefore, the sum of individual figures may deviate from the sum presented. Figures that fall below a unit as a result of rounding are indicated as "0"; if there is no corresponding figure, "-" is indicated. Figures in the trade and investment insurance business are on a fiscal period basis unless otherwise noted.

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Profile of NEXI

Organization Name	Nippon Export and Investment Insurance																
Date of Establishment	April 1, 2017																
Acts	Trade and Investment Insurance Act																
Purpose	To conduct insurance business to cover risks which arise in foreign transactions not covered by ordinary insurance																
Competent Minister	The Minister of Economy, Trade and Industry																
Capital	JPY 169,352,324,369 (100% State-owned)																
Executive Officers	<table> <tr> <td>Chairman and CEO</td> <td>Kazuhiko Bando</td> </tr> <tr> <td>President</td> <td>Masafumi Nakada</td> </tr> <tr> <td>Senior Managing Executive Officer, Member of Board</td> <td>Keiji Wada</td> </tr> <tr> <td>Senior Managing Executive Officer, Member of Board</td> <td>Kohei Okada</td> </tr> <tr> <td>Member of Board</td> <td>Hideo Teramoto</td> </tr> <tr> <td>Audit & Supervisory Board Member (Full-Time)</td> <td>Keishi Nakamura</td> </tr> <tr> <td>Audit & Supervisory Board Member</td> <td>Akio Otsuka</td> </tr> <tr> <td>Audit & Supervisory Board Member</td> <td>Tomoyo Matsui</td> </tr> </table>	Chairman and CEO	Kazuhiko Bando	President	Masafumi Nakada	Senior Managing Executive Officer, Member of Board	Keiji Wada	Senior Managing Executive Officer, Member of Board	Kohei Okada	Member of Board	Hideo Teramoto	Audit & Supervisory Board Member (Full-Time)	Keishi Nakamura	Audit & Supervisory Board Member	Akio Otsuka	Audit & Supervisory Board Member	Tomoyo Matsui
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Audit & Supervisory Board Member	Akio Otsuka																
Audit & Supervisory Board Member	Tomoyo Matsui																
Number of Employees	178 (as of April 1, 2018)																
Scope of Business	<ol style="list-style-type: none"> 1) To conduct trade and investment insurance business operations complying with the provision of Chapter III of the Trade and Investment Insurance Act. 2) To conduct business incidental to the business stated in 1) above. 3) To underwrite reinsurance for international institutions, foreign governments or foreign companies who underwrite insurance (including reinsurance) which indemnifies losses similar to the losses covered by the trade and investment insurance, for the liability incurred by such insurers. 4) To underwrite reinsurance for Japanese insurance companies who underwrite insurance (excluding ordinary insurance) other than the trade and investment insurance deemed necessary to carry out the purpose of sound development of foreign transactions as prescribed by Cabinet Order, for the liability incurred by such insurers under the said insurance. 5) To cede reinsurance of the liability held by NEXI under the Trade and Investment Insurance Act to international institutions, foreign governments or foreign companies who underwrite insurance (including reinsurance) which covers the risks similar to those covered by the trade and investment insurance. 																
Brief History	<p>Jul. 1999 Enactment of Act on General Rules for Incorporated Administrative Agency</p> <p>Dec. 1999 Enactment of Act Revising a Section of the Trade and Investment Insurance Act</p> <p>Apr. 2001 Establishment of Nippon Export and Investment Insurance (NEXI) as an Incorporated Administrative Agency</p> <p>Jul. 2015 Enactment of Act Revising a Section of the Trade and Investment Insurance Act</p> <p>Apr. 2017 Establishment of Nippon Export and Investment Insurance (“new” NEXI) as a special stock company</p> <p>(From 1950 through 2001, the trade and investment insurance was handled by the Ministry of Economy, Trade and Industry, the former Ministry of International Trade and Industry.)</p>																
Domestic Offices	Head Office: Tokyo, Branch Office: Osaka																
Overseas Offices	Paris, New York and Singapore																

Executive Officers



Back Row: Kohei Okada (Senior Managing Executive Officer, Member of Board), Hideo Teramoto (Member of Board)
Front Row: Masafumi Nakada (President), Kazuhiko Bando (Chairman and CEO), Keiji Wada (Senior Managing Executive Officer, Member of Board)



Akio Otsuka (Audit & Supervisory Board Member), Keishi Nakamura (Full Time Audit & Supervisory Board Member), Tomoyo Matsui (Audit & Supervisory Board Member)

Business Plan <2018–2020 Medium-Term Business Plan & FY2018 Plan>

Fundamental Principles of Medium-Term Business Plan

Nippon Export and Investment Insurance (NEXI) will implement its medium-term business plan (FY2018–FY2020), the three fundamental principles of which are as follows.

- As the only specialized institution responsible for the government system of trade and investment insurance, NEXI will provide a greater number of customers involved in overseas business with peace of mind through its rich experience and expertise.
- While giving sufficient consideration to the demands of Japanese government policies, including advancing the Partnership for Quality

Infrastructure and supporting exports of small and medium-size enterprises (SMEs), and the agricultural, forestry, and fishery (AFF) industries, NEXI will promote efforts to implement Japan's growth strategy.

- In addition to working to comprehensively manage risks as underwriting risk increases both in quality and quantity, NEXI will actively meet the diverse needs of customers while ensuring as much underwriting capacity as possible through appropriate risk management through reinsurance.

I. Business Operation Plan

Items marked with a black square (■) are those in the Medium-term Business Plan (2018–2020).

Items marked with a black dot (●) are those in the plan for this fiscal year (FY2018).

1. Efforts to actively underwrite trade and investment insurance

(1) Efforts in the field of short-term insurance

<Basic approach>

NEXI will ascertain the needs of customers in partnership with the various types of export associations, the users of comprehensive insurance, and improve customer convenience by [1] offering more appropriate products, [2] simplifying procedures, and implementing other measures. NEXI will also continue to promote overseas fronting business, which supports exports of the local subsidiaries of Japanese companies.

■ Make insurance application procedure more convenient for customers.

- For Export Credit (Comprehensive) Insurance (consumer goods, equipment, and enterprise comprehensive insurance), reduce the number of export contracts and paper documents that must be submitted for application and make procedures more convenient.

■ Facilitate the continued use of insurance by ascertaining needs through consultations with companies that purchase comprehensive insurance (for associations) or comprehensive insurance (for enterprises).

- Facilitate the renewal of comprehensive insurance policies among customers when policies come up for yearly renewal.

■ Promote reinsurance for Japanese companies and overseas fronting business through partnerships with private-sector casualty insurance companies.

- Promote overseas fronting business to support Japanese companies that operate overseas.
- Expand NEXI's reinsurance network through partnerships with private-sector casualty companies. <Expand reinsurance network: 1>

(2) Efforts in the field of medium and long-term insurance

<Basic approach>

In priority fields, NEXI will play an active role in the process of developing projects, leverage its efforts to improve functions based on the Partnership for Quality Infrastructure, and respond to the risks that taking on challenges entail. As for finance that requires special know-how, NEXI will move forward with creating an in-house system while training employees.

■ Reinforce efforts in priority fields and aggressively support exports by and the overseas expansion of Japanese companies.

- Actively support fund raising required for Japanese companies to export products and expand overseas through trade and investment insurance. In particular, actively implement measures in priority fields, such as for projects that have a high policy priority (exporting quality infrastructure, etc.). <Of 20 commitments (pre-approvals), 12 are in priority fields, including reinsurance provided to aircraft projects). 30 projects are the result of active measures.>

(Projects in priority fields)

① Projects with a high policy priority

- Exporting high quality infrastructure / overseas business participation
- Securing stable supply of natural resources, energy, and food
- Exporting advanced environmental and safety technology exports / overseas business participation (projects that contribute to greater energy efficiency and a better environment)
- Exporting products and services that employ advanced technology possessed by Japanese companies / overseas business participation

② Projects that make major contributions to the strategic overseas expansion of Japanese companies.

③ Joint projects with international public financial institutions or those of other countries that are internationally recognized as important or that contribute to raising awareness of NEXI overseas or building cooperative relationships.

- Facilitate the active use of Overseas Investment Insurance by ascertaining the needs of customers and partnering with international organizations in high risk countries, etc. <New underwriting projects: 40>
- Facilitate the active use of supplier's credit, which has been increasingly demanded in recent years.

- **More actively facilitate the export of Boeing parts produced by Japanese companies by underwriting reinsurance related to the export of Boeing aircraft.**
- **Move forward with efforts to support orders for the Japan-produced aircraft MRJ and develop Buyer's Credit Insurance for aircraft. At the same time, create an underwriting, policy management, claim payment, and collection system appropriate for the unique aspects of aircraft financing.**

(3) Efforts related to underwriting assessment

<Basic approach>

NEXI will actively respond to the diverse needs of customers and more complex risks by improving its assessment capabilities.

- **Improve underwriting screening capabilities taking into consideration the unique aspects of each sector.**
- **Improve assessment capabilities by increasing know-how related to risk assessment and negotiating terms for financing projects and promoting the sharing of the knowledge internally.**
- **Verify the accuracy of current buyer ratings and make necessary changes.**
- **Respond to the increase in number of small projects underwritten (particularly for SMEs).**
 - Respond to the increase in the number of SMEs using trade and investment insurance and review the screening decisions regarding buyers with an EC equivalent rating.

2. Efforts to expand the use of trade and investment insurance

(1) Responding to changes in the financial environment and new demands

<Basic approach>

NEXI will support the smooth development of projects and fund raising through the use of trade and investment insurance, which will include developing more appropriate trade and investment insurance and improving its operation, taking into consideration the trend toward stricter financial regulation throughout the world, such as Basel rules, and new demands in infrastructure markets.

- **Respond to the needs of entities such as financial institutions, exporters, and investment funds etc. to remove risk assets from its balance sheet, reduce risks, etc.**
- **Facilitate the smooth development of projects and expansion of fund raising channels by developing more appropriate insurance and improving operations.**
 - Provide greater flexibility for premium payment deadlines in order to facilitate the development of mini-perm loans, a type of financing assuming refinancing to extend the financing period and reduce financing costs. <April>
 - Set detailed insurance premium rates for medium and high risk financing appropriate for the risk level.
 - Introduce more flexible premium installment payments to facilitate the development of financing appropriate for various types of business.
 - Expand the scope of Investment and Loan Insurance for Natural Resource and Energy that supports imports of natural resources to

Japan and securing of upstream interests by Japanese companies in order to advance efforts to secure and develop natural resources.

(2) Expanding the use of trade and investment insurance, including that for SMEs and AFF sector

<Basic approach>

NEXI will facilitate the use of trade and investment insurance regardless of the size of the company or whether the policy is new or renewal, and increase the number of companies that use the insurance. NEXI will also promote its use by SMEs and AFF sector taking into consideration that facilitating their exports is a priority policy.

- **Substantially increase the number of companies that use trade and investment insurance by publicizing its importance and effectiveness.**

<Increase the annual number of insurance users from 750 entities in FY2016 to 820 in FY2017, 900 in FY2018, and 1,000 in FY2019.>

(3) Reinforcing sales and PR activities

<Basic approach>

NEXI will actively undertake PR activities targeting companies engaged in or considering overseas business, and will increase awareness of trade and investment insurance to promote its use.

- **Improve the content of the website, pamphlets, etc., from customers' perspective.**
 - Post information on the website regarding topics such as application procedures for Export Credit (Comprehensive) Insurance (equipment and enterprise comprehensive insurance) and Q&A (See I.1.(1) "Efforts in the field of short-term insurance"). <October>
 - Enhance the content of the annual report from the perspective of sufficient disclosure.
 - Improve the content of the website and make effective revisions taking into consideration the analysis of customer opinions and website use. <1.67 million page views and more than 70% of customer survey respondents give the website a high overall rating.>
 - Regularly post information on the website regarding NEXI's efforts to improve systems, operation, procedures, etc. to provide information to customers. <Twice a year>
- **Promote PR and advertising activities and strengthen information dissemination through media that attracts potential customers.**
 - Facilitate greater use of trade and investment insurance among the various segments through numerous types of seminars, informal meetings, and explanatory meetings for customers. <50 times>
 - Actively provide information on NEXI's efforts via press release and facilitate providing newsworthy information to the media. <140 newspaper articles of which 50 are carried in national papers>

3. Efforts to improve services for customers

(1) Strengthening advisory function

<Basic approach>

NEXI remains aware that it is Japan's only trade and investment insurance entity and will strive to create an active organization that reaches out to customers.

■ Strengthen support to develop projects, which includes making proposals in line with the needs of customers.

- Repost I.1(1) and (2).

■ Strengthen customer contact services.

- Provide more extensive responses to customer inquiries.

■ Improve the provision of country information that customers need.

(2) Improving customer convenience and satisfaction

<Basic approach>

NEXI will strive to ascertain the level of customer satisfaction and needs and continually review its products and services.

■ Ascertain the opinion of customers through customer surveys, consultations, and PR activities, and reflect the results in improvements to insurance products and services.

- Conduct customer surveys to ascertain the level of customer satisfaction and reflect those results to business operation.
- Link customer opinions to improvements in products and services and raise customer satisfaction. <Achieve the following targets for the customer survey: 90% or above for overall evaluation, 75% or above for overall service, 80% or above for customer service, 75% or above for prompt decision making, and 70% or above for reduced procedure burden.>

■ Work to improve and expand Internet-based services taking into consideration customer needs and raise convenience (including Overseas Investment Insurance Web version).

- Update Web service manual in order to improve usability taking into consideration requests from customers and also provide on-screen explanations mainly for easy-to-misunderstand parts.

■ Improve understanding of the basic approach and importance of the Environmental Guidelines among customers.

- Create opportunities to meet with customers and provide explanations of environmental assessments in order to promote understanding of the Environmental Guidelines among customers and increase understanding of the assessment process.

4. Efforts related to quick and proper assessment and claims payments and preventing insured events

(1) Quick, proper appraisal and claim payments

<Basic approach>

Even if the customer is confronted with an unexpected occurrence in its overseas business, NEXI will provide peace of mind to the customer by striving to provide quality event-response services, from the occurrence of the insured event to claim payment.

■ Promptly pay claims.

- Work closely with customers and promptly and quickly pay claims. <Complete payment procedures within one month of receiving claim.>

■ Promptly and meticulously respond to inquiries from customers regarding appraisal.

- Improve customer service through quick, quality response related to insurance claims adjustments. <As a rule, respond to inquiries from customers regarding claims the next business day.>
- Create pamphlets with easy-to-understand explanations of necessary procedures when an insured event occurs as well as points to keep in mind, and consider its use when handling inquiries from customers regarding assessments.

(2) Preventing greater losses from insured events

<Basic approach>

Taking into consideration the facts that insured events have a greater impact because of the larger volume of underwriting risk and that preventing insured events benefits customers, NEXI will quickly ascertain projects that could involve the insured events occurring by reinforcing its monitoring of underwritten projects and will implement countermeasures.

■ Strengthen policy monitoring related to financing projects.

- Verify how monitoring operations should be undertaken and create an appropriate monitoring system as underwriting of projects with complex project finance increases.
- Strengthen monitoring of underwritten projects through efforts such as regularly exchanging opinions with the insureds regarding measures to prevent or reduce losses from insured events.

■ Appropriately manage country exposure.

5. Increasing recovery capability

<Basic approach>

In addition to developing a recovery system, introducing a PDCA cycle, and raising the skills of responsible staff, NEXI will steadily and effectively recover claims paid by partnering with the Japanese government to ensure that foreign governments and government organizations pay their debts.

■ Further strengthen the recovery system through the use of outside resources.

- Make use of not only legal counsel already being retained but also other attorneys that NEXI consult with.
- For recovery operations that have been outsourced, conduct actual inspections of collection agencies for current contracts and investigations of ECA recovery systems and reinforce the recovery systems. <Inspections and investigations: 4 companies>

■ Establish a PDCA cycle related to recovery by ascertaining and verifying recovery results.

- Verify the recovery policy and processes by ascertaining the results of recovery efforts and establish a PDCA cycle for recovery operations. <Recovery rate for major projects: 1.5% for FY2018, 17% for FY2018–FY2020 (total amount recovered over 1 year or 3 years/initial outstanding balance of debt.>
- Make actual use of recovery database.

■ **Improve the skills of staff responsible for claims recovery.**

- Improve ability to actually undertake recovery operations (develop countermeasures, make judgments, negotiate, etc.).
- Improve the skills of responsible staff by holding in-house training and seminar, participating in outside training, etc.

6. Promoting partnerships with outside entities

(1) Promoting partnerships with entities in Japan

<Basic approach>

NEXI will promote partnerships with related organizations in Japan and raise awareness of trade and investment insurance so that it will lead to NEXI's indirect support for developing projects and increased use of trade and investment insurance.

■ **Support the development of projects through various efforts such as the active participation of the Japanese government in overseas missions, stronger partnerships with Japanese embassies in foreign countries, etc., and promote the use of trade and investment insurance as a policy tool.**

- Have overseas offices interview think tanks and international organizations such as the IMF on country situations necessary for project screening and cover policy update. Use the results of the interviews for appropriate underwriting assessment and cover policy update.

(2) Promoting partnerships with overseas organizations

<Basic approach>

NEXI will create an environment conducive to exports and project participation of Japanese companies through policy dialogues with foreign governments, government organizations, etc., and stronger relationships with overseas sponsor organizations. NEXI will also create a support framework based on international rules.

■ **Create an environment conducive to exports and project participation of Japanese companies through policy dialogue with overseas governments and government organizations and stronger relations with overseas sponsor companies.**

- Reinforce cooperation with overseas offices and effectively and efficiently contact foreign governments, government organizations, and sponsor companies at various levels.

■ **Work to strengthen partnerships through bilateral meetings with parties such as ECAs of other countries and participation in Berne Union meetings.**

- Invite entities such as ECAs of Asian countries to NEXI's training session and strengthen the relationship with these entities.
- Actively gather information and exchange opinions on business issues through bilateral meetings and Berne Union meetings.

■ **Contribute to the creation of an appropriate international framework by actively participating in discussions at OECD, IWG and other international conferences related to export credit.**

- Contribute to the creation of an international framework at OECD export credit meetings (ECG, environment, CRE), and IWG meetings. Contribute to discussions in order to create Japanese response measures based on actual short-term and mid- to long-term business conditions.
- Appropriately implement international agreements and follow international rules to which Japan is a party.

II. Organization operation plan

1. Implement strong corporate governance

(1) Build internal control system

<Basic approach>

NEXI will build and operate an appropriate internal control system in line with the Internal Control Principles.

■ **Appropriately implement Internal Control Principles.**

- Conduct a review of the Internal Control Principles within the FY 2018, and make revisions as needed.
- Confirm the creation and operation of an internal control system based on the Internal Control Principles through internal audits, etc.

■ **Strengthen crisis management system.**

- Conduct an earthquake and disaster drill semiannually.
- Fully educate employees on the crisis management system and be prepared to operate the system smoothly in an emergency.

■ **Fully educate employees on compliance program.**

- Undertake efforts to raise staff awareness of compliance.

■ **Strengthen security of information system and apply the PDCA cycle appropriately.**

- Develop and implement a plan to strengthen the security of information system based on the analysis of the results of security diagnosis surveys.
- Conduct employee training for cases such as targeted e-mail attack.
- Verify reporting process in the case of a security incident to update the contact system and policy.

(2) Apply PDCA cycle to business and enhance operational transparency and efficiency

<Basic approach>

NEXI will apply the PDCA cycle to its business based on objective evaluations by the Evaluation Committee on business planning and its implementation status. NEXI will also clarify authority and responsibilities related to organizational operation; promote the standardization and manualization; and continue to review and revise the plan. NEXI will streamline and improve its operation, identifying the most suitable way to adapt to changes in the external environment at an early stage and pursuing an ideal operation process.

■ Apply an appropriate PDCA cycle for overall business.

- Maintain thoroughness of the corporate philosophy.
- Conduct a performance evaluation for FY2017. <June>
- Conduct customer surveys in order to reflect customer evaluation to business operation. (Reposted I.3. (2)).

■ Clarify authority and responsibilities related to organizational operation.

- Further expand and improve the practical operation manual.

■ Continually improve operation process.

- Continually conduct operation process reviews in order to streamline and increase the efficiency of operations.

■ Promote outsourcing of routine operations from perspective of efficient business operations.

- Outsource routine operations.

(3) Maintain thoroughness of risk management

<Basic approach>

NEXI will formulate rules related to integrated risk management, such as insurance underwriting risk; fund management (financial) risk; operational risk including administrative risk and system risk, aiming to establish the PDCA cycle. We will steadily reduce risks mainly by building (projecting) the framework of reinsurance process and thereby conducting reinsurance.

■ Formulate integrated risk management policy, centered on underwriting risk, fund management risk and operational risk, and appropriately apply PDCA cycle.

- Conduct appropriate monitoring and reporting in line with the Insurance Underwriting Risk Management Policy, Fund Administration Basic Policy/Rules, and Operational Risk Management.
- Conduct surveys and research toward upgrading insurance underwriting risk management.

■ Steadily conduct reinsurance in line with reinsurance plan in order to diversify underwriting risk.

- Conduct reinsurance in April 2018, simultaneously formulate a medium and long-term reinsurance policy in the first half of the year, and afterward consider whether or not to conduct reinsurance in line with the policy.

2. Implement appropriate financial management

(1) Ensure appropriate accounting

<Basic approach>

NEXI will appropriately prepare financial statements based on new accounting financial standards and handle tax matters.

■ Prepare financial statements based on new financial accounting standards and schedules, and introduce tax-effect accounting.

- Prepare financial statements based on new financial accounting standards and schedules. <For the full fiscal year>

■ Conduct appropriate tax operations and in-house educational activities, such as developing a system using tax specialists and supporting the creation of manuals.

- Appropriately report taxes and properly respond to tax inspections.

(2) Manage funds

<Basic approach>

NEXI will promptly create fund management policies and system for assets including those transferred from the Special Account for Reinsurance, and efficiently manage funds while ensuring stability and liquidity.

■ Formulate and implement policies on managing assets, including those transferred from the Special Account for Reinsurance.

- Steadily administer funds in line with fund administration plan so as not to hinder the business operations and start to manage funds.
- Regularly monitor and report on fund administration and fund management performance.
- Review the fund administration plan including the fund management plan, and revise the plan as needed.
- Develop the fund management system.

■ Formulate borrowing policies and procedures in case it becomes necessary to obtain government guarantees or take out loans.

- Ensure appropriate government guarantee.

(3) Manage expenses and procurement

<Basic approach>

NEXI will properly control costs in order to promote effective business, and also will promote appropriate and efficient contract and procurement operations.

■ Improve efficiency of expenses through cost controls.

- Control expenses in line with the expenditure management policy.

■ Promote proper and efficient contract and procurement operations.

- Raise awareness of employees regarding various laws and ordinances related to contracts and procurement.

3. Improve disclosure

<Basic approach>

NEXI will actively provide stakeholders and societies with information on governance, such as risk management system, compliance and evaluation committees.

■ Fulfill accountability to stakeholders by improving disclosure.

- Expand disclosure of information through website and annual report. (Reposted 1.2. (3)) <Within the fiscal year>

4. Develop human resource base

(1) Recruiting and training

<Basic approach>

NEXI will steadily recruit new employees based on its personnel plans and increase the specialized skills of employees through various types of training.

■ Steadily conduct hiring based on human resource plan.

- Steadily make appropriate personnel assignments based on the human resource plan.
- Steadily hire new graduates in line with the human resource plan.
- Secure needed specialists through mid-career hiring and accepting temporary transferees from other companies.
- Expand the use of contract employees.
- Strengthen the System Division's human resource system.

■ Conduct various types of training to improve specialized skills of employees.

- Conduct grade-specific training. In particular, stress developing the management skills of managers. Create a training system for employees to acquire operational knowledge.
- Promote creating a system for sending staff to external institutions for training and to other countries for study abroad.

(2) Treatment and workplace environment

<Basic approach>

NEXI will treat employees fairly and equally for them to achieve self-realization through work as well as will raise their motivation to link individual's performance to the entire organization's achievement. NEXI will also prevent psychological and physical health problems by improving workplace environment, leading to energizing workplace and increasing productivity.

■ Treat employees fairly and equally and improve the goal-management system.

- Continue to review the goal-management system taking into consideration the effect and understanding of employees, and steadily operate the systemized scheme.

■ Create work environment that makes various work styles possible.

- Steadily move toward introducing and operating the system for working from home.
- Promote work-life balance, such as reducing overtime work, promoting the use of paid days off and introducing the flex-time system.

■ Make additional efforts to promote active use of women.

- Create a work environment in which female workers can make the most of their skills.
- Conduct seminars related to nursing care, etc.

5. Develop information system environment and strengthen operational support functions

(1) Develop next-generation core system (to be launched in 2020) and rebuild information system

<Basic approach>

NEXI will develop a next-generation core system to be launched in January 2020; work to cut running and maintenance expenses; ensure maintainability and expandability; create a simple and universal system; and improve convenience of the information system.

■ Develop a next-generation core system to be launched in 2020.

(Reduce IT costs 50% compared to actual, shorten development and maintenance time at least 50% compared to actual, incorporate open-

standard/de-facto-standard technology, and products to free the company from being locked into a particular vendor.)

- Systematically implement tasks aiming to develop the next-generation system: designing, developing, conducting the individual and integrated tests and establishing the basic environment.

■ Ensure uniformity of definitions for statistical data as basic information.

- Undertake a process of creating a statistic system: design, development and test.

■ Build system that makes it possible to check operating indicators in a timely manner, needed for making business decisions.

- Promote the improvement of the accuracy of the statistic systems and of employee literacy.

(2) Employ state-of-the-art technology

<Basic approach>

In addition to examining the possibility of specifically applying cutting-edge technology to in-house operations, such as FinTech, AI and big data, NEXI will develop an outlook and organize issues related to the future use of those technologies through research of the needs as well as technical surveys and verification.

■ Ascertain outlook and issues related to specifically applying cutting-edge IT technology to in-house processes, including FinTech, AI, big data and recognition technology.

- Promote the introduction and use of AI technology in order to improve customer care.
- Continue to examine the possibility of using AI for buyer rating screenings.

6. Make use of overseas offices

<Basic approach>

Using its overseas offices, NEXI will work to undertake various activities including gathering information on overseas localities, raising its global presence, strengthening the relationship and supporting running projects with foreign governments and corporations, and communicating information to overseas Japanese companies. NEXI will also develop a framework for overseas offices to fulfill these functions effectively.

■ Examine best way to run organization so that overseas offices can effectively fulfill these functions, and afterward steadily implement measures to do that.

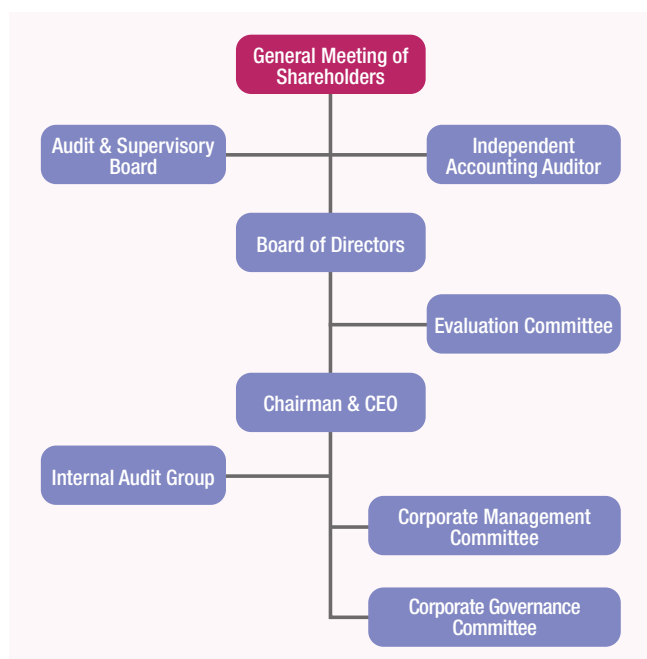
- Review the position of overseas offices in the organization and the way for them to run operations, in order that the offices can fulfill their functions effectively and appropriately, and can promote overseas trade and investment insurance business effectively.

Business Operation and Management System

Corporate Governance

Surveillance, Evaluation and Business Execution

Through the establishment of the Evaluation Committee, the Corporate Management Committee and the Corporate Governance Committee in addition to organs such as the Board of Directors and the Audit & Supervisory Board in compliance with the Companies Act, NEXI strengthens the surveillance and evaluation functions as well as enhances its mobility in business execution.



● Board of Directors

The Board of Directors makes decisions on important management issues and supervises the execution of NEXI's business operations. The Board of Directors consists of five directors, one of whom is an outside director as stipulated in the Companies Act. The outside director will supervise and direct the execution of NEXI's business with an outside perspective.

● Audit & Supervisory Board

The Audit & Supervisory Board undertakes the decision-making process of the directors and supervises the execution of the

duties based on various laws and regulations such as the Companies Act and the Articles of Incorporation. The Audit & Supervisory Board consists of three corporate auditors, two of whom are outside corporate auditors as stipulated in the Companies Act. Outside corporate auditors, in collaboration with the full-time corporate auditor, audit the execution of duties of the directors from an outside perspective and contribute to the improvement of governance structure at NEXI. In addition, the Audit Secretariat is established to assist the corporate auditors with their duties.

● Evaluation Committee

The Evaluation Committee consists of outside experts and the outside director of the company. This organ evaluates and advises on the operation and management status of NEXI as well as issues to be consulted by the Board of Directors regarding NEXI's management.

● Corporate Management Committee

The Corporate Management Committee is a conference body composed of executive officers and others, and deliberates important management issues (except for issues to be addressed by the Corporate Governance Committee).

● Corporate Governance Committee

The Corporate Governance Committee is a conference body composed of executive officers and others, and deliberates important issues concerning corporate governance and internal control of the company.

Government Involvement

NEXI is a 100% government owned company, and we operate our trade and investment insurance business under the control of supervision by the competent minister and inspections by the Board of Audit and the competent ministry, etc.

Internal Control Principles

In accordance with the Companies Act, NEXI has established Internal Control Principles, defined by the Board of Directors necessary to ensure proper operation of the company. Establishment of internal rules and development of proper operation systems are carried out according to the Principles.

Compliance

As a policy-based financial institution responsible for the trade and investment insurance system, NEXI regards compliance as one of our most important management issues to stay aware of

our public mission and social responsibility by observing the laws and regulations to operate always with a sense of fairness. The following are the initiatives we follow:

Maintaining Awareness and Thoroughness of Compliance Rules

- NEXI conducts education and awareness-raising activities on compliance under its basic policy so that all executive officers and staff members (including dispatched workers) conduct their tasks in compliance with the applicable laws and regulations and the Articles of Incorporation, in a sound and appropriate manner.
- NEXI stipulates internal rules concerning confidential information management, information security policies and other information management by developing a frame to appropriately store and manage confidential information and information assets, and strives to disseminate and thoroughly comply with our compliance rules.
- NEXI prepares a compliance manual which outlines basic matters concerning compliance that should be known by the executive officers and staff members as well as important laws and regulations which must be observed. The manual also provides a comprehensive explanation on our internal compliance-related rules to help promote a better understanding pertaining to compliance issues among our executive officers and staff members.

Risk Management

As the sole specialized institution responsible for the trade and investment insurance business in Japan, it is our intention to provide security to even more customers who conduct foreign transactions, and to promote efforts in implementing the growth strategy of Japan by proactively responding to the diverse needs of our customers. In order to fulfill our future social roles, NEXI has constructed the following framework for appropriate risk management.

● Insurance Underwriting Risk

At the time of underwriting, NEXI conducts risk assessment based on various data collected by our credit department, overseas offices, and specialized research organizations, in addition to information received through our customers by our underwriting departments. Further, we monitor the status of debtor countries, the creditworthiness of business counterparts and projects, to reflect any detected changes in credit conditions on our underwriting criterion.

In addition to credit management of each project, we also grasp our risk exposure for our entire portfolio. In order to promote the sound development of trade and investment insurance, we maintain and expand our insurance underwriting capacity by ceding out a portion of our accumulating risk.

Compliance Status Monitoring by the Corporate Governance Committee

- NEXI's Corporate Governance Committee (mentioned above) is a conference body with the purpose of deliberating important compliance issues, and monitoring compliance system implementation status.

Compliance and Promotion

- At NEXI we have a department and director in charge of compliance issues to work on the improvement of compliance systems and promoting awareness among executive officers and staff members.
- NEXI establishes a reporting route so as to detect and address important issues concerning compliance at an early stage so that necessary measures can be carried out. NEXI is also equipped with an effective internal reporting system with proper management.

Policy for Antisocial Forces

- NEXI does not and will not have any relation with antisocial forces, and will counter antisocial forces with resolute attitude as an organization, and will not give in to unfair or illegal demands made by such forces.

● Cash Management / Liquidity Risk

NEXI's funds are reserves necessary for payment of future insurance claims.

In light of this nature of our funds, while aiming for appropriateness and efficiency, we give the greatest priority to ensuring high safety and certainty in our cash management so as to be prepared for responding to claim payments with appropriate timing and amount.

● Operational Risk

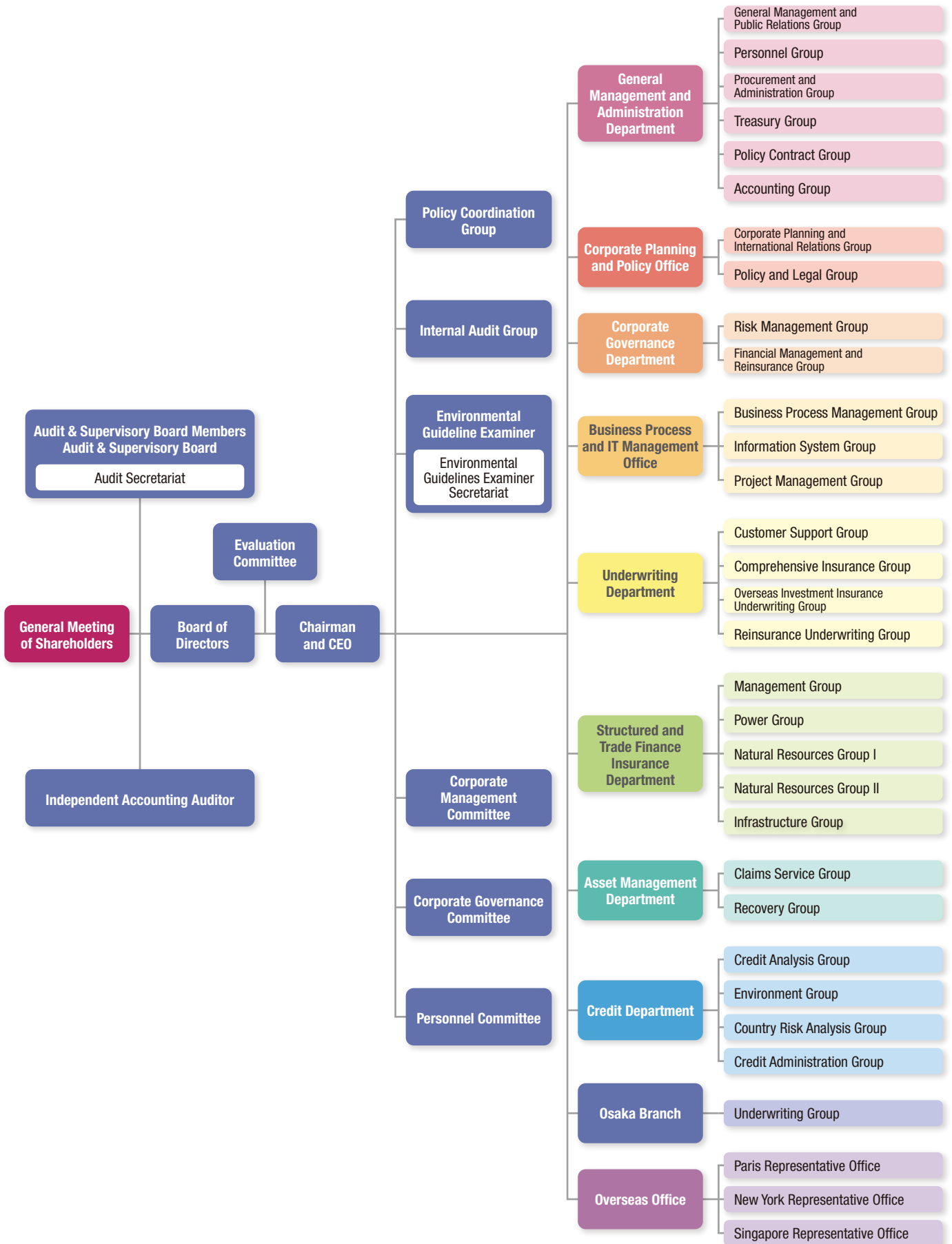
NEXI has created a system to appropriately report and respond to risks such as operational risks that come up during routine operations and to implement preventive measures.

Also, in order to enhance the effectiveness of operational risk management, we foster an organizational culture of sharing the risk awareness of executive officers and staff members at various venues including the Corporate Governance Committee and valuing discipline in one's behavior.

● Large-Scale Disaster Risk

With the recognition that risks arising from large-scale disasters can be a serious risk in terms of business management, NEXI formulates a Business Continuity Plan to avoid and minimize the impact of large-scale disasters on our business and, in the event we are struck with a disaster, to enable us a quick recovery in our state of operation to the extent possible.

Organization Chart (as of April,2018)



Access Map

Domestic Offices

Head Office

Chiyoda First Bldg., East Wing,
5th Floor, 3-8-1 Nishikanda,
Chiyoda-ku, Tokyo 101-8359 Japan

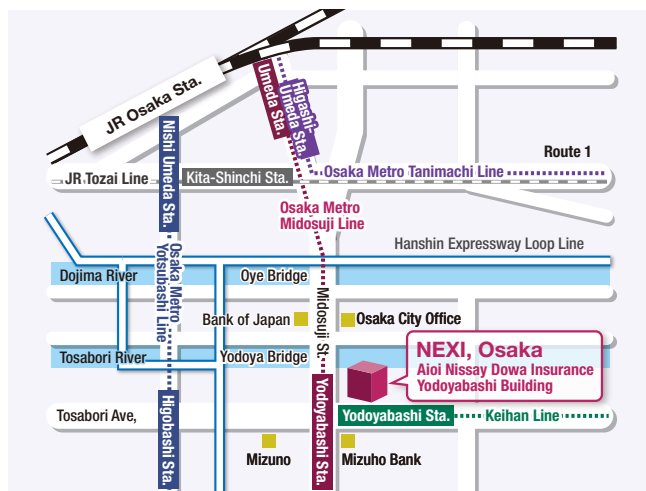
Phone: +81-(0)3-3512-7650
Fax: +81-(0)3-3512-7660



Osaka Branch

Aioi Nissay Dowa Insurance
Yodoyabashi Bldg., 8th Floor, 3-1-22
Kitahama, Chuo-ku, Osaka City,
Osaka 541-0041 Japan

Phone: +81-(0)6-6233-4019
Fax: +81-(0)6-6233-4001



Overseas Offices

Paris Representative Office

c/o JETRO 27, rue de Berri 75008 Paris, France

Phone: +33-(0)1-4261-5879

Fax: +33-(0)1-4261-5049



New York Representative Office

c/o JETRO 565 Fifth Avenue, 4th Floor, New York, NY 10017 USA

Phone: +1-212-819-7769

Fax: +1-212-997-0464



Singapore Representative Office

c/o JETRO 16 Raffles Quay, #38-05, Hong Leong Bldg.
Singapore 048581

Phone: +65-6429-9582

Fax: +65-6220-7242



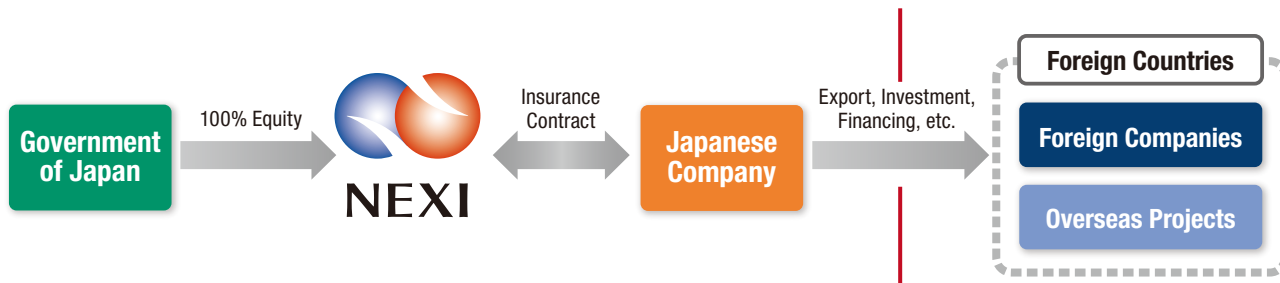
NEXI's Business

Trade and Investment Insurance –How It Works	20
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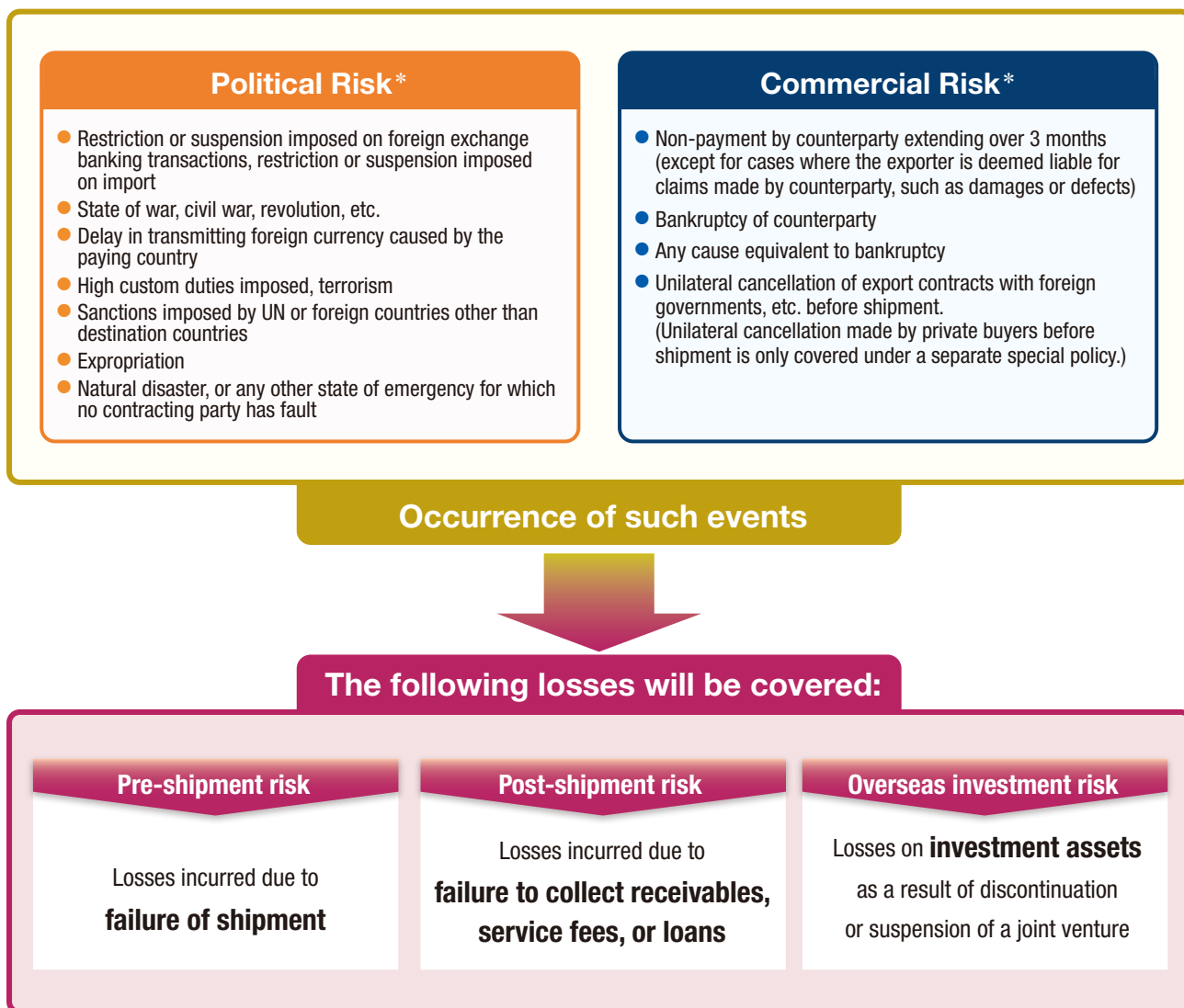
Trade and Investment Insurance – How It Works

Trade and investment insurance covers risks pertaining to overseas transactions such as international trade, which cannot be covered by private insurance.

The purpose of trade and investment insurance is to support and promote the development of overseas business by mitigating the risks associated with foreign trade and overseas investment.



Trade and investment insurance covers the losses incurred by Japanese companies, banks, etc. due to the occurrence of risks such as:



* Political Risk: Risks caused by force majeure events for which the contracting parties have no fault (also referred to as Country Risk)
 * Commercial Risk: Risks caused by the fault of the counterparty (also referred to as Credit Risk)

Insurance Products to Support Your Business

NEXI offers the following array of insurance products:

Insurance Products for Trade

Export Credit Insurance ▶ P.22

Insurance for export, intermediary trade and technical cooperation

This insurance covers risks such as pre-shipment risks or non-payment risks pertaining to export, intermediary trade and technical cooperation conducted by Japanese exporters.

Insurance for license export

This insurance covers the non-payment risks that affect Japanese companies pertaining to license fees such as royalties on patents, know-hows, copyrights and others.

Trade Insurance for Standing Orders from Specific Buyers ▶ P.23

This insurance covers risks such as pre-shipment risks or non-payment risks that affect Japanese companies who continually export or conduct intermediary trade with specific buyers.

Comprehensive Export Insurance with Simplified Procedure ▶ P.23

This insurance covers risks such as pre-shipment risks or non-payment risks that affect Japanese companies who continually and repeatedly export or conduct intermediary trade with a number of buyers.

Export Credit Insurance for SMEs and AFF Sector ▶ P.24

This insurance covers non-payment risks pertaining to export conducted by Japanese small and medium-sized enterprises (SMEs) and organizations related to the agriculture, forestry and fishery (AFF) sector.

Export Bill Insurance ▶ P.24

This insurance covers non-payment of documentary bill of exchange purchased by Japanese commercial banks.

Prepayment Import Insurance ▶ P.24

This insurance covers the risks that affect Japanese importers who are unable to receive the refund of their payment made on advanced payment terms in the event the shipment does not arrive.

Insurance Products for Investment and Financing

Buyer's Credit Insurance ▶ P.25

This insurance covers the risks of non-repayment of loans made by Japanese commercial banks to foreign companies for purchase of goods exported from Japan.

Overseas Untied Loan Insurance ▶ P.25

This insurance covers the risks of non-repayment of loans made by Japanese commercial banks to foreign governments or foreign companies for overseas business or projects, or the risks of Japanese commercial banks as a guarantor for a loan made by financial institutions.

Investment and Loan Insurance for Natural Resources and Energy ▶ P.26

This insurance covers the risks of non-repayment of loans made by Japanese commercial banks to projects which benefit Japan by securing a stable supply of natural resources and energy or protecting the rights and interests in natural resources owned by Japanese companies.

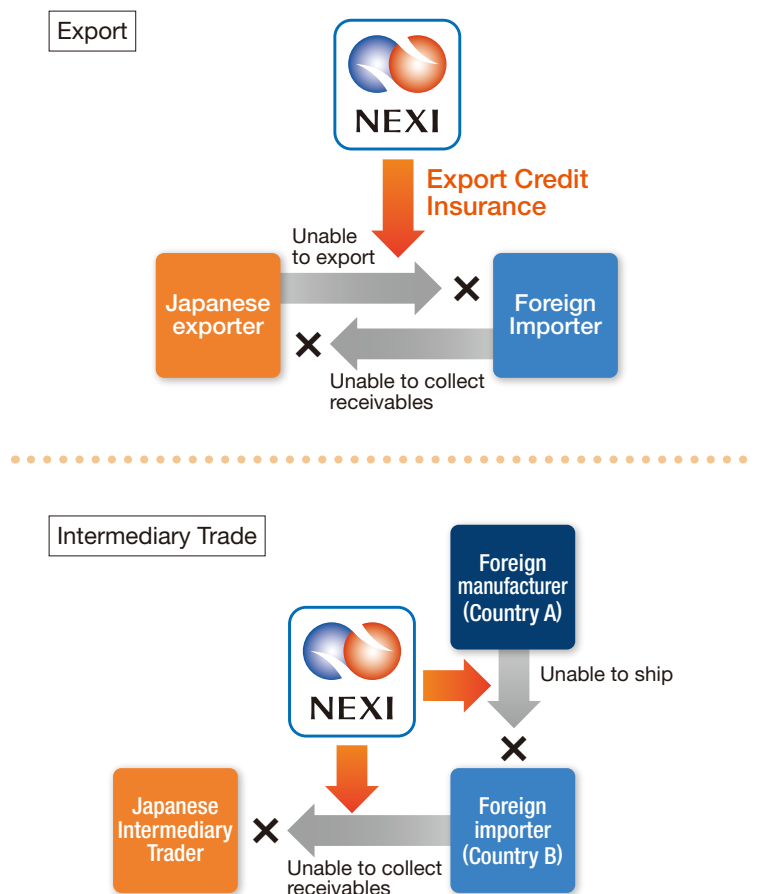
Overseas Investment Insurance ▶ P.27

This insurance covers the risks pertaining to foreign investments (equity investments, etc.) made by Japanese companies.

Export Credit Insurance

Insurance for export, intermediary trade, and technical cooperation

This insurance covers losses incurred by frustration of the export contract or uncollectibility of trade accounts, due to i) force majeure such as war, revolution, terrorism, import restrictions/prohibition, or natural disaster, ii) bankruptcy or default of counterparty, when Japanese exporters export goods, conduct intermediary trade, or provide technological services.



* (Note) We offer Export Credit Insurance in two separate ways: "Specific Insurance" provides cover for a single business contract, whereas, "Comprehensive Insurance (for business entities)" which provides cover for all business contracts within the scope described in the policy for the entire company.

Insurance for License Export (Intellectual Property License Insurance)

Intellectual Property License Insurance covers losses incurred when a Japanese company that provides patents, know-hows, and copyrights abroad is unable to collect payment of license fees such as royalty due to (i) force majeure including war, (ii) bankruptcy or delay in payment by the business counterpart.

Trade Insurance for Standing Orders from Specific Buyers

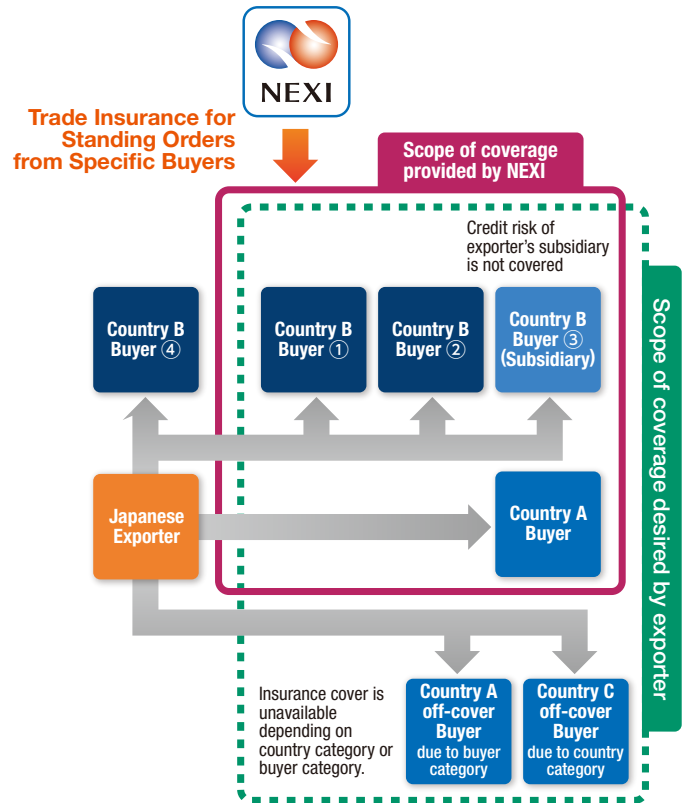
Insurance for companies who continually transact business with specific buyers

This insurance is suitable for transactions with a buyer or buyers to whom a Japanese exporter repeatedly supplies products.

The features of this insurance are as follows:

- Setting an insurance claim payment limit to each buyer based on the estimated transaction value for the year with the buyer.
- Simplified application procedures: This insurance does not require insurance application for each export contract. All insurable export contracts made during the insurance contract period are automatically covered.

(Note) The risks covered by this insurance are equivalent to those of Export Credit Insurance.

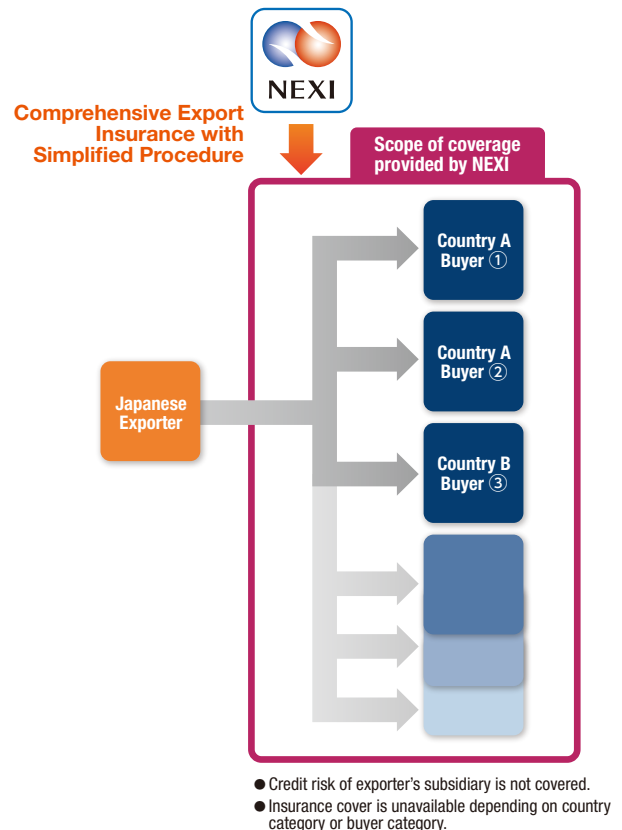


Comprehensive Export Insurance with Simplified Procedure

Insurance for companies who transact continually and repeatedly to a number of buyers

This insurance comprehensively covers all export/intermediary trade transactions concluded between the Japanese exporter and selected buyers who have continuous and repeated business. The exporter determines the volume of business he wishes to be covered by estimating and totaling the annual amount of business with each exporter. With this insurance the exporter is able to receive approval for cover retroactively by notifying NEXI of the shipping information, instead of placing insurance application for each particular export transaction prior to shipment. The application procedures are much simpler and with less frequency compared with other export credit insurances.

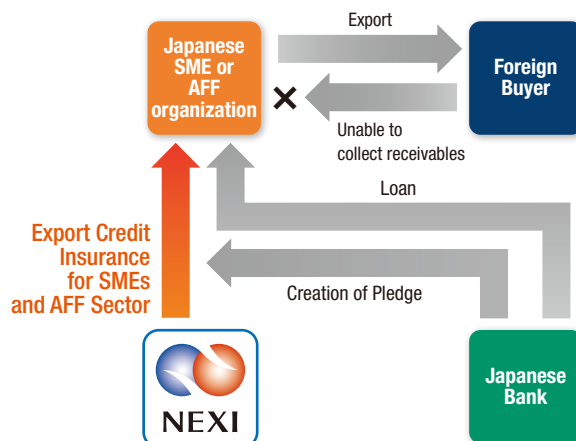
(Note) The risks covered by this insurance are equivalent to those of Export Credit Insurance.



Export Credit Insurance for SMEs and AFF Sector

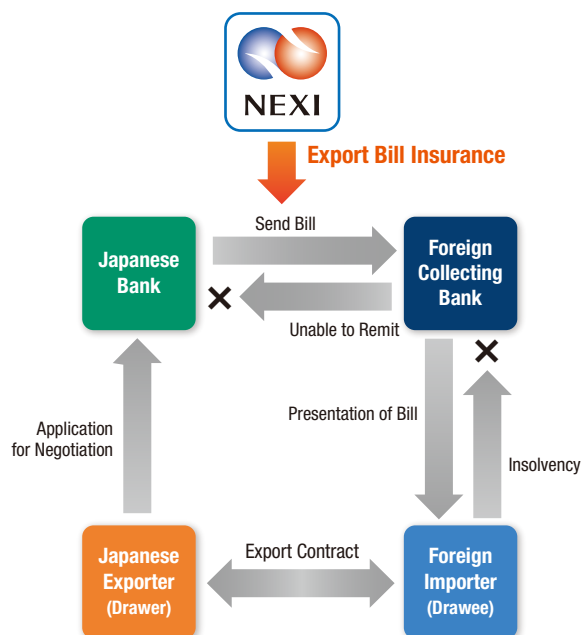
Insurance for supporting exports conducted by Japanese SMEs and those engaged in the business of agriculture, forestry and fishery

Export Credit Insurance for SMEs and AFF Sector exclusively supports the export activities of Japanese small and medium-sized enterprises (SMEs) and organizations related to agriculture, forestry and fisheries (AFF Sector). It covers losses incurred due to inability to collect receivables. Simple application procedures and speedy payment of insurance claims are implemented to cater to the needs of SME and AFF customers. Furthermore, applicants of this insurance who wish to receive a loan may simultaneously apply for a creation of pledge on the right to claim insurance.



Export Bill Insurance

This insurance covers losses caused by the buyer's nonpayment of matured bill of exchange and suffered by a Japanese commercial bank that purchases documentary bills of exchange drawn without an L/C for export payments. The losses may be incurred when the bank is unable to collect money due to the nonpayment of the bill caused by (i) force majeure such as war, revolution, suspension of foreign currency exchange, suspension of remittance, natural disasters or (ii) bankruptcy or default of a foreign importer.



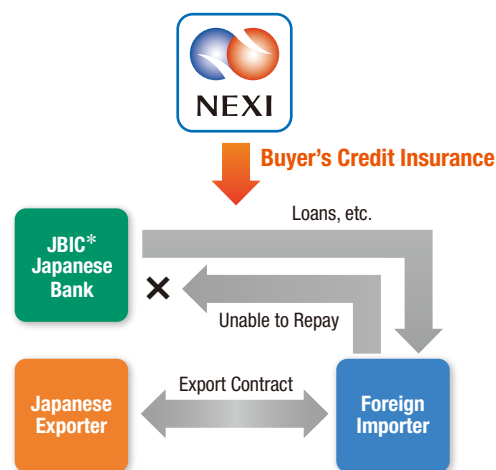
Prepayment Import Insurance

This insurance covers losses incurred by a Japanese importer who paid for goods in advance in accordance with the contract terms but could not receive the goods on the due date and could not receive a refund for the prepaid money despite a request, due to (i) force majeure such as war, revolution, prohibition of foreign currency exchange, suspension of remittance and natural disasters, or (ii) bankruptcy or default in the performance of obligation by the counterparty.

Buyer's Credit Insurance

Insurance for loans, etc. such as for payment of export goods (Buyer's Credit)

This insurance covers losses suffered by a Japanese commercial bank or financial institution as a result of providing loans, etc. (including bond purchase and surety obligation) to a foreign importer who purchases goods and services from a Japanese exporter. Losses may be incurred when the Japanese commercial bank is unable to receive repayment of the loans or bonds due to (i) force majeure such as war, revolution, prohibition of foreign currency exchange, suspension of remittance and natural disaster or (ii) bankruptcy or default of the importer. The financial terms and conditions for the loan agreements, etc. must be in line with international agreements. (See page 34.)

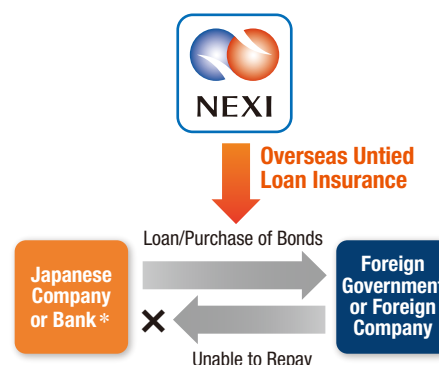


* NEXI provides the insurance only to Japanese commercial banks who extend loans etc. in cooperation with the Japan Bank for International Cooperation (JBIC).

Overseas Untied Loan Insurance

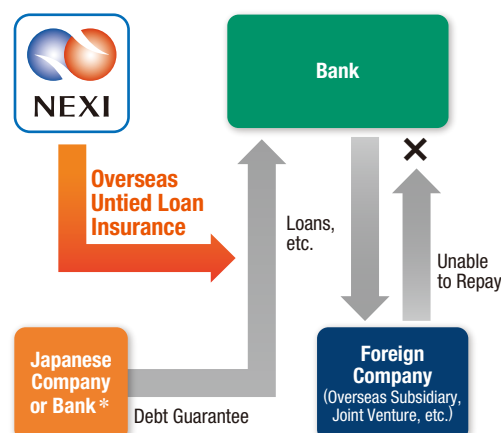
Insurance for loan or bond purchase for overseas business or project

This insurance covers losses suffered by a Japanese company or commercial bank* that provided a foreign government or company with business funds untied to exports from Japan for overseas projects which contribute to economic development or that purchased bonds issued by a foreign government or company for the purpose of financing. The losses may be incurred when the Japanese company or commercial bank is unable to collect the loan or when bonds are not redeemed due to force majeure including war, revolution, prohibition of foreign currency exchange, and suspension of remittance or bankruptcy or default of the borrower or the bond issuer.



Insurance for guarantee of obligation

This insurance covers losses suffered by a Japanese company or commercial bank* that extended guarantee to the borrowings, etc. by its overseas subsidiary, a foreign government or company (borrower). The losses may be incurred when the guarantor fulfilled the obligation because of the failure of the borrower to repay its borrowings due to (i) force majeure such as war, revolution, prohibition of foreign currency exchange, suspension of remittance and natural disaster or (ii) bankruptcy or default.

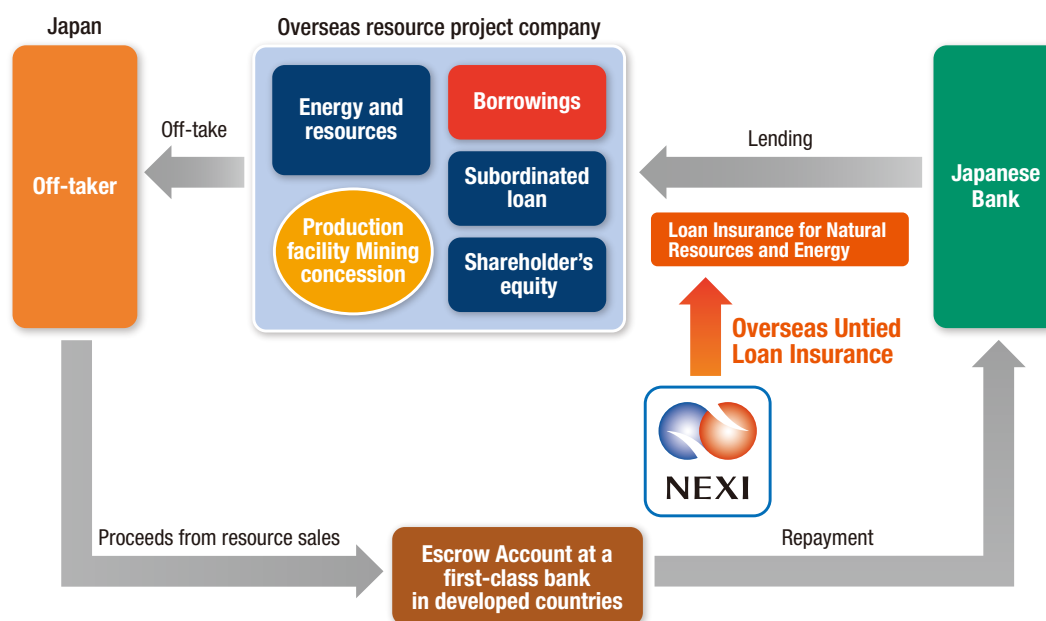


* NEXI may provide cover to foreign companies or banks, etc. who finance the projects which are particularly needed for the purpose of promoting the sound development of Japan's external transactions (e.g. projects which promote important resource acquisition or which promote Japanese companies' competitiveness).

Investment and Loan Insurance for Natural Resources and Energy

This insurance covers risks linked to overseas resources development projects. NEXI further strengthens support for Japanese companies' activities from a perspective of securing a stable natural resource supply. Reflecting the project's risk profile, the insurance features lower premium rates and a wide range of risk coverage compared to ordinary Overseas Untied Loan Insurance. This insurance is available as a special clause added to the Overseas Untied Loan Insurance.

The insurance covers losses suffered by a Japanese company or bank that provides a foreign government or company with business funds (untied to exports from Japan) to be used for projects related to resource development. Losses may be incurred when the Japanese company or bank is unable to collect the loan due to force majeure including war, revolution, prohibition of foreign currency exchange, and suspension of remittance, or bankruptcy and default of a borrower.

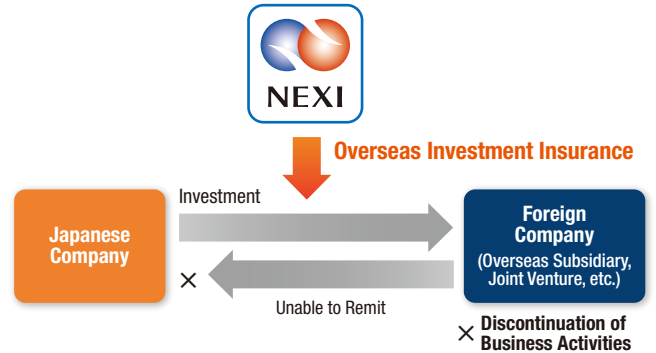


- A senior loan should be made by Japanese banks or financial institutions for energy and resource projects by Japanese companies.
- Generally, the establishment of an escrow account at a first-class bank in a developed country is required.
- Lower premium rates and higher coverage are provided compared to ordinary Overseas Untied Loan Insurance (OULI).

Overseas Investment Insurance

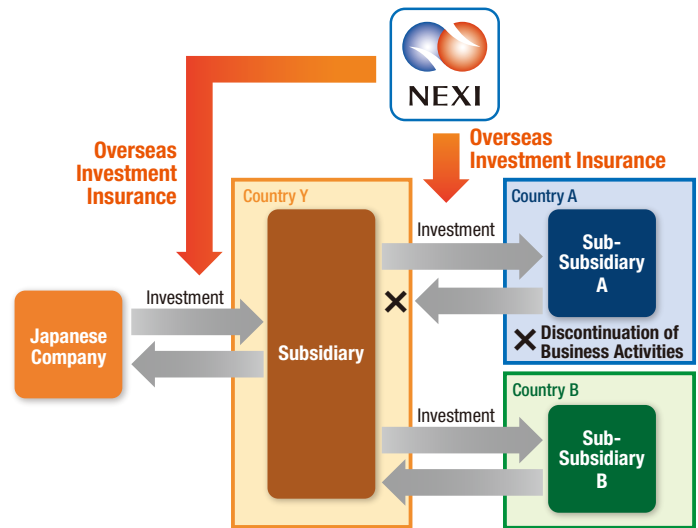
Insurance for investment (equity investment, etc.)

This insurance covers losses suffered by a Japanese company with a subsidiary or a joint venture in a foreign country. The losses are incurred when the relevant subsidiary or the joint venture is forced to discontinue business due to force majeure such as war, terrorism and natural disasters. The insurance also covers losses incurred when a Japanese company is unable to remit dividends to Japan due to prohibition of foreign currency exchange or suspension of remittance.

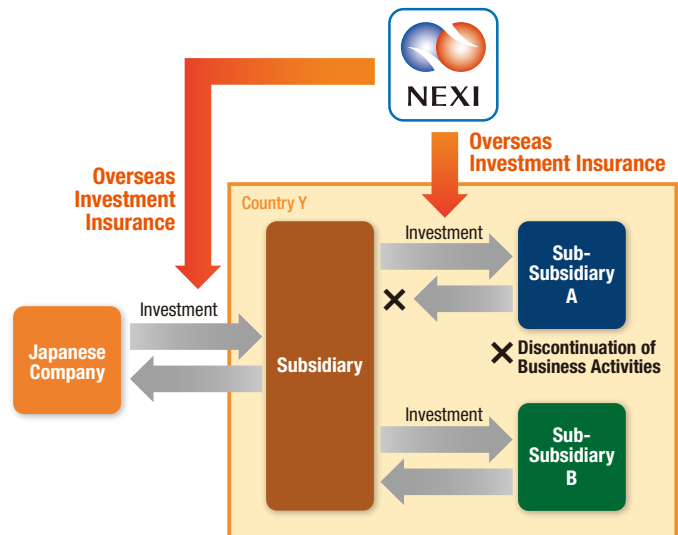


* NEXI can provide cover for premium (goodwill, etc.) paid by an investor to secure a stake in natural resources or to become a shareholder.

When a Japanese subsidiary establishes sub-subsidiaries in a number of countries, one sub-subsidiary's business failure due to force majeure such as war, terrorism and natural disasters can be recognized as an insured event and insurance claims will be paid, regardless of the other sub-subsidiaries' performance.



When a Japanese subsidiary in a foreign country establishes a number of sub-subsidiaries in the same country, one sub-subsidiary's business failure due to force majeure such as war, terrorism and natural disasters can be recognized as an insured event and insurance claims will be paid, regardless of the other sub-subsidiaries' performance.

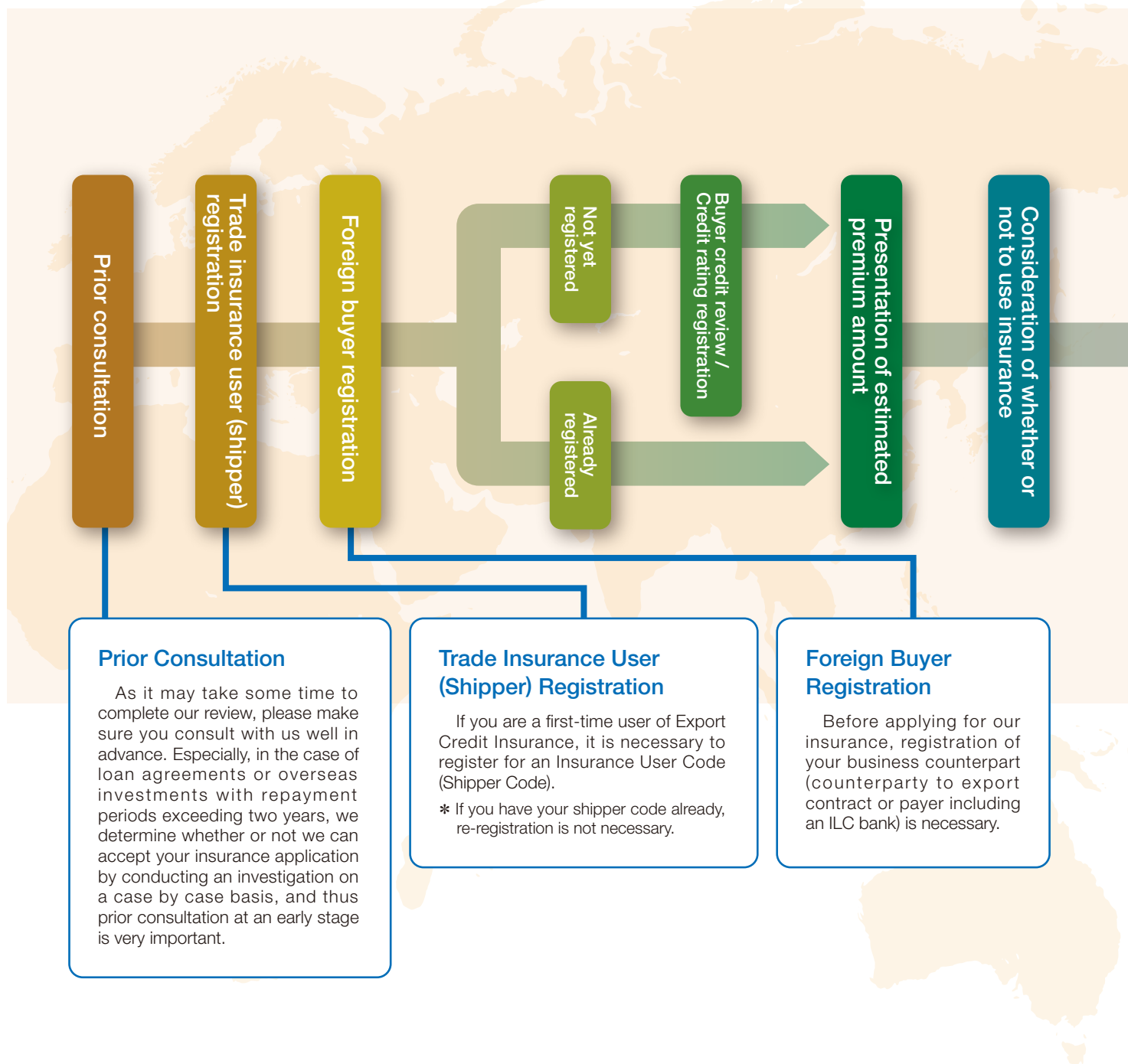


In addition to the above mentioned Overseas Investment Insurance, which mainly provides cover on investments (equity investment, etc.), there is another type of Overseas Investment Insurance which covers rights and acquired profits (real estate, etc.).

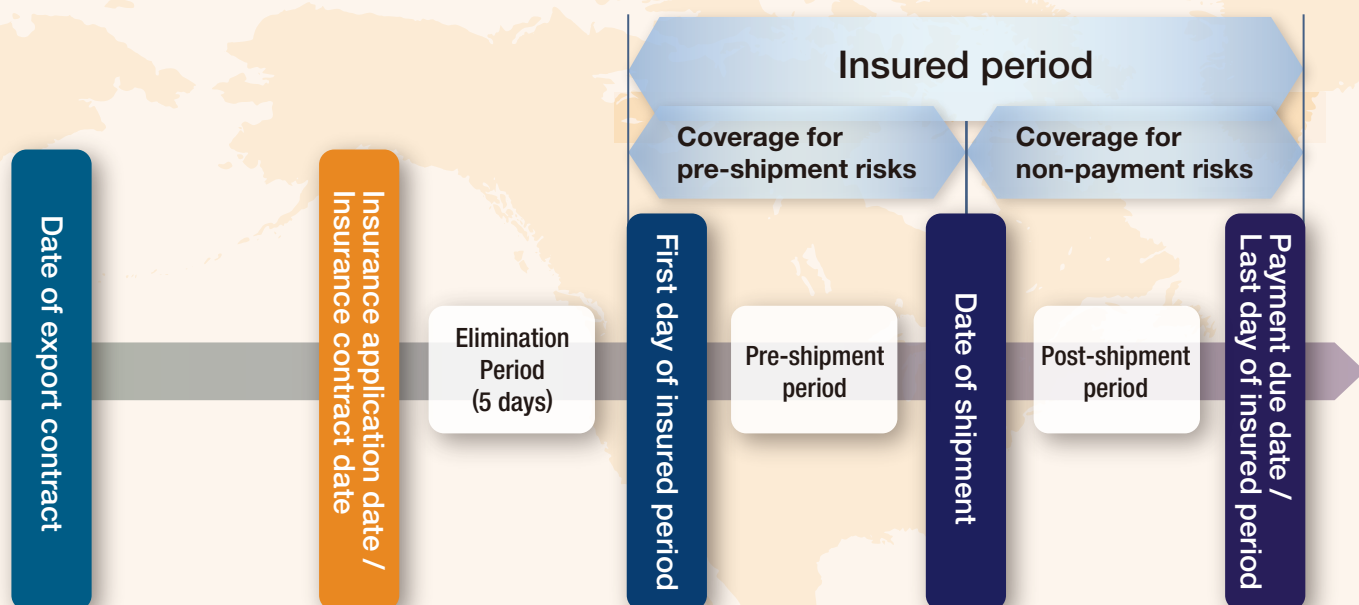
Application Procedure for Trade and

Making an application

The chart below describes the summary of application procedures for Export Credit Insurance.



Investment Insurance



Insurance Application Period

The application period is 5 business days from the shipment date (after the contract date). The insurer's obligation period starts after the application.

For more information or inquiries, please contact us at the phone numbers below:

Head Office Underwriting Department

- Customer Service Group Toll Free 0120-671-094
- Comprehensive Insurance Group Toll Free 0120-675-094

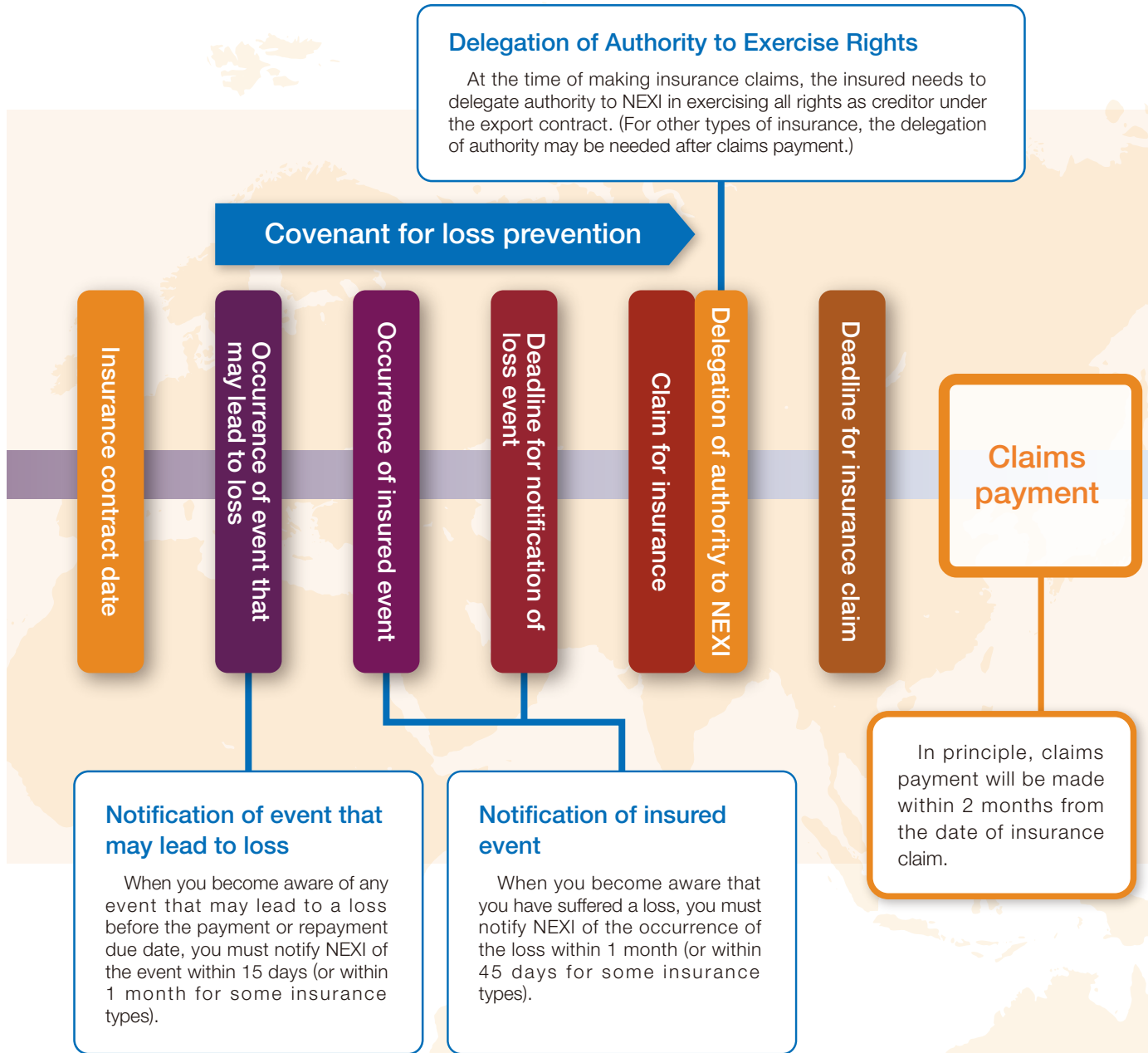
Osaka Branch Office

- Underwriting Group Toll Free 0120-649-818

You will also find more information on the procedures on our website. (<https://www.nexi.go.jp>)

Insurance claim payment

The chart below describes the summary of procedure for Export Credit Insurance.



“Paris Club” — as a solution for debt recovery

The Paris Club is a meeting where major creditor countries gather to discuss and find workable solutions to payment problems faced by debtor nations. Since its inception in 1956, as a gentle informal group with no legally binding force, the Paris Club carries out their activities based on the rules and principles of the club.

At the Paris Club, debt relief (rescheduling etc.) is discussed with the government of the debtor country where debt payment has become difficult. Through such debt relief and rescheduling, creditor countries will be able to ensure their recovery from countries without adequate foreign currency, although the repayment schedule may be prolonged, while maintaining fairness among all creditor countries concerned.



Determination of appropriate recovery policy

After insurance claims are made by the insured, recovery policy is made by NEXI.

Parties to conduct actual recovery

- NEXI and the government of Japan (Negotiations with the debtor country at Paris Club, etc.)
- NEXI's partner collection agencies
- Insured

Covenant for the insured (NEXI customer) to cooperate in recovery efforts

- When the insured is instructed from NEXI to take necessary measures for recovery, the insured has an obligation to fulfill the instruction. (Cooperation for recovery)
- Even in cases where actual recovery activities are conducted by NEXI's partner collection agencies, NEXI may request the insured to cooperate in the recovery efforts. (The cooperation requested may differ according to type of insurance.)

Recovery related arrangement

Approval for assigning the uncovered portion of the Paris Club rescheduled claims

In order to benefit our customers by enhancing their asset management efficiency and as well as reducing the costs related to their debt management, we may provide conditional approval to our customers who choose to transfer the uncovered portion of their debt to a third party by assignment.

For more information, please contact us on the following numbers:

Asset Management Department

Toll-Free 0120-673-094

● Claims Service Group 03-3512-7663

● Recovery Group 03-3512-7658

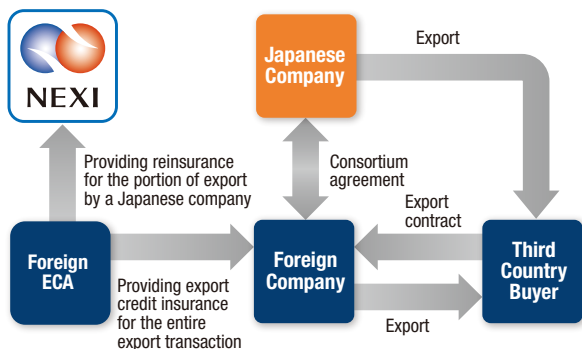
International Cooperation

In order to correspond with the diversified needs of our customers, NEXI establishes international cooperative networks with related institutions abroad.

One-Stop-Shop Reinsurance

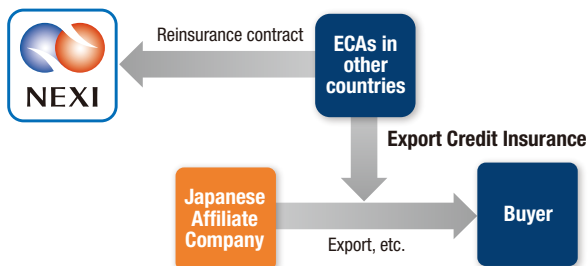
For cases where a Japanese company jointly participates in a project in a third country with foreign companies, NEXI concludes One-Stop-Shop Reinsurance Agreements with major overseas export credit agencies (ECAs) for the purpose of underwriting risks for the portion exported from Japan.

Through the development of this reinsurance structure, when a Japanese company forms a consortium with foreign companies for export to a third country, the foreign companies can conclude an insurance contract with their own country's ECA for the total amount of export contract including the portion exported by the Japanese company. Then NEXI provides reinsurance to the foreign ECA for the portion exported by the Japanese company.



Short-term Reinsurance Agreement

NEXI has concluded reinsurance agreements with ECAs in Asia and other regions in order to support export to third countries by Japanese companies located in Asian and other countries. This agreement elevates the underwriting capacity of ECAs in Asia and other regions and further facilitates Japanese companies to utilize export credit insurance of ECAs in Asia and other regions to mitigate their international trade risks.



Reinsurance with European and US privatesector insurers

To respond to the economic crisis in Europe and other regions, NEXI has started to enhance underwriting capacity through short-term reinsurance agreements with private-sector insurers.

Other Cooperative Relations

NEXI has built long-term relationships with Berne Union members and international organizations through memorandums of understanding (MOUs) and other agreements.

Europe

One-Stop-Shop Reinsurance Agreements

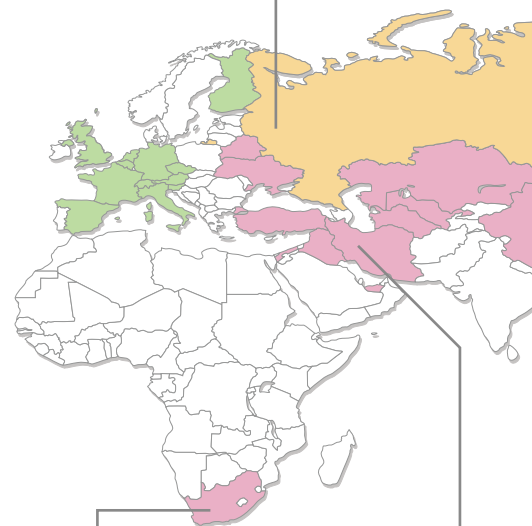
Italy	Servizi Assicurativi Del Commercio Estero (SACE)	2002
Netherlands	NCM * 1	2002
Belgium	Ducroire/Delcredere (ONDD) * 2	2002
Germany	Hermes Kreditversicherungs-Aktiengesellschaft (HERMES) * 3	2003
Austria	Oesterreichische Kontrollbank Aktiengesellschaft (OeKB)	2003
France	COFACE (private sector)	2003
Finland	FINNVERA PLC (Finnvera)	2004
Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	2005
Switzerland	Swiss Export Risk Insurance (SERV)	2007
Czech Republic	Export Guarantee and Insurance Corporation (EGAP)	2017
UK	UK Export Finance (UKEF)	2017

Short-term Reinsurance Agreements

Russia	Russian Agency for Export Credit and Investment Insurance (EXIAR)	2016
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Cooperative Agreements

France	DREE	1995
	Banque Publique d'Investissement (BPIfrance)	2016
UK	Export Credits Guarantee Department (ECGD) * 4	1995



Africa

Cooperative Agreements

South Africa	Export Credit Insurance Corporation (ECIC SA)	2005
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Middle East

Cooperative Agreements

Israel	Israel Foreign Trade Risks Insurance Corporation (IFTRIC)	1997
Abu Dhabi	Mubadala Development Company PJSC (MDC)	2008
Iraq	Ministry of Finance of Iraq / Trade Bank of Iraq (TBI)	2011
Iran	Ministry of Economic Affairs and Finance of the Islamic Republic of Iran	2016
Turkey	Export Credit Bank of Turkey (TURK EXIMBANK)	2017

North America

One-Stop-Shop Reinsurance Agreements

USA	Export-Import Bank of the United States (US EXIMBANK)	2004
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Short-term Reinsurance Agreements

Canada	Export Development Canada (EDC)	2012
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Cooperative Agreements

USA	Export-Import Bank of the United States (US EXIMBANK)	1991
Canada	Export Development Canada (EDC)	1997
USA	The United States Department of Energy (DOE)	2009
	Overseas Private Investment Corporation (OPIC)	2017

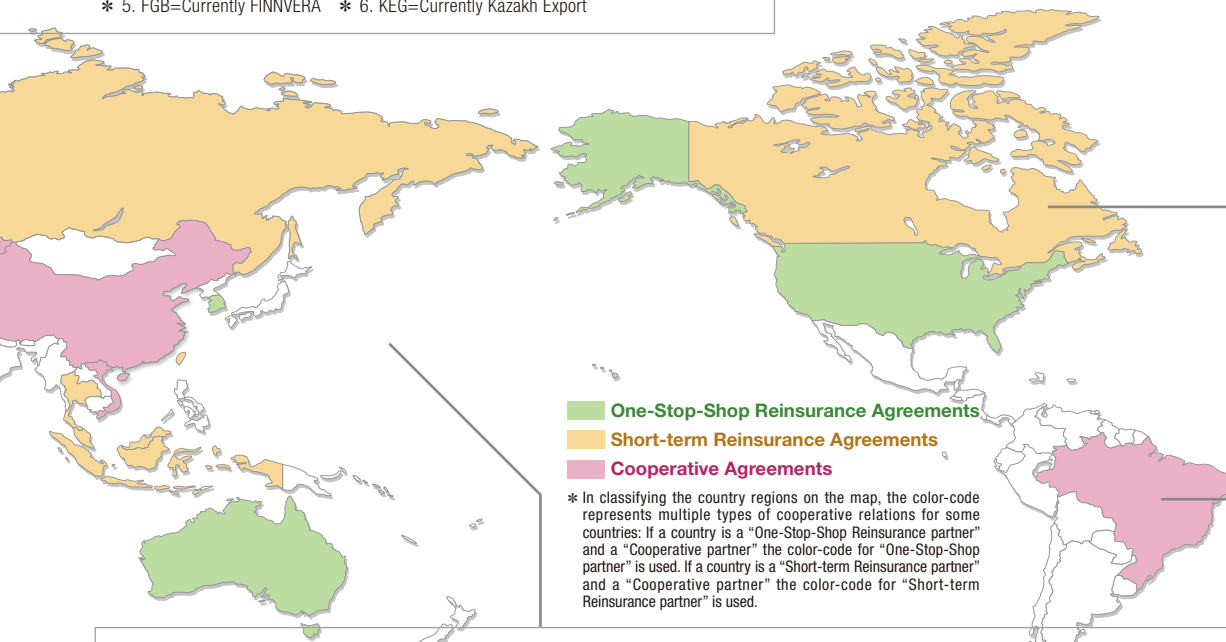
South America

Cooperative Agreements

Brazil	Companhia Vale do Rio Doce (VALE)	2008
	Petroleo Brasileiro S.A. (PETROBRAS)	2008
	Banco Nacional de Desenvolvimento Economico e Social (BNDES)	2009
	Brazilian Guarantees and Fund Managements Agency (ABGF)	2017

Germany	HERMES * 3 / C&L	1996
	KfW Bankengruppe (KfW)	2011
Austria	Oesterreichische Kontrollbank Aktiengesellschaft (OeKB)	1996
Italy	Servizi Assicurativi Del Commercio Estero (SACE)	1996
Finland	Finnish Guarantee Board (FGB) * 5	1996
Netherlands	NCM * 1	1996
Belgium	Ducroire/Delcredere (ONDD) * 2	1997
Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	2000
Uzbekistan	Uzbekinvest National Export Import Insurance Company (UZBEKINVEST)	2007
Ukraine	The State Export-Import Bank of Ukraine (UKREXIMBANK)	2009
Russia	Bank for Development and Foreign Economic Affairs (VEB)	2009
Belarus	Belarusbank	2009
Russia	Russian Agency for Export Credit and Investment Insurance (EXIAR)	2013
Turkmenistan	The State Bank of Foreign Economic Affairs of Turkmenistan (TFEB)	2015
Czech Republic	Export Guarantee and Insurance Corporation (EGAP)	2015
Kazakhstan	State Insurance Corporation for the Insurance of Export Credit and Investment (KEG) * 6	2016

- * 1. NCM=Currently ATRADIUS * 2. ONDD=Currently Credendo
 * 3. HERMES=Currently EULER HERMES GERMANY * 4. Its official name is ECGD
 * 5. FGB=Currently FINNVERA * 6. KEG=Currently Kazakh Export



Asia / Oceania

One-Stop-Shop Reinsurance Agreements

Australia	Export Finance and Insurance Corporation (EFIC)	2005
Korea	Korea Trade Insurance Corporation (KSURE)	2011

Short-term Reinsurance Agreements

Singapore	ECICS Limited (ECICS)	2004
Malaysia	Export-Import Bank of Malaysia Berhad (MEXIM)	2006
Indonesia	Asuransi Ekspor Indonesia (ASEI)	2009
Thailand	Export-Import Bank of Thailand (THAI EXIMBANK)	2009
Taiwan	Taipei Export-Import Bank of China (TEBC)	2010
Hong Kong	Hong Kong Export Credit Insurance Corporation (HKECIC)	2012

Cooperative Agreements

Korea	Korea Export Insurance Corporation (KEIC) * 7	1994
Singapore	ECICS Limited (ECICS)	1997
Taiwan	Taipei Export-Import Bank of China (TEBC)	2005
Indonesia	Asuransi Ekspor Indonesia (ASEI)	2008
China	China Export and Credit Insurance Corporation (SINOSURE)	2009
Vietnam	PETROVIETNAM	2010
	Ministry of Finance of Vietnam	2014
Indonesia	PT Pertamina (Persero)	2015

- * 7. KEIC=Currently KSURE

Reinsurance Agreements with European and U.S. private-sector insurers

Euler Hermes Deutschland AG (private sector)	2013
COFACE (private sector)	2014
American International Group, Inc. (AIG)	2015
Tokio Marine HCC (HCC)	2016

International Organizations

Cooperative Agreements

The European Bank for Reconstruction and Development (EBRD)	1997
Export Credit Agencies and Export Financing Institutions of APEC (12 countries and 15 organizations)	1997
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	2008
Multilateral Investment Guarantee Agency (MIGA)	2018

Organization for Economic Co-operation and Development (OECD)

1 Working Party on Export Credits and Credit Guarantees (ECG Meeting and Participants Meeting)

OECD was established in 1961 to discuss various issues of global economy and Japan has been a member since April 1964. The Working Party on Export Credits and Credit Guarantees (ECG) operates under the OECD Trade Committee, exchanging information and discussing issues related to official export credits including insurance provided by NEXI. In addition to discussion on financial conditions for officially supported export credits, ECG has also focused on responsibility of export credit agencies (ECAs) on social issues such as the environment, climate change, anti-bribery and sustainable lending.

As a Japanese ECA, NEXI is actively participating in the discussions in cooperation with the Japanese government such as METI.

2 Arrangement on Officially Supported Export Credits

The financial terms and conditions for export credits are set out in the OECD Official Export Credits Arrangement to provide a framework for the orderly use of export credit and to foster a level playing field. The Arrangement prescribes the terms and conditions such as the minimum premium rate, down payment, maximum repayment term, minimum interest rates, and repayment profiles in providing export credit. In addition to the Arrangement, sector-specific terms that reflect the characteristics of each sector may apply in the sectors such as ships, nuclear power plants, civil aircraft, rail infrastructure, renewable energies, climate change mitigation and adaptation, water projects, and project finance. NEXI provides export credits in line with the Arrangement.

3 Approaches to Environmental Issues

Since the development of OECD Council Recommendation on Common Approaches to the Environment and Officially Supported Export Credit in 2001, revisions have been made to reinforce the Common Approaches, including the third revision made in June 2012. Based on the OECD Approaches, NEXI has established the Environmental and Social Consideration Guidelines in Trade Insurance to encourage the appropriate environmental and social considerations on projects covered by its insurance.

4 Anti-bribery Measures

Based on the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted in 1997 and the OECD Council Recommendation on Bribery and Officially Supported Export Credits in 2006, created to combat bribery in officially supported export credits, NEXI is taking appropriate measures against bribery in international business.

FY2017 Review of Performance

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FY2017 Performance Highlights

Export trends

Japan's export value in FY2017 rose by 10.8% to JPY 79.2 trillion compared to the previous fiscal year, the first increase in two years. This is mainly due to an increase in the car, semiconductor equipment and steel exports. Looking at the results by region and country, its export value to Asia rose by 13.1% to JPY 43.4 trillion, including that to China which increased by 18.3% to JPY 15.2 trillion. Exports to the U.S. and EU also rose by 7.5% to JPY 15.2 trillion and by 11.0% to JPY 8.9 trillion, respectively. Meanwhile, those to the Middle East decreased by 4.4% to JPY 2.4 trillion.

Japan's export value

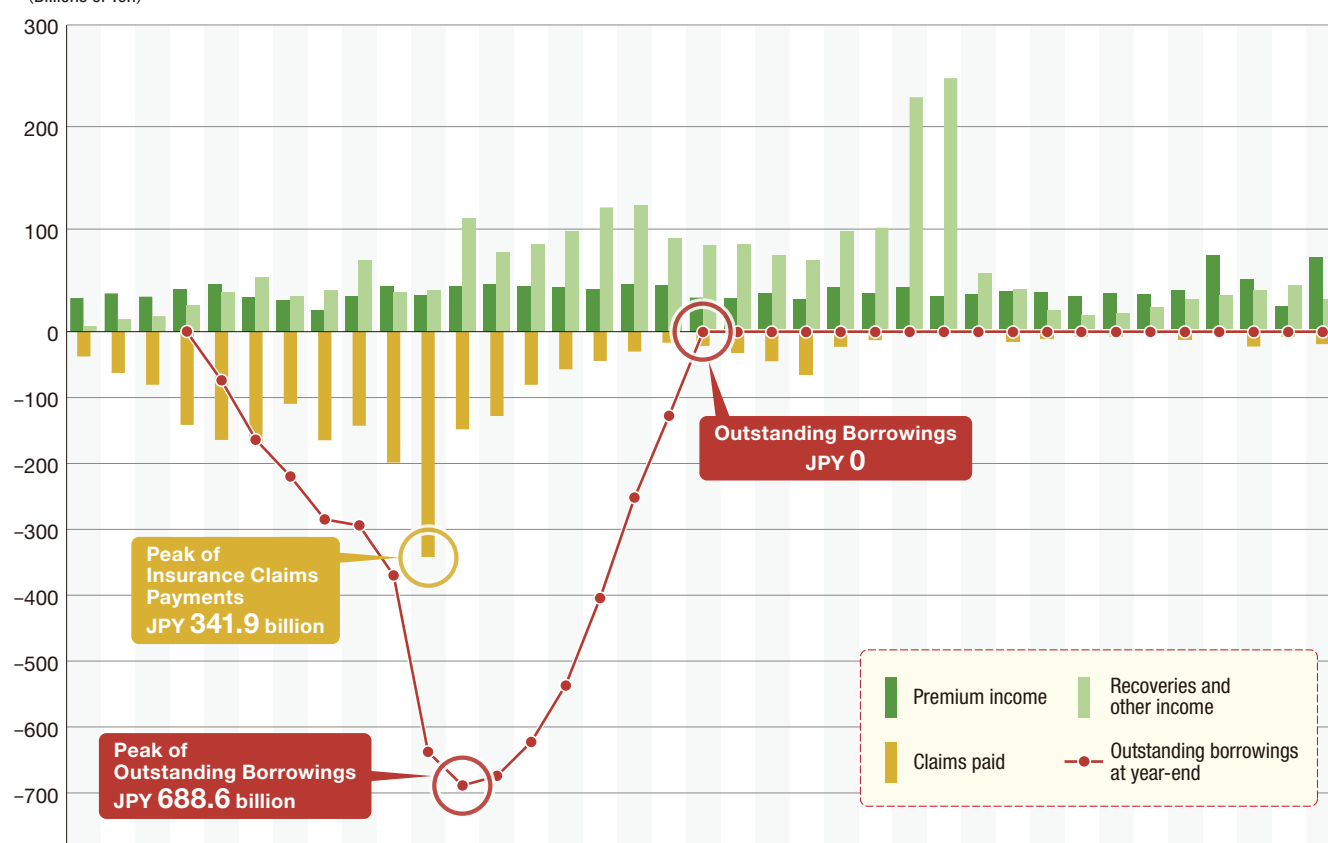
(Millions of Yen)

	FY2013	FY2014	FY2015	FY2016	FY2017
Total Export Value	70,856,464	74,667,048	74,115,132	71,522,248	79,222,634
Year-on-Year Change (%)	10.8	5.4	(0.7)	(3.5)	10.8

(Source: Trade Statistics, Ministry of Finance)

Trends of Trade and Investment Insurance Program

(Billions of Yen)



Fiscal Year	'81	'82	'83	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Premium income	32.8	37.3	34.1	41.3	46.8	33.4	30.4	21.3	34.2	44.8	35.7	44.7	46.2	44.1	43.5	41.0	46.0	45.4	33.2	32.9	37.3	31.3	43.2	38.0	43.8	34.9	36.8	39.3	38.2	34.4	37.7	36.2	40.6	74.6	51.2	24.5	72.8
Recoveries and other income	5.5	12.3	15.2	25.6	38.9	53.6	34.9	40.0	69.3	38.7	40.7	111.2	77.3	85.2	98.3	121.2	123.0	91.3	84.6	85.3	74.5	70.2	97.7	101.4	228.7	247.3	57.5	41.9	20.5	15.6	17.7	24.0	31.4	35.7	40.9	44.5	31.3
Claims paid	37.6	62.7	80.5	141.5	164.3	169.0	109.5	164.8	142.7	198.6	341.9	148.2	128.0	80.6	57.1	44.4	30.2	16.7	21.6	32.4	49.9	65.1	23.0	12.9	3.7	2.4	3.8	17.2	10.4	8.6	8.4	4.4	12.2	3.1	22.4	7.8	19.2
Outstanding borrowings at year-end	—	—	—	—	74.0	164.1	219.5	284.8	294.1	369.8	637.8	688.6	674.4	622.4	536.0	404.1	251.8	127.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

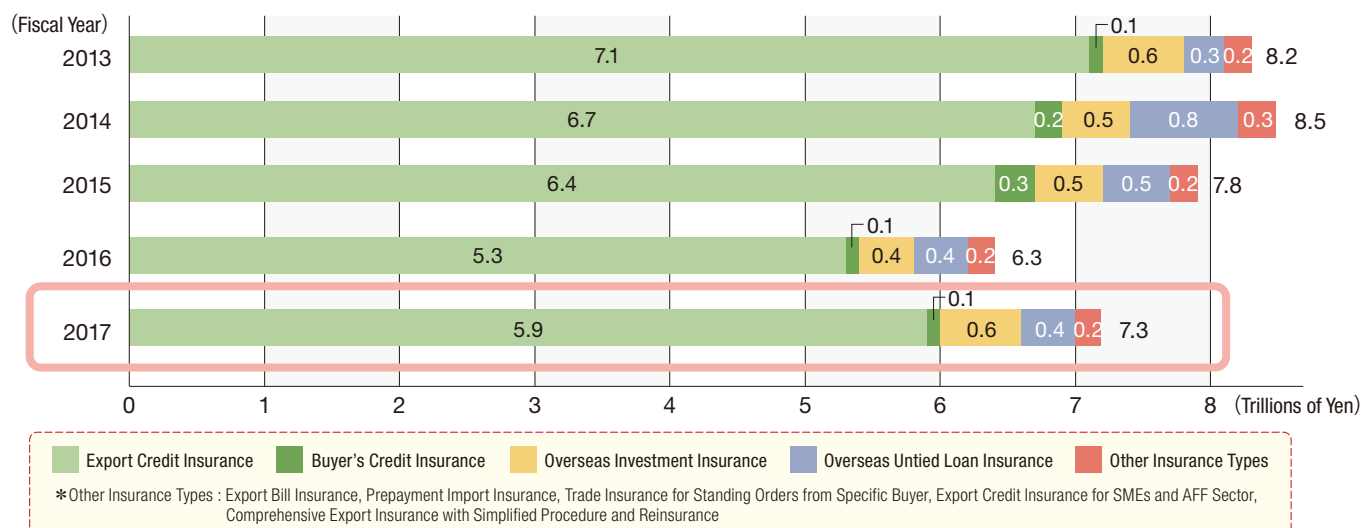
Note: This data is on a cash basis. Premium incomes are presented after deducting returned premiums.

(Billions of Yen)

Underwritten Amount

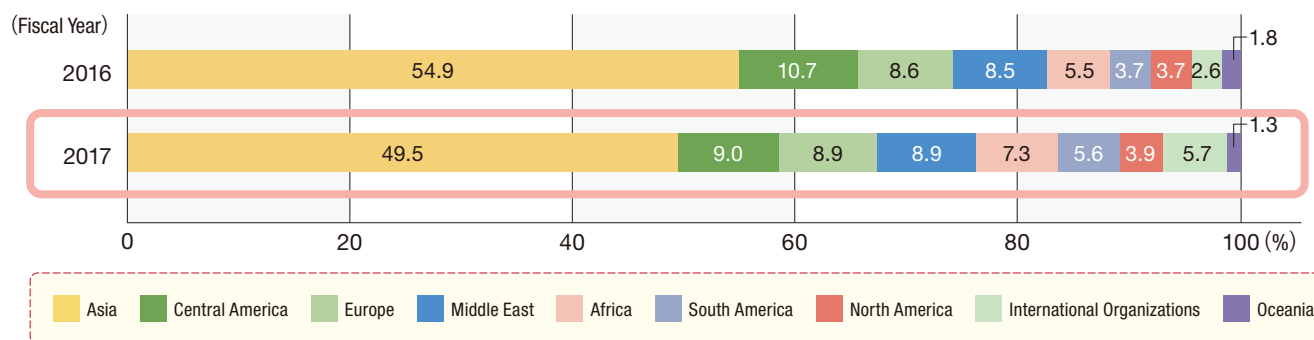
Underwritten Amount by Insurance Type

The total underwritten amount in FY2017 was approximately JPY 7.3 trillion, up 15.2% compared to the previous fiscal year, due to an increase in Japanese exports thanks to a gradual recovery of the global economy.



Underwritten Amount by Region

Asia continued to be the largest with 49.5% (approximately JPY 3.9 trillion) followed by Central America with 9.0% (approximately JPY 0.7 trillion).



Top Ten Countries and Regions for Underwritten Amount in FY2017

(Millions of Yen)

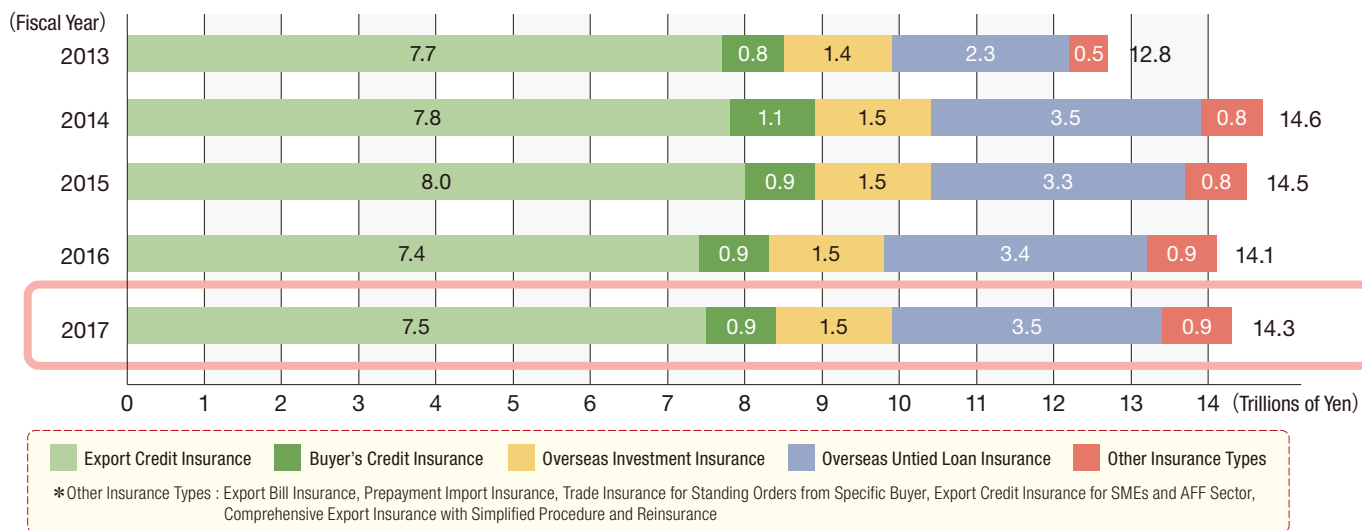
	County/Region	Underwritten amount	Composition
1	Indonesia	976,606	12.5%
2	China	550,601	7.0%
3	Thailand	444,503	5.7%
4	Korea	332,592	4.2%
5	Panama (flag of convenience vessel)	304,678	3.9%

	County/Region	Underwritten amount	Composition
6	Belgium	293,368	3.7%
7	U.S.A.	262,668	3.4%
8	Philippines	189,646	2.4%
9	Vietnam	188,785	2.4%
10	India	182,778	2.3%

Outstanding Commitment

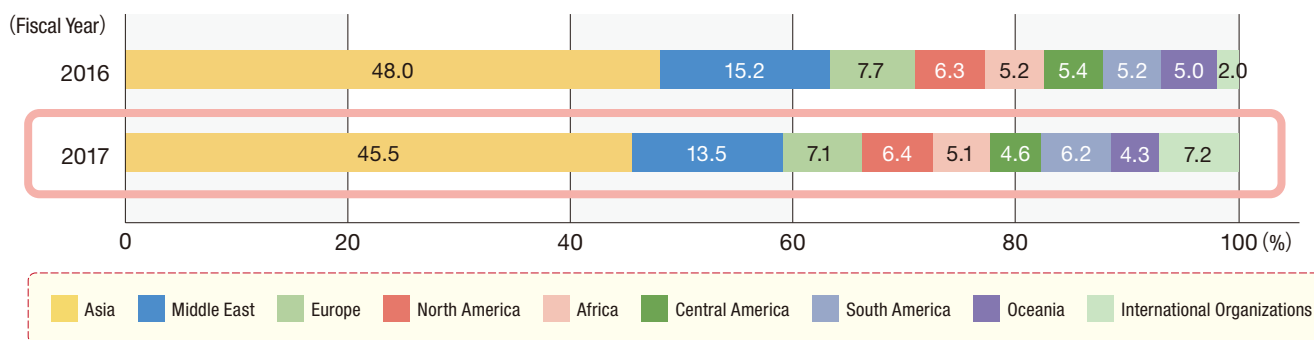
Outstanding Commitment by Insurance Type

The outstanding commitment in FY2017 increased by 1.5% to approximately JPY 14.3 trillion compared to the previous fiscal year.



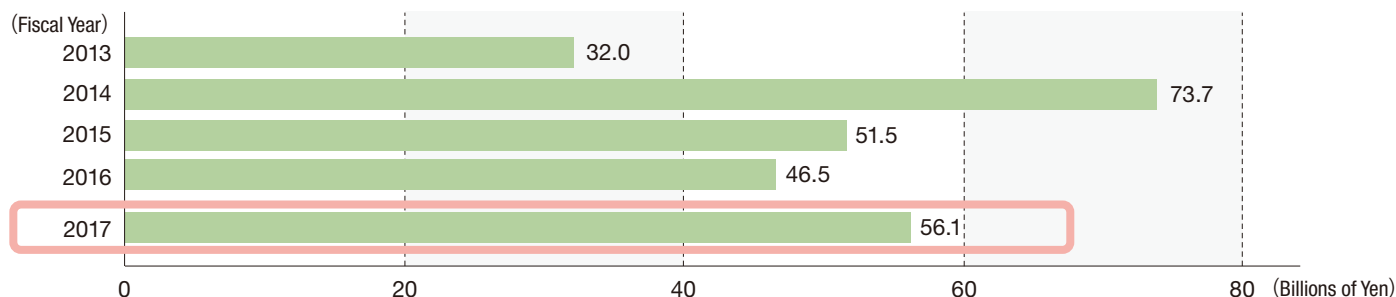
Outstanding Commitment by Region

The outstanding commitment for Asia continued to be the largest at approximately 45.5% (JPY 6.9 trillion), followed by the Middle East at approximately 13.5% (JPY 2.1 trillion).



Premium Income

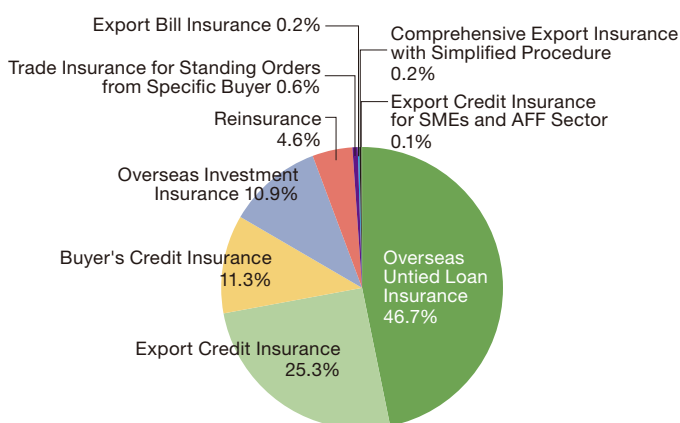
Premium income in FY2017 increased by 20.6% compared to the previous fiscal year to approximately JPY 56.1 billion.



Note: For details please see page 44.

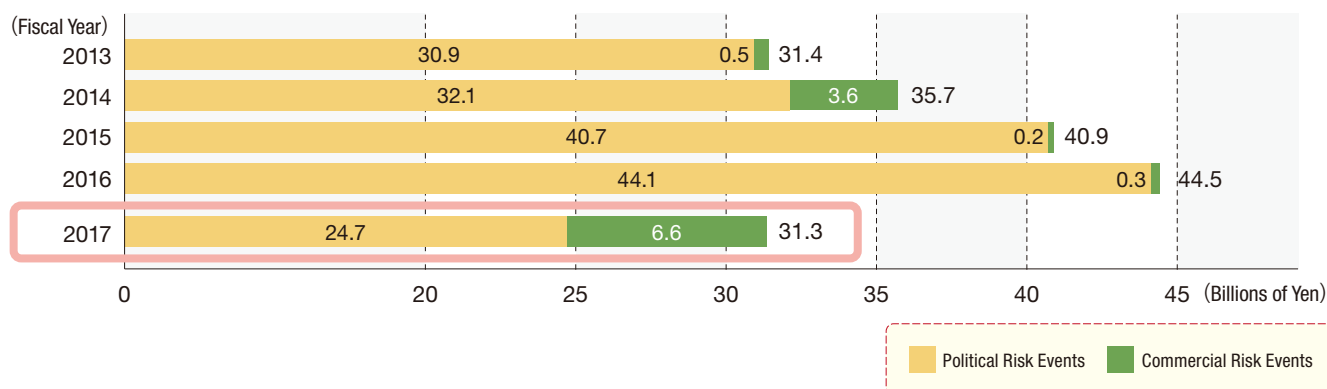
Premium Income by Insurance Type

Overseas Untied Loan Insurance earned the largest premium income of JPY 26.2 billion (46.7% of the total amount) in FY2017, followed by Export Credit Insurance with approximately JPY 14.2 billion (25.3%) and Buyer's Credit Insurance with approximately JPY 6.3 billion (11.3%).



Recoveries

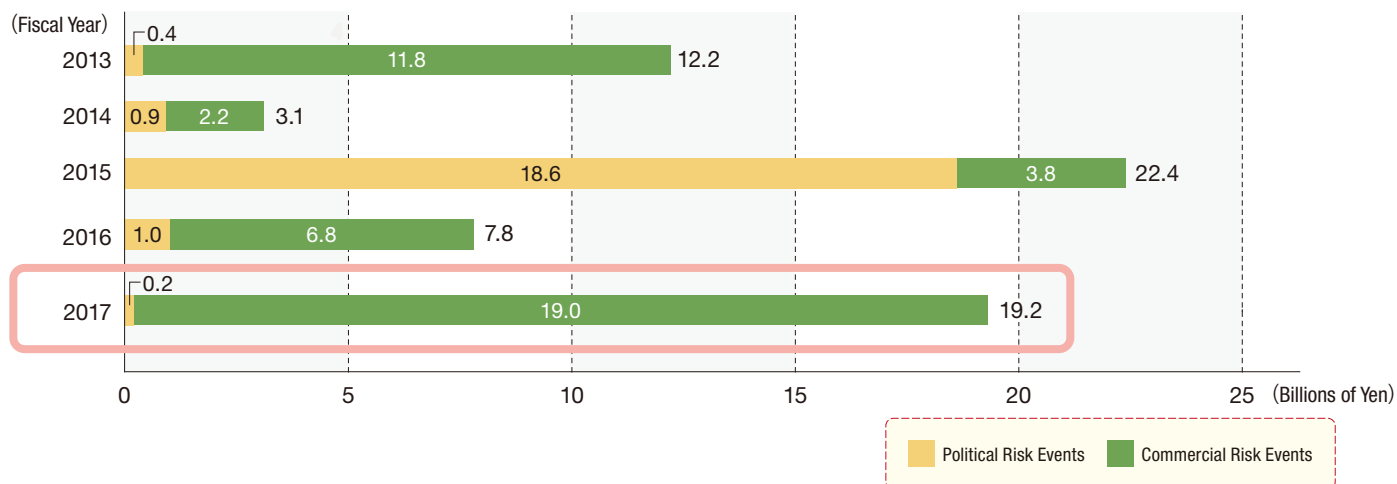
The amount of recoveries in FY2017 was approximately JPY 31.3 billion, down by 29.7 compared to the previous fiscal year. Recoveries of claims associated with political risk events, including debt rescheduling, accounted for about JPY 24.7 billion, or 79% of the total recoveries. The remaining approximately JPY 6.6 billion, or 21%, was associated with commercial risk events.



FY2017 Performance Highlights

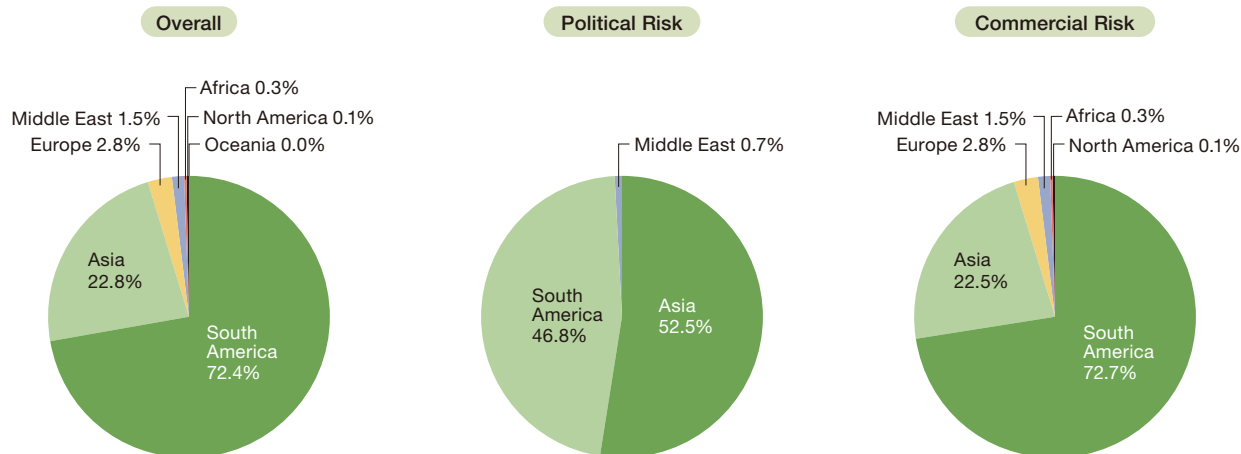
Claims Paid

Claims paid in FY2017 increased by 147.3% to approximately JPY 19.2 billion compared to the previous fiscal year, in reaction to claims paid in the previous fiscal year to indemnify a large-scale political risk event.



Insurance Claims Paid by Region

In terms of region, the amount of claims paid for South America was the largest at approximately JPY 13.9 billion (72.4% of the total amount).



Top Five Countries/Regions with Large Insurance Claims Paid

(Millions of Yen)

Rank	Country/Region	Total	Breakdown	
			Political Risk	Commercial Risk
1	Brazil	13,839	0	13,839
2	China	2,755	112	2,642
3	Singapore	951	0	951
4	Russia	529	0	529
5	United Arab Emirates	287	2	286

Insured Events in FY2017 (Based on the data as of May 15, 2018)

Occurrence of Events by Risk — Year-on-Year Change —

The reported occurrences of risk events totaled approximately JPY 61.8 billion. The amount of political risk events fell to nearly half compared to the previous fiscal year, despite an increase of reported political risk events in Africa and Europe. Meanwhile, that of commercial risk events more than doubled due in part to payment arrears by buyers in Asia and the Middle East.

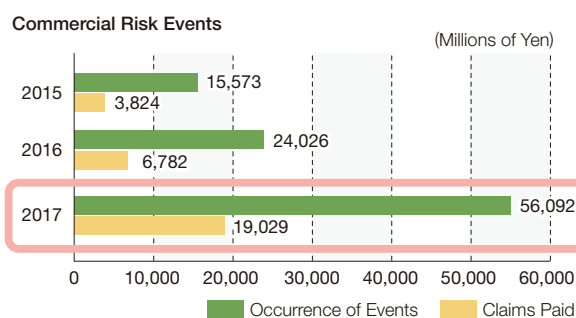
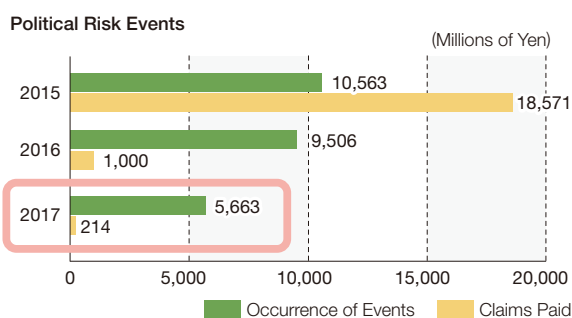
Claims paid for political risk events dropped compared to the previous fiscal year because no large-scale claims were made. On the other hand, that of commercial risk events considerably increased approximately threefold due to delay in performance of obligators.

(Millions of Yen)

	Type of Risk	FY2015	FY2016	FY2017	Year-on-Year Change (%)
Occurrence of Events	Political Risk Events	10,563	9,506	5,663	(40.4)
	Commercial Risk Events	15,573	24,026	56,092	133.5
	Amount total	26,136	33,532	61,755	84.2
Claims Paid	Political Risk Events	18,571	1,000	214	(78.6)
	Commercial Risk Events	3,824	6,782	19,029	180.6
	Amount total	22,395	7,782	19,243	147.3

* There are some cases where debts are paid after reporting of occurrence of a risk event, resulting in no claims made or claims made next fiscal year. There are therefore gaps between the amount of occurrence of events and amount of claims paid.

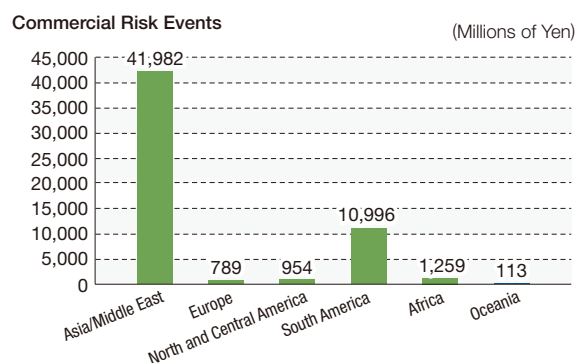
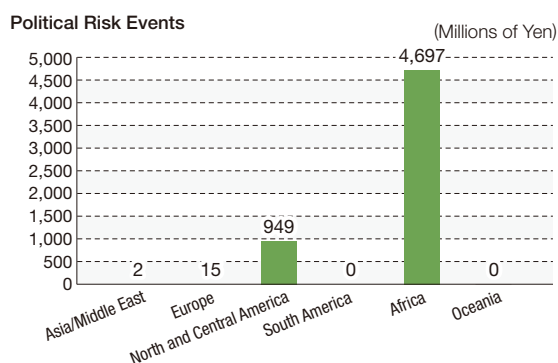
Occurrence of Events and Claims Paid (FY2015 – FY2017)



Occurrence of Events by Region

Approximately 80% of political risk events in FY2017 occurred in Africa. The remaining 20% occurred in North and Central America. Risk events in Africa were due to natural disasters (cyclone) and delay in the remittance of foreign exchange.

Occurrence of Events by Region (FY2017)



FY2017 Review of Performance

Underwritten Amount

Underwritten Amount by Insurance Type

(Millions of Yen)

Type of Insurance	FY2013	FY2014	FY2015	FY2016	FY2017	Composition (%)	
						Composition (%)	Year-on-Year change (%)
Export Credit Insurance	7,062,995	6,737,681	6,438,129	5,344,820	5,915,423	81.1	10.7
One year or less	3,876,014	3,798,162	3,304,188	2,745,229	3,093,390	42.4	12.7
More than one year	3,186,981	2,939,518	3,133,941	2,599,591	2,822,033	38.7	8.6
Trade Insurance for Standing Orders from Specific Buyer	7,500	8,054	5,463	5,308	8,115	0.1	52.9
Export Credit Insurance for SMEs and AFF Sector	2,642	4,310	9,290	9,640	8,449	0.1	(12.3)
Comprehensive Export Insurance with Simplified Procedure	23,062	36,023	40,956	47,106	51,963	0.7	10.3
Export Bill Insurance	14,351	12,062	13,258	12,255	11,823	0.2	(3.5)
Prepayment Import Insurance	5	84	454	98	981	0.0	906.2
Overseas Investment Insurance	607,118	488,604	503,508	401,538	641,568	8.8	59.8
Buyer's Credit Insurance	116,449	156,422	256,135	61,898	138,372	1.9	123.5
Overseas Untied Loan Insurance	292,526	835,625	454,643	366,722	404,887	5.5	10.4
Reinsurance	108,358	206,996	93,426	85,297	115,971	1.6	36.0
Total	8,235,005	8,485,862	7,815,262	6,334,680	7,297,552	100.0	15.2

(Note 1) The underwritten amount is based on the amount as determined at the policy issue date. The total is based on the actual underwritten amount calculated by applying the exchange rate of the insurance contract date, not the insured amount based on the insurance option for transactions in foreign currency. (The same applies to the table below.)

(Note 2) In accordance with the BU rules, Export Credit Insurance with credit terms of more than one year includes figures on insurance for capital goods, even if the credit period is one year or less. (The same applies hereafter.)

(Note 3) The floating interest coverage case is calculated based on the interest rate at the time of the conclusion of the contract. (The same applies hereinafter.)

Underwritten Amount by Region

(Millions of Yen)

Region	FY2013	FY2014	FY2015	FY2016	FY2017	Composition (%)	
						Composition (%)	Year-on-Year Change (%)
Asia	4,648,950	4,313,329	4,103,595	3,711,316	3,878,278	49.5	4.5
Middle East	859,564	503,204	1,311,427	571,306	696,610	8.9	21.9
Europe	934,698	163,994	743,348	578,369	699,293	8.9	20.9
North America	328,489	957,074	383,047	250,236	303,599	3.9	21.3
Central America	778,445	181,088	789,353	723,744	703,342	9.0	(2.8)
South America	620,301	900,820	377,503	251,170	438,422	5.6	74.6
Africa	474,936	691,986	317,625	373,657	573,657	7.3	53.5
Oceania	93,489	621,011	137,866	119,886	100,603	1.3	(16.1)
International Organizations	192,541	830,584	293,575	177,508	445,278	5.7	150.8

(Note 1) Classification used to compute the above amount: Pre-shipment: Country of the shipment consignee; Post-shipment: Country of the payer (when guaranteed, country or international organization of the guarantor).

(Note 2) Since the amount includes transactions that are doubly computed, i.e., for both pre-shipment (country of the consignee) and post-shipment (country of the payer), the figures do not match the total in Outstanding Commitment by Insurance Type.

(Note 3) The amount is classified under International Organizations instead of regions when guaranteed by an international organization.

(Note 4) Central Asia is included in Asia. (The same applies hereafter.)

(Note 5) Central and Eastern Europe and Russia are included in Europe. (The same applies hereafter.)

Outstanding Commitment (As of fiscal year end)

Outstanding Commitment by Insurance Type

(Millions of Yen)

Type of Insurance	FY2013	FY2014	FY2015	FY2016	FY2017		
						Composition (%)	Year-on-year Change (%)
Export Credit Insurance	7,729,556	7,824,348	7,988,439	7,446,773	7,538,669	52.6	1.2
One year or less	3,157,157	3,346,374	3,056,828	2,649,163	2,497,946	17.4	(5.7)
More than one year	4,572,399	4,477,974	4,931,611	4,797,610	5,040,723	35.2	5.1
Trade Insurance for Standing Orders from Specific Buyer	12,172	9,748	9,375	7,313	9,868	0.1	34.9
Export Credit Insurance for SMEs and AFF Sector	809	1,449	3,161	3,028	2,817	0.0	(7.0)
Comprehensive Export Insurance with Simplified Procedure	6,358	11,840	10,531	11,879	13,003	0.1	9.5
Export Bill Insurance	2,854	2,757	2,851	3,283	3,556	0.0	8.3
Prepayment Import Insurance	0	82	301	0	979	0.0	-
Overseas Investment Insurance	1,381,472	1,519,798	1,457,399	1,460,533	1,528,398	10.7	4.6
Buyer's Credit Insurance	843,676	1,051,619	923,292	922,836	866,474	6.0	(6.1)
Overseas Untied Loan Insurance	2,340,913	3,450,177	3,348,179	3,439,069	3,531,722	24.6	2.7
Reinsurance	481,299	753,765	747,998	828,928	834,459	5.8	0.7
Total	12,799,111	14,625,584	14,491,526	14,123,643	14,329,946	100.0	1.5

(Note 1) The total amount is calculated based on the actual insured amount by using the exchange rate as determined at each fiscal year-end (including the outstanding amount underwritten in previous years), not the insured amount based on the insurance option for transactions in foreign currency. (The same applies to the table below.)

(Note 2) The floating interest coverage case is calculated based on the interest rate at the end of each fiscal year (The same applies to the table below).

Outstanding Commitment by Region

(Millions of Yen)

Region	FY2013	FY2014	FY2015	FY2016	FY2017		
						Composition (%)	Year-on-year Change (%)
Asia	6,157,137	7,049,343	6,765,958	6,938,429	6,894,464	45.5	(0.6)
Middle East	1,618,309	1,832,577	2,413,796	2,198,618	2,050,197	13.5	(6.8)
Europe	1,485,961	1,538,710	1,370,926	1,108,202	1,073,114	7.1	(3.2)
North America	419,806	1,000,236	980,674	911,537	976,589	6.4	7.1
Central America	565,497	606,627	687,931	755,757	769,735	5.1	1.8
South America	1,028,851	1,164,458	934,651	776,747	704,038	4.6	(9.4)
Africa	666,671	800,022	680,454	750,939	947,204	6.3	26.1
Oceania	1,042,667	792,051	747,300	725,637	654,853	4.3	(9.8)
International Organizations	244,522	225,035	243,752	282,677	1,084,413	7.2	283.6

(Note 1) Classification used to compute the above amount: Pre-shipment: Country of the shipment consignee; Post-shipment: Country of the payer (when guaranteed, country or international organization of the guarantor).

(Note 2) Since the amount includes transactions that are doubly computed, i.e., for both pre-shipment (country of the consignee) and post-shipment (country of the payer), the figures do not match the total in Outstanding Commitment by Insurance Type.

(Note 3) The amount is classified under International Organizations instead of regions when guaranteed by an international organization.

FY2017 Review of Performance

Premium Income

Premium Income by Insurance Type

(Millions of Yen)

Type of Insurance	FY2013	FY2014	FY2015	FY2016	FY2017	Composition (%)	Year-on-Year change (%)
Export Credit Insurance	13,315	15,188	13,858	14,838	14,213	25.3	(4.2)
One year or less	5,612	6,247	5,081	5,240	6,600	11.8	26.0
More than one year	7,703	8,941	8,777	9,598	7,613	13.6	(20.7)
Trade Insurance for Standing Orders from Specific Buyer	263	281	194	166	340	0.6	105.6
Export Credit Insurance for SMEs and AFF Sector	24	39	83	85	72	0.1	(15.8)
Comprehensive Export Insurance with Simplified Procedure	43	85	99	105	116	0.2	11.1
Export Bill Insurance	132	111	131	109	120	0.2	10.3
Prepayment Import Insurance	0	0	3	0	3	0.0	819.6
Overseas Investment Insurance	4,471	5,035	5,802	5,264	6,102	10.9	15.9
Buyer's Credit Insurance	3,899	6,586	13,030	3,378	6,326	11.3	87.3
Overseas Untied Loan Insurance	6,078	38,514	15,231	22,044	26,220	46.7	18.9
Reinsurance	3,771	7,840	3,038	526	2,603	4.6	394.9
Total	31,994	73,679	51,469	46,516	56,117	100.0	20.6

(Note) The premium income is recorded at the start of the insurer's obligation period, unlike the underwritten amount based on the policy issue date. Therefore, the premium income and underwritten amount may be recorded in different fiscal years.

Insurance Claims Paid

Insurance Claims Paid (by Insurance Type and by Risk)

(Millions of Yen)

Type of Insurance	FY2013		FY2014			FY2015			FY2016			FY2017					
	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Composition (%)	Year-on-Year change (%)			
Export Credit Insurance	9,675	0	9,675	2,709	582	2,127	21,926	18,571	3,355	3,499	1,000	2,499	4,205	114	4,091	21.9	20.2
Trade Insurance for Standing Orders from Specific Buyer	368	0	368	99	0	99	221	0	221	0	0	0	13	0	13	0.1	–
Export Credit Insurance for SMEs and AFF Sector	0	0	0	1	0	1	2	0	2	136	0	136	193	0	193	1.0	42.2
Comprehensive Export Insurance with Simplified Procedure	17	0	17	8	0	8	0	0	0	13	0	13	3	0	3	0.0	(80.1)
Export Bill Insurance	14	0	14	0	0	0	0	0	0	31	0	31	0	0	0	0.0	(100.0)
Prepayment Import Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	–
Overseas Investment Insurance	0	0	0	0	0	0	0	0	0	0	0	0	100	100	0	0.5	–
Buyer's Credit Insurance	1,723	0	1,723	0	0	0	0	0	0	114	0	114	0	0	0	0.0	(100.0)
Overseas Untied Loan Insurance	0	0	0	0	0	0	0	0	0	1,047	0	1,047	13,839	0	13,839	71.9	1,221.7
Reinsurance	436	436	0	285	285	0	245	0	245	2,943	0	2,943	891	0	891	4.6	(69.7)
Total	12,234	436	11,798	3,102	867	2,235	22,395	18,571	3,824	7,782	1,000	6,782	19,243	214	19,029	100.0	147.3

Insurance Claims Paid (by Region)

(Millions of Yen)

Region	FY2013		FY2014			FY2015			FY2016			FY2017					
	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Composition (%)	Year-on-Year change (%)			
Asia	841	0	841	1,334	0	1,334	1,059	0	1,059	3,662	0	3,662	4,385	112	4,273	22.8	19.7
Middle East	9,532	436	9,096	459	459	0	1,472	0	1,472	872	29	843	287	2	286	1.5	(67.1)
Europe	1,777	0	1,777	869	0	869	24	20	4	245	0	245	542	0	542	2.8	121.2
North America	7	0	7	0	0	0	0	0	0	503	0	503	25	0	25	0.1	(95.0)
Central America	72	0	72	0	0	0	980	0	980	0	0	0	0	0	0	0.0	–
South America	5	0	5	440	408	31	18,584	18,551	33	1,384	320	1,064	13,940	100	13,840	72.4	907.2
Africa	0	0	0	0	0	0	276	0	276	884	652	233	65	0	65	0.3	(92.6)
Oceania	0	0	0	0	0	0	0	0	0	232	0	232	0	0	0	0.0	(100.0)
Total	12,234	436	11,798	3,102	867	2,235	22,395	18,571	3,824	7,782	1,000	6,782	19,243	214	19,029	100.0	147.3

Recoveries

Recoveries by Risk

(Millions of Yen)

Type of Risks	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	
								Composition (%)	Year-on-Year change (%)
Political Risk	17,330	23,531	30,865	32,137	40,667	44,141	24,696	79.0	(44.1)
Commercial Risk	338	486	509	3,572	201	327	6,575	21.0	1908.8
Total	17,668	24,017	31,375	35,708	40,867	44,468	31,271	100.0	(29.7)

Recoveries by Region

(Millions of Yen)

Region	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	
								Composition (%)	Year-on-Year change (%)
Asia	5,673	6,298	7,278	8,979	9,039	5,895	1,995	6.4	(66.2)
Middle East	3,510	8,172	11,173	11,227	11,528	11,953	17,374	55.6	45.4
Europe	814	1,154	1,512	2,860	572	594	713	2.3	20.1
North America	1	30	0	1	1	4	6	0.0	69.5
Central America	510	241	3,246	3,015	1,519	1,534	1,472	4.7	(4.0)
South America	1,176	1,536	1,558	2,361	10,771	20,337	9,024	28.9	(55.6)
Africa	5,970	6,587	6,608	7,266	7,437	4,152	657	2.1	(84.2)
Oceania	14	0	0	0	0	0	29	0.1	-
Total	17,668	24,017	31,375	35,708	40,867	44,468	31,271	100.0	(29.7)

Recoveries in FY2017

Recoveries by Risk

The recovery amount in FY2017 declined by 29.7% year-on-year (JPY 13.2 billion) to JPY 31.3 billion from JPY 44.5 billion.

Looking at the results by risk, the recovery amount related to political risk events such as Paris Club rescheduling dropped by 44.1% to JPY 24.7 billion from the previous fiscal year. Meanwhile, that of commercial risk events surged by 1,908.8% to JPY 6.6 billion.

Recoveries by Region and Country

By region, recovery value in the Middle East accounted for more than half of the total recoveries at 55.6%, amounting to JPY 17.4 billion. The amount includes JPY 9.5 billion in Iraq due to Paris Club debt recoveries and JPY 6.3 billion in Saudi Arabia due to debt recoveries related to commercial risk events.

South America accounted for the second largest share with 28.9%, amounting to JPY 9.0 billion. The amount includes JPY 8.4 billion in Argentina and JPY 0.6 billion in Ecuador.

Asia was ranked third with 6.4%, amounting to JPY 2.0 billion. It includes JPY 1.7 billion in Indonesia and JPY 0.1 billion in Pakistan.

The data for other regions in descending order were: JPY 1.5 billion in Central America including JPY 1.3 billion in Cuba; JPY 0.7 billion in Europe including JPY 0.5 billion in Serbia and JPY 0.1 billion in Bosnia and Herzegovina; and JPY 0.7 billion in Africa including JPY 0.5 billion in Egypt.

* The figures above are all approximate numbers.

FY2017 Business Overview

Launch of “New” NEXI

On April 1, 2017, Nippon Export and Investment Insurance (NEXI) was transferred into a 100% government-owned special stock company from an incorporated administrative agency, and has been newly established as Nippon Export and Investment Insurance.

This transformation is aimed to strengthen NEXI's ties with the government, so as to better reflect the intentions of the government policies in NEXI's business, and also to improve the flexibility, efficiency and mobility of business management at NEXI. Simultaneously, the Special Account for Trade Reinsurance held

by the government was abolished, and all assets and liabilities of the account were succeeded by the “new” NEXI. In the event of emergency where NEXI is faced with a difficulty in funding, countermeasures will be taken by the government as prescribed in the Trade and Investment Insurance Act to ensure secure payment of insurance claims. In FY2017, various steps were taken to lay the foundation for the stock company, and these include strengthening governance by establishing various bodies including the Board of Directors and the Audit and Supervisory Board stipulated by the Companies Act.

Responding to changes in the financial environment and new needs

In October 2017, NEXI started to underwrite US Dollar-denominated insurance as one part of efforts to strengthen its ability to implement the Partnership for Quality Infrastructure announced by Prime Minister Abe in May 2015. NEXI provided this insurance to support four transactions in FY2017.

NEXI also implemented several measures to respond to more

diverse needs for financing, including restarting to provide Export Credit Insurance for projects with deferred payment of two or more years in April and starting to provide Buyers Credit Insurance and Overseas Untied Loan Insurance for mini-perm loans, a type of financing conditioned on refinancing, in July.

Supporting the Strategic Priority Sectors

Support for Overseas Infrastructure Development

The Japanese government is working to increase overseas orders of infrastructure systems for Japanese corporations and to make international contributions through high quality infrastructure exports based on the “Infrastructure Systems Export Strategy” (adopted at the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation) and “Partnership for Quality Infrastructure.”

In FY2017, NEXI, provided loan insurance for the export of automatic train stop (ATS) systems to Administración de Infraestructuras Ferroviarias Sociedad del Estado, an Argentinian national railway infrastructure management company, and provided loan insurance for a loan to pay NEXI premiums related to insurance for the export of a fertilizer plant to Uzbekistan-based Navoiyazot Joint-Stock Company (a measure that NEXI implemented to strengthen its function in response to the Partnership for Quality Infrastructure). NEXI will continue to actively support the export of infrastructure.

Securing a Stable Supply of Natural Resources and Energy

Securing a stable supply of mineral resources and energy is an important policy concern for Japan. In FY2017, NEXI provided Overseas Investment Insurance to support the acquisition of an interest in the West Qurna 1 oil field in the Republic of Iraq. NEXI has also been aligned with the policy of the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy in supporting liquefied natural gas (LNG) projects, and it is considering providing support for LNG liquefaction projects even if the ultimate destination of the LNG cargos is not Japan. In order to support LNG import countries, NEXI will positively consider providing support for LNG import infrastructure projects especially in Asian countries. At the LNG Producer-Consumer Conference 2017 held in October 2017, NEXI gave a presentation on its policies related to LNG projects. Moving forward, NEXI will continue to aid efforts that stimulate LNG business by supporting projects related to both LNG producers and consumers in order to establish a stable supply of energy resources for Japan.

Support for the Aircraft and Ship Sectors (Support for MRJ, etc.)

For the aircraft sector, NEXI is ready to support the export of the Mitsubishi Regional Jet (MRJ) developed by Mitsubishi Aircraft Corporation. Turning to the export of Boeing aircraft, which many Japanese companies are involved in as program partners/suppliers, NEXI is supporting the export of aircraft components by Japanese heavy industrial companies via reinsurance for the Export-Import Bank of the United States. In FY2017, NEXI took a new initiative and concluded a reinsurance agreement with UK Export Finance and started to underwrite reinsurance for the agency.

In the ship sector, there was a temporary decline in orders because of the 2008 financial crisis, but there are signs of a recovery for various reasons, including exports being more competitive due to the weaker yen and growing replacement demand for extremely fuel efficient vessels. In FY2017, NEXI provided support for three bulk carriers through insurance.

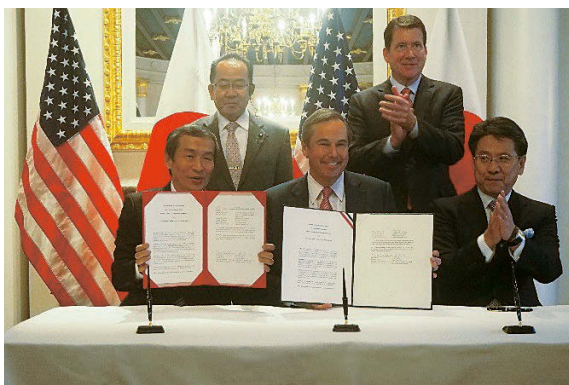


(Photograph courtesy of Mitsubishi Aircraft Corporation)

Cooperation with the U.S.

MOU Signed regarding Cooperation with the U.S. Government's Development Finance Institution OPIC

In November 2017, NEXI signed a memorandum of understanding (MOU) with the Overseas Private Investment Corporation (OPIC), the U.S. Government's development finance institution, regarding cooperation in the field of investing and finance. The purpose of the MOU is to effectively and productively support infrastructure and other projects that Japanese and U.S. companies aim to jointly implement in emerging markets. The signing ceremony was held at the U.S. Embassy in Japan when U.S. President Trump visited Japan. It is expected that the MOU will reinforce the partnership between the two countries.



(Signing ceremony)

Jordan / Underwriting Photovoltaic Power Station Project in Al Manakher

In December 2017, NEXI decided to provide support in the form of loan insurance for a photovoltaic project in the Al Manakher area of the Hashemite Kingdom of Jordan (Jordan), the first co-financing project with OPIC based on the MOU on the left side. The project involves Mitsui & Co., Ltd. constructing a 52 MW photovoltaic power station in cooperation with the U.S. power project development company The AES Corporation, and Qatari power development company Nebras Power, and then selling the power to National Electric Power Company, the Jordanian government-owned power company, for 20 years. Of the funds that will be raised through project financing, OPIC and Sumitomo Mitsui Banking Corporation (SMBC) are providing USD 40 million in loans, and NEXI will underwrite the insurance for the loan provided by SMBC.

Cooperation with Russia

Reinsurance Cooperation with EXIAR

In April 2017, NEXI signed a reinsurance contract related to export credit insurance provided by the Russian Agency for Export Credit and Investment Insurance (EXIAR) to Russia-based Japanese car manufacturers for exports of cars from Russian Federation. This was the first contract based on the reinsurance cooperation agreement that NEXI and EXIAR concluded when Russian President Vladimir Putin visited Japan in December 2016.

In February 2018, NEXI jointly held a seminar with EXIAR in Moscow for Japanese companies conducting business in Russia and CIS countries. Around 50 entities, including Japanese companies, attended the seminar.



(Signing Ceremony)

Facility Provided to Alfa-Bank Based on 8-Point Economic Cooperation Plan

In September 2017, NEXI decided to provide a facility based on the 8-Point Economic Cooperation Plan to the Joint Stock Company Alfa-Bank, when Prime Minister Shinzo Abe visited Russia. This is a credit-line facility to help implement the 8-Point Economic Cooperation Plan proposed by the Japanese government. It provides business funds not only to Japanese subsidiaries in Russia but also local Russian companies that are considered important for building and strengthening the supply chains of Japanese companies.

Furthermore, NEXI took part in the 3rd Eastern Economic Forum held in Vladivostok. At the discussion session on exports from the Russian Far East, NEXI explained its export and FDI support including examples as an export credit agency.



(Panel Discussion)

Strengthening Partnerships with Overseas Organizations

Reinsurance Agreement with Czech Republic-Based EGAP

In June 2017, NEXI concluded a reinsurance agreement with the Czech Republic-based Export Guarantee and Insurance Corporation (EGAP) to explore the economic interests of the two countries and help develop third-country exports. The agreement was signed at the Prime Minister's Residence in the presence of Prime Minister Shinzo Abe and Prime Minister of the Czech Republic Mr. Bohuslav Sobotka on the sidelines of his visit to Japan.

In November 2017, a seminar on the use of trade and investment insurance was held jointly with EGAP in Prague based on the agreement. The seminar, which the Japanese Ambassador to the Czech Republic Kaoru Shimazaki attended, was held to further deepen understanding of the use of trade and investment insurance, particularly among local Japanese companies.



(Signing Ceremony)

The signing of the reinsurance agreement is expected to increase the number of deals involving exports from the Czech Republic and Japan to third countries by sharing risks between EGAP and NEXI.



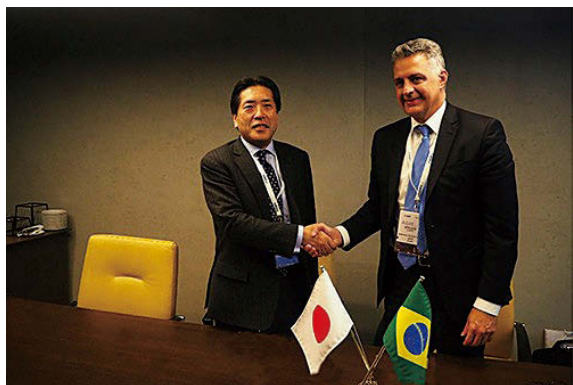
(Joint Seminar with EGAP)

General Cooperation Agreement with Turk Eximbank

In August 2017, NEXI signed a general cooperation agreement (GCA) with the Export Credit Bank of Turkey (Turk Eximbank), the export credit agency of the Republic of Turkey. The purpose of the GCA is to effectively support Japanese and Turkish companies through trade insurance when they try to win project orders in Turkey, Japan, and other countries, by sharing information related to potential projects and discussing reinsurance agreements.

General Cooperation Agreement with ABGF

In October 2017, NEXI signed a general cooperation agreement (GCA) with the Brazilian Guarantees and Fund Managements Agency (ABGF), the export credit agency of the Federative Republic of Brazil. The purpose of the GCA is to develop a new framework for cooperation, particularly related to sharing information, to effectively support Japanese and Brazilian companies through trade insurance when they try to win orders for projects in Brazil, Japan and other countries.



(GCA Signing Ceremony)

Berne Union Meetings

The Berne Union (International Union of Credit and Investment Insurers) is a forum in which ECAs, international organizations and private insurers from around the world discuss common issues related to export credit insurance and investment insurance from a technical perspective. Since the first meeting in 1934 in Berne, Swiss Confederation, its membership has grown to a total of 83 as of April 2018.

The 2017 spring meeting took place in May in Copenhagen, Kingdom of Denmark, and the fall meeting was held in October in Belgrade, Republic of Serbia. NEXI attended the respective meetings to compare notes with other members regarding export credit.

Bilateral Meetings

NEXI has regular bilateral meetings with ECAs and government officials of countries such as Republic of Korea, Federal Republic of Germany, French Republic, and Republic of Austria to share information and exchange candid opinions on various topics including the global financial situation, and each country's issues and efforts. The meetings, each held usually once a year, are helpful in further strengthening bilateral ties and keeping up with trade and investment insurance trends in the various countries.

Training Course for Export Credit Experts

NEXI invited mid-level staffers of ECAs and supervisory agencies in Asia and other regions to its training course in January and February 2018. The purpose of the training was to further expand trade and investment insurance in the participants' countries and improve their skills in countries and regions that are on the way to developing trade and investment systems.

Expanding Reinsurance Operational Bases

NEXI has added Socialist Republic of Viet Nam to countries in which NEXI provides its fronting scheme to support Japanese companies expanding overseas. The fronting scheme consists of NEXI underwriting reinsurance for trade credit insurance underwritten by a Vietnamese company (local Vietnamese subsidiaries of Mitsui Sumitomo Insurance Company, Limited, Tokio Marine & Nichido Fire Insurance Co., Ltd., and Sampo Japan Nipponkoa Insurance Inc.).

NEXI had already been offering its insurance via the fronting scheme in Republic of Singapore, Hong Kong, Kingdom of Thailand, and the U.K. The reinsurance agreement with the Vietnamese insurers has enabled NEXI to meet the insurance needs of Japanese companies operating in the Vietnam. (Sales launched in April 2018.)

Supporting SMEs to Expand Business Overseas

Promotion of Trade and Investment Insurance

NEXI has Joined in the New Export Nation Consortium announced by the Japanese government as one of its initiatives to support the overseas business expansion of mid-sized enterprises and small businesses (SMEs).

Through strengthening partnership with the Japan External Trade Organization (JETRO), which serves as the secretariat to the consortium, NEXI is promoting trade and investment insurance through efforts including participating in seminars held by JETRO as instructors.

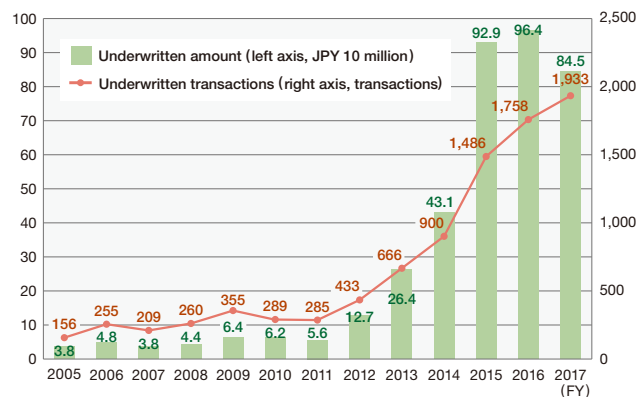
In December 2017, NEXI participated in the 2nd World Business Festa 2017 hosted by JETRO in the Tokyo International Forum, giving a presentation on trade and investment insurance for companies which consider expanding business overseas and providing individual consultations in a booth for supporting organizations.



(2nd World Business Festa 2017)

Reinforcing Support for SMEs

The support network for SMEs' overseas business development was launched in FY2011 with 11 regional banks, aiming to widely spread and promote the use of NEXI's insurance. In FY2017 another three financial institutions joined the network, expanding the number of partner financial institutions to 117. More and more companies make use of trade and investment insurance introduced by the partner financial institutions, as shown by examples including the export of greenhouse construction material to Russian Federation by Hokkaido General Trading Co., Ltd. introduced by the Hokkaido Bank, Ltd. in September 2017. Our developing network has encouraged more SMEs to use Export Credit Insurance for SMEs and AFF Sector.



(Actual Export Credit Insurance for SMEs and AFF Sector)

Support for Exports of Foods and Agricultural, Forestry and Fishery Products

NEXI works to support the export of food and agricultural, forestry and fishery products.

In July 2016, NEXI revised its trade and investment insurance for SMEs and launched sales of Export Credit Insurance for SMEs and AFF Sector, a product available to business operators in the agricultural, forestry and fishery (AFF) sector in addition to SMEs. Moreover, NEXI promotes partnerships with AFF-related organizations, concluding outsourcing agreements with National Mutual Insurance Federation of Agricultural Cooperatives (JA Kyosairen) and Norinchukin Bank in March 2017 and with National Mutual Insurance Federation of Fishery Cooperatives (JF Kyosuiren) in February 2018.

Through the tie-ups with these institutions, Export Credit Insurance for SMEs and AFF Sector has been used in various situations, including the export of fresh flowers by ZEN-NOH International Corporation in September 2017 and that of yellowtail by National Federation of Fisheries Cooperative Associations (JF Zengyoren) in March 2018.

NEXI is also striving to further spread the use of the product by giving presentations in seminars held by chambers of commerce and industry as well as regional agricultural administration offices and taxation bureaus across the nation.

In order to provide more effective support for the overseas expansion as well as prompt and meticulous response to SMEs and business operators in the AFF sector, NEXI will continue to work to improve its products and services and to strengthen its support system and educational activities.



(Photograph courtesy of JF Zengyoren)



(Photograph courtesy of ZEN-NOH International Corporation)



(Photograph courtesy of Hokkaido General Trading Co., Ltd.)

In Pursuit of a Sustainable Society

Guidelines on Environmental and Social Considerations

NEXI has established the “Guidelines on Environmental and Social Considerations in Trade Insurance” to carry out its social responsibilities on environmental and social issues. NEXI makes sure that appropriate environmental and social considerations are implemented by the project sponsors on projects to be supported by NEXI’s insurance.

In FY2017, NEXI conducted screenings and made assessments for 51 projects, including site visits. In the assessments, projects are classified into three categories (A, B, or C) based on their potential environmental impacts in accordance with Screening Forms submitted by applicants for NEXI insurance. For example, a site visit will be conducted as a general rule if a project is categorized as Category A, which indicates the highest level of impact.

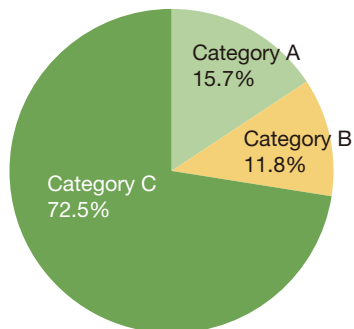
Also, Objection Procedures on the Guidelines ensure NEXI’s compliance with the Guidelines, for which an independent “Examiner” is assigned independent of the section in charge of underwriting business.

In December 2017, NEXI formulated “Guidelines for Information Disclosure Considerations for Nuclear Sector Projects in Trade Insurance” to complement the Guidelines. From FY2018, it will verify whether information disclosure considerations are being properly conducted for nuclear power projects covered by these guidelines.

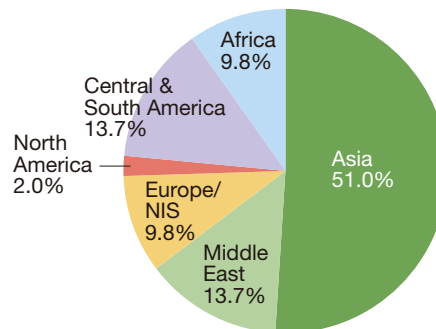


(On-site visit to a project site)

FY2017 Screenings by Category



FY2017 Screenings by Region



* Turkey is included in Middle East. Mexico is included in Central & South America. Russia and Central Asia are included in Europe/NIS.

FY2017 Underwritten Projects

Power

Chile / Huatacondo Photovoltaic Project

AustrianSolar Chile Cuatro SpA (ASC4), a joint venture established by Sojitz Corporation, Shikoku Electric Power Company, Incorporated, U.S.-based Sojitz Corporation of America, and France-based Eiffage S.A., will construct a 98.0 MW photovoltaic power station in Huatacondo, located in the Atacama Desert of northern Chile. After completion, the generated power will be sold on Chile’s wholesale power market.

Of the syndicated loans that ASC4 has obtained, NEXI is providing insurance for USD 47.20 million of partial financing provided by three Japanese financial institutions – Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and The Iyo Bank, Ltd. This is the first time that NEXI has underwritten insurance for project financing for a merchant powerplant (a power plant operated to sell power on the wholesale market) and U.S.-dollar denominated loan insurance.

The Chilean government is promoting policies that actively facilitate the introduction of renewable energy, aiming to generate 70% of national energy from renewable sources by 2050. It is expected that this project supported by NEXI will contribute to a reduction in greenhouse gas emissions in line with Chile’s plan

and lead to more business opportunities for Japanese companies and thus maintain and improve the international competitiveness of Japanese companies in various fields including renewable energy development.

- **This insurance contract was entered into in November 2017.**



(Photograph courtesy of Sojitz Corporation)

Egypt / Gulf of Suez Onshore Wind IPP Project

Ras Ghareb Wind Energy SAE, owned 40% by Toyota Tsusho Corporation (Toyota Tsusho) and Eurus Energy Holdings Corporation (Eurus Energy), 40% by Engie S.A., and 20% by Orascom Construction SAE, is undertaking a project to construct an onshore wind farm (262.5 MW) in the Ras Ghareb municipality of the Red Sea Governorate, Arab Republic of Egypt, on the coast of the Gulf of Suez and to sell the power generated at the wind farm to Egyptian Electricity Transmission Company for 20 years.

Financing for the project came from loans provided by Japan Bank for International Cooperation (JBIC), Sumitomo Mitsui Banking Corporation, and Societe Generale Tokyo Branch. NEXI provided insurance to support USD 128 million in loans from the two commercial banks. NEXI also underwrote the insurance for both the investments made by Toyota Tsusho and Eurus Energy into Ras Ghareb Wind Energy SAE and parent company guarantees for subordinate loans. In addition to being NEXI’s first medium- to long-term support in Egypt since the Arab Spring, it is NEXI’s first project financing-related loan insurance for an IPP in Egypt.

In recent years, Egypt has seen demand for electricity increase as a result of both population growth and economic development, and there is a need to increase and improve electricity facilities. It is expected that NEXI’s financing-related support for this project will lead to more business opportunities for Japanese companies in Africa and, thus, maintain and increase Japanese companies’

international competitiveness, including that related to renewable energy development.

- **The investment insurance contract was entered into on December 2017, and the loan insurance contract on March 2018.**



(Photograph courtesy of Toyota Tsusho Corporation)

Indonesia / Rantau Dedap Geothermal IPP Project

PT. Supreme Energy Rantau Dedap, owned 32.05% by Marubeni Corporation (Marubeni), 10% by Tohoku Electric Power Co., Inc. (Tohoku Electric), 42.05% by Engie S.A., and 15.9% by PT. Supreme Energy, is undertaking a project to construct a geothermal power plant (98.4 MW) in South Sumatra, Republic of Indonesia, and sell the power to the state-owned power company PT. PLN (Persero) for 30 years.

Financing for the project came from loans provided by Japan Bank for International Cooperation (JBIC), Asian Development Bank (ADB), Mizuho Bank, Ltd. (lead arranger), MUFG Bank, Ltd., and Sumitomo Mitsui Banking Corporation. NEXI provided insurance to support USD 126 million in loans from the three Japanese commercial banks. This is the second time NEXI has supported financing for a geothermal IPP project with risks associated with geothermal resource capacity, following the Indonesia Maura Laboh geothermal IPP project. This is also Tohoku Electric's first overseas investment project since the Great East Japan Earthquake.

Indonesia is moving forward with plans to develop 35GW of new power generation capacity in order to meet the demand for electricity that is rapidly growing as its economy expands. It is expected that NEXI's financing-related support for this project

will not only lead to more geothermal development business opportunities in Indonesia for Japanese companies but also maintain and improve Japanese companies' international competitiveness, including that related to developing renewable energy.

- The insurance contract was entered into in April 2018.



(Photograph courtesy of Marubeni Corporation)

Bangladesh / Matarbari Ultra-Super Critical Coal-Fired Thermal Power Plant and Port Construction Project

A consortium of Japanese companies was awarded an EPC contract by Coal Power Generation Co. Bangladesh Ltd. to construct both a 1,200 MW ultra-super critical coal-fired thermal power plant and a deep sea port on Matarbari Island in the southeast of People's Republic of Bangladesh. Within the consortium, Sumitomo Corporation (Sumitomo) is responsible for the plant's civil work and auxiliary equipment as well as port's civil works and construction, and IHI Corporation (IHI) is responsible for boiler supply and installation. The construction of the power plant and port started in August 2017 and is scheduled for completion in July 2024.

NEXI provided Export Credit Insurance for Sumitomo and IHI.

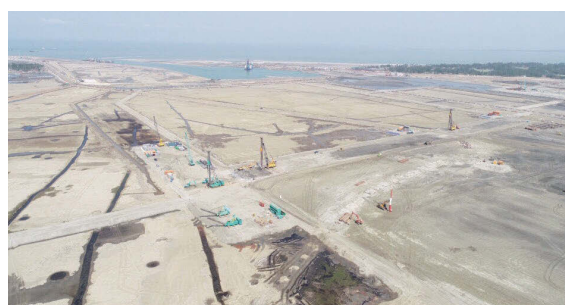
By using Japanese funds and technology, the project will contribute to meeting the urgent need for electric power in Bangladesh and its industrial and economic development. With generation capacity of 1,200 MW (600 MW x 2 units), the highly efficient ultra-super critical power plant using imported coal as fuel is expected to provide about 10% of the total generation capacity of Bangladesh. The introduction of Japan's state-of-the-art high efficiency coal fired power technology will realize improved control of fuel consumption and CO₂ emissions by generating high pressure steam and temperatures, which will contribute to reducing environmental impact. In addition, Bangladesh's first deep sea port adjacent to the plant is expected to play a key role in the industrial development of the Matarbari area. At present,

large vessels are forced to transship cargoes to smaller boats to enter ports due to the country's shoaling coast.

The project will be financed an ODA loan by the Japan International Cooperation Agency (JICA). It will be one of the largest ODA loan projects, with total project cost amounting to JPY 500 billion. For NEXI too, the insurance to be provided will mark the largest amount underwritten on a single project.

It is expected that NEXI's support in this project will help expand business opportunities for Japanese exporters in Bangladesh and, consequently, maintain and improve their international competitiveness.

- This insurance contract was entered into in December 2017.



(Photograph courtesy of Sumitomo Corporation (planned construction site))

Oil and Gas

Kuwait / Project to Modernize KNPC's Mina Al Ahmadi Refinery

Kuwait National Petroleum Company (KNPC), an oil refinery subsidiary of Kuwait Petroleum Corporation, is moving forward with its Clean Fuels Project. One part of the project is modernizing the Mina Al Ahmadi oil refinery in Ahmadi Governorate, located in the southern part of State of Kuwait. A joint business that JGC Corporation is participating in was awarded an EPC contract to upgrade the refinery.

Of the funds that KNPC will raise through corporate financing, USD 1.0 billion is in the form of syndicated loans provided by Sumitomo Mitsui Banking Corporation (lead arranger), MUFG Bank, Ltd., Mizuho Bank, Ltd., The Hong Kong and Shanghai Banking Corporation Limited Tokyo Branch, and the Japan Bank for International Cooperation (JBIC) for the purchase of imports from Japan and other items. NEXI provided insurance to support the USD 500 million in loans from the commercial banks.

In April 2016, NEXI clarified its policy for underwriting sub-sovereign risk (insurance covering sub-sovereign risk) as one part of its efforts to strengthen its ability to implement the Partnership for Quality Infrastructure announced by Prime Minister Abe in May 2015*. This is the third time since then that NEXI has provided loan insurance to cover sub-sovereign risk without government guarantee.

It is expected that NEXI's finance-related support for Japanese exports will maintain and improve the international competitiveness of Japanese companies.

* Notification of Policy on Underwriting Sub-Sovereign Risk through Buyer's Credit Insurance and Overseas Untied Loan Insurance (April 1, 2016, news release) <https://nexi.go.jp/topics/cover/2016033004.html>

● The insurance contract was entered into in September 2017.



(Photograph courtesy of JGC Corporation)

Iraq / Acquisition of interest in the West Qurna 1 Oil Project

The West Qurna 1 oil field, located in the southern part of the Republic of Iraq, is among the nation's largest oil fields with estimated recoverable reserves of more than 20 billion barrels. A consortium of five companies (consisting of the lead contractor ExxonMobil, a U.S.-based oil company; PetroChina, a Chinese national oil company; Royal Dutch Shell, a U.K. and Netherlands-based oil and gas company; Pertamina, an Indonesian national oil company; and Oil Exploration Company, an Iraqi government-related company) have been developing this field under a technical services contract with Iraq's Ministry of Oil. The Ministry is represented by Basrah Oil Company, the entity responsible for exploration and development of oil and gas in the southern part of the country.

Through its U.K.-based subsidiary CIECO West Qurna Ltd., ITOCHU Corporation (ITOCHU) acquired all of the shares of Shell Iraq B.V. (SIBV), which is an affiliate of Royal Dutch Shell plc. SIBV holds a 19.6% stake in the West Qurna 1 oil project.

NEXI is supporting ITOCHU's USD 330 million investment by providing Overseas Investment Insurance covering 100% of Iraq's political risk.

The West Qurna 1 oil field is a huge resource development project in mineral- and resource-rich Iraq. The consortium receives compensation over the long term, proportional to the volume of production from one of the leading oil fields in the world. This project, supported by NEXI, is expected to expand Japanese business in Iraq and ensure a stable supply of resources to Japan.

● The insurance contract was entered into in March 2018.



(Photograph courtesy of ITOCHU Corporation)

Machinery and Equipment

Kazakhstan / Construction Equipment Export Project (Long-term Deferred Payment Project)

Blessed with energy and mineral resources, Republic of Kazakhstan is expected to be a destination for exports of large construction machines used for resource extraction. Hitachi Capital Corporation concluded an export contract with Shubarkol Premium JSC, a coal mining company located in the Karaganda region in the central part of Kazakhstan, for construction machinery produced by Hitachi Construction Machinery Co., Ltd. The terms of the agreement include 5-year deferred payment.

NEXI underwrote the Export Credit Insurance for this export contract.

Deferred payment is an effective form of financing that exporters provide to overseas buyers. Compared to financing for large-scale transactions, overseas buyers in small-scale transactions may find it difficult to obtain bank financing for various reasons including cost burden. Deferred payment-based financing is particularly important for such buyers.

To help Japanese exporters offer deferred payment terms, NEXI provides Export Credit Insurance coverage for transactions on deferred payment terms of not less than two years.

As Japan's government financial institution, NEXI will continue to actively support exports from Japanese companies.

● The insurance contract was entered into in July 2017.



(Photograph courtesy of Hitachi Construction Machinery Co., Ltd.)

Uzbekistan / Navoiyazot Fertilizer Plant Construction Project

Under this project, a large-scale ammonia and urea fertilizer plant is built in Navoiy, a city located in the central region of Uzbekistan, by Navoiyazot Joint-Stock Company, a subsidiary of a state chemical sector holding company Uzkimyosanoat. Mitsubishi Corporation and Mitsubishi Heavy Industries, Ltd. were awarded a contract to build the plant.

For the plant and equipment purchase, Japan Bank for International Cooperation (JBIC), MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and ING Bank NV Tokyo Branch agreed to extend loans to Joint Stock Commercial Bank ASAKA (ASAKA). NEXI provided a loan insurance to support a JPY 27.7 billion loan extended by the Japanese commercial lenders.

Also, the Japanese lenders agreed with ASAKA to extend an additional loan, which would be used for NEXI insurance premium payment, and NEXI provided an insurance for the first time to

cover such a loan. To strengthen NEXI's functions based on the "Partnership for Quality Infrastructure" announced in 2015 by Prime Minister Shinzo Abe, NEXI had worked to improve its Buyer's Credit Insurance so that a NEXI-supported loan could include a NEXI insurance premium. Previously, NEXI's insurance had not covered its insurance cost.

By producing ammonia and urea at this fertilizer plant, Uzbekistan is aiming to increase domestic demand for fertilizers and also earn foreign exchange through export of high value-added products.

NEXI's support to Japanese exports is expected to increase business opportunities of Japanese companies in Uzbekistan.

● This insurance contract was entered into in January 2018.

Infrastructure

Turkey / Hospital PPP Project

Sojitz Corporation (Sojitz) and Ronesas Group, the major construction company in the Republic of Turkey, are undertaking a project in which they will design and construct a hospital complex of the Ilitelli Integrated Health Campus with a floor space of 1.02 million m² and 2,682 beds in northwest Istanbul. The companies will operate and maintain the facilities under a 25-year contract.

Of the total amount of approx. JPY 163.0 billion in syndicated loans for this project, Sumitomo Mitsui Banking Corporation, Nippon Life Insurance Co., MUFG Bank, Ltd., Standard Chartered Bank Tokyo Branch, The Dai-ichi Life Insurance Company, Limited, and The Iyo Bank, Ltd., provided about JPY 65.0 billion. NEXI underwrote insurance to support this portion of the loans. In addition, Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, and NEXI provided insurance for the approx. JPY 33.4 billion that Sojitz is investing in the project. NEXI also provided partial reinsurance to MIGA. This is the first time that NEXI has underwritten insurance for a public-private partnership (PPP) hospital project.

Turkey has seen a continuing increase in the number of people seeking medical care because of population growth and improved access to medical care due to the 2008 introduction of a universal healthcare system. Construction of medical facilities, however, is

not keeping up with demand. The Turkish government, therefore, is promoting hospital construction projects through PPPs, and the plan is to operate and maintain facilities with a total of 40,000 beds. This project is the core of the Turkish government's efforts and is expected to contribute to improvements in the environment for medical care in Turkey. NEXI's support for this project is expected to help Japanese companies expand their medical care businesses overseas and introduce their products including medical equipment.

- The insurance contract was entered into in August 2017.



(Image courtesy of Sojitz Corporation (concept image of the completed facilities))

Argentina / Project to Update Railway ATS System

Marubeni Corporation has delivered Automatic Train Stop (ATS) systems produced by NIPPON SIGNAL CO., LTD., to Administración de Infraestructuras Ferroviarias Sociedad del Estado, a railway infrastructure management company under the Ministry of Transport of the Argentine Republic, for all eight suburban lines of Buenos Aires.

Financing for the purchase of the ATS system was provided to Argentina's Ministry of Finance by the Japan Bank for International Cooperation (JBIC) and Deutsche Bank AG, Tokyo Branch. NEXI underwrote the insurance for the loan provided by Deutsche Bank. This is the first medium- to long-term insurance provided to support a governmental project of Argentina since NEXI's decision in March of 2016 to restart underwriting the country's public-sector medium and long-term projects.

This project is being implemented under a massive infrastructure construction plan formulated by the Argentine government as part of its policy to promote economic reforms.

As a major train accident occurred at Once Station on the Sarmiento Line in Buenos Aires in 2012, the government undertook urgent measures to install ATS system to prevent future accidents.

NEXI's support will expand business opportunities in Argentina for Japanese companies that possess advanced technology and thus help maintain and improve their international competitiveness.

- This insurance contract was entered into in September 2017.



(Photograph courtesy of Marubeni Corporation)



(suburban lines of Buenos Aires)

Mozambique and Malawi / Railway and Port Construction Project

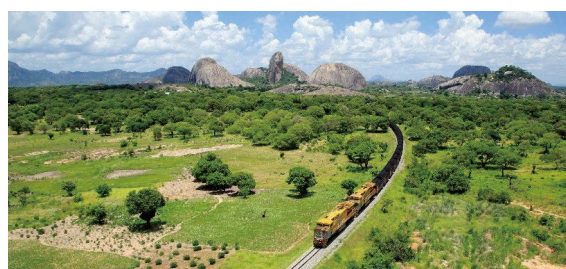
Mitsui & Co., Ltd. (Mitsui) and Vale S.A., one of the world's largest mining companies, are undertaking a project to not only build and maintain a 912-km railway that will run from the Moatize Coal Mine in the northern part of Mozambique to the Port of Nacala and pass through Malawi, but also build and operate a coal terminal at the Port of Nacala. This will be done through four companies that both companies have jointly invested in (hereafter referred as the Project Companies).

Of the project financing that the Project Companies raised, NEXI underwrote the insurance for USD 1,000-million loan, which is provided by six financial institutions – Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Standard Chartered Bank Tokyo Branch, Nippon Life Insurance Company, MUFG Bank, Ltd., and Sumitomo Mitsui Trust Bank, Ltd. This is the first NEXI-supported project involving the construction of a railway and port in Africa.

The Moatize Coal Mine, in which Mitsui also has a stake, boasts massive coal reserves and is highly competitive. While the plan is to export coal extracted from the mine to Japan, the carrying capacity of the existing railway and port was insufficient, and new transportation infrastructure was required. By constructing the rail and port infrastructure from the Moatize Coal Mine, this

project will contribute to diversifying Japan's sources of coal and stabilizing its coal supply. Furthermore, for Japanese companies, this is the first railway and port construction and operation project in Africa. As the demand for infrastructure development in Africa is increasing along with economic growth, the project is expected to lead to greater participation of Japanese companies in the infrastructure business in Africa.

- The insurance contract was entered into in February 2018.



(Photograph courtesy of Vale S.A.)

Aircraft

Poland and Norway / Export of Boeing 787 aircraft to LOT Polish Airlines and Norwegian Air Shuttle

NEXI provided reinsurances on export credits provided by UK Export Finance (UKEF) for the exports of Boeing 787 aircraft to LOT Polish Airlines and Norwegian Air Shuttle ASA. The provisions of these reinsurances are based on the reinsurance agreement between the two export credit agencies. LOT Polish Airlines is the state-owned flag carrier of Republic of Poland which offers connections from Warsaw to over 90 destinations worldwide. Norwegian Air Shuttle ASA is a low cost carrier of Northern Europe connecting over 150 destinations around the world. It is well known as a pioneer of low cost long-haul business model.

Japanese companies are extensively involved in the development and manufacture of 787 aircraft. Since 2004, NEXI has been supporting exports of Boeing aircraft through by providing reinsurances to Export-Import Bank of the United States. With the reinsurance agreement established with UKEF in

August 2017, NEXI has made a new step to support exports of Boeing aircraft. The deliveries of 787 aircraft to LOT Polish Airlines and Norwegian Air Shuttle ASA were the first and second co-finance transaction with UKEF.

NEXI will continue to support the export of aircraft parts manufactured by Japanese companies through reinsurance.

- The reinsurance contract was entered into in September 2017 (LOT Polish Airlines), and October 2017 (Norwegian Air Shuttle ASA).



(Photograph courtesy of LOT Polish Airlines)



(Photograph courtesy of Norwegian Air Shuttle ASA)

FY2017 Underwritten Projects (SMEs related)

AFF Sector

Green Tea Exports

KANROEN CO., LTD. (Kanroen), which is located in Amagasaki city, Hyogo, made use of Export Credit Insurance for SMEs and AFF Sector to reduce the deferred payment risk associated with the green tea export to Republic of Korea.

Founded in 1948, Kanroen established its present position by introducing a revolutionary sales method at that time, in which they purchased the tea grown in Wazuka-cho, Soraku-gun, Kyoto, from farmers, processed the tea at its own plants, and then sold the products. Nowadays, in addition to selling its products at stores and expanding sales channels to the northern Kanto area where there is strong demand for tea, the company meticulously delivers its products to the department stores and government offices.

As for overseas business, Kanroen started to export blended powdered green tea to Korea in 2008. The initial export volume was 500 kg but business has now increased to 20-fold thanks to rising popularity of green tea overseas.

The company decided to use NEXI's insurance after hearing about it from a trade advisor at the Osaka Sangyo Sozokan,

which is operated by the Osaka city's affiliated Osaka Urban Industry Promotion Center.

- This insurance contract was entered into in May 2017.



(Photograph courtesy of KANROEN CO., LTD.)

Fresh Flower Exports

AUCNET Agri Business Inc.(AUCNET Agri Business), which operates flower auctions and other businesses, made use of Export Credit Insurance for SMEs and AFF Sector when exporting fresh flowers to Socialist Republic of Viet Nam. NEXI's articles and advertisements in the Japan Agricultural News prompted the company to contact NEXI.

Located in Minato-ku, Tokyo, AUCNET Agri Business exports fresh flowers mainly to Asia, such as Hong Kong and Vietnam. Recently, cherry tree exports to Republic of Russia have attracted a lot of interest.

As a rule, the company's export contracts are conditioned on advance payment, but as a major overseas buyer strongly requested deferred payment, they used NEXI's insurance to reduce credit risk.

The company plans to continue to use NEXI's insurance for deferred payment transactions to expand its overseas business.

- Export amount expected to be covered by the insurance: about JPY 8 million
- This insurance contract was entered into in April 2017.



(Photograph courtesy of AUCNET Agri Business Inc.)

Vegetables and Fruit Exports

Sunny Okinawa Co., Ltd. (Sunny Okinawa), which sells food products on wholesale basis both in and outside of Okinawa, makes use of Export Credit Insurance for SMEs and AFF Sector for exporting vegetables and fruit to Hong Kong. The company began using the insurance, introduced by Bank of The Ryukyus, Limited.*

Starting its export in October 2016, Sunny Okinawa has since committed to accumulating and utilizing expertise in export business and to expanding their sales channels through services provided by organizations that support overseas business expansion, such as the Japan External Trade Organization (JETRO) and a chamber of commerce and industry. The company's efforts

are cited among examples of exporting Japanese agricultural, forestry, marine, and food products published by the Ministry of Agriculture, Forestry and Fisheries for 2016.

The company plans to continue to use NEXI's insurance to expand their exports of locally produced vegetables and fruits.

* Bank of the Ryukyus: Business tie-up with NEXI launched in September 2014.

- **Export amount to be covered by the insurance: About JPY 0.4 million**
- **This insurance contract was entered into in March and April 2017.**



(Photograph courtesy of Sunny Okinawa Co., Ltd.)

Young Yellowtail Exports

The National Federation of Fisheries Cooperative Associations (JF Zengyoren) made use of Export Credit Insurance for SMEs and AFF Sector when exporting young yellowtail and other fishery products to Federal Republic of Germany. The National Mutual Insurance Federation of Fishery Cooperatives (JF Kyosuiren*) introduced this insurance to JF Zengyoren.

This is the first insurance underwritten by NEXI based on the tie-up with JF Kyosuiren.

Established in 1952, JF Zengyoren is a national organization of fishery cooperatives (JFs), consisting of both JF associations in prefectures throughout Japan and JFs in various regions focusing on beach-based activities. In April 2017, it created a new division to promote export and direct sales, and started to make organization-wide efforts to promote exports.

JF Zengyoren plans to continue to use NEXI's insurance and work to expand the export of Japanese marine products to

achieve the target of JPY 1 trillion in agricultural, forestry, and fishery exports in 2019, set by Ministry of Agriculture, Forestry and Fisheries.

* JF Kyosuiren: business tie-up with NEXI launched in February 2018.

- **This insurance contract was entered into in March 2018.**



(Photograph courtesy of by The National Federation of Fisheries Cooperative Associations)

Fresh Flower Exports

ZEN-NOH International Corporation (ZEN-NOH International), which handles exports for the Japan Agricultural Cooperatives Group (JA Group), started to make use of Export Credit Insurance for SMEs and AFF Sector for exporting flowers to Europe, introduced by the Norinchukin Bank* and National Mutual Insurance Federation of Agricultural Cooperatives* (JA Kyosairen).

ZEN-NOH International was established as the cooperative trading company UNICOOPJAPAN in 1961 and changed its name to ZEN-NOH International in 2015. The company currently not only handles the export of JA Group's agricultural products, flowers, and processed goods but also operates and manages overseas offices and restaurants. JA Group's export operations have been centralized in ZEN-NOH International since 2017 to increase efficiency and expand the export business for the overall JA Group.

With overseas offices in People's Republic of China, Hong Kong, Republic of Singapore, Taiwan, Kingdom of Thailand, the U.K., and the U.S., the company plans to export Japanese agricultural products, flowers, and processed goods all over the

world, aiming to mitigate business risks through NEXI's insurance.

* Norinchukin Bank and JA Kyosairen: Business tie-up with NEXI launched in March 2017.

- **Annual export amount to be covered by the insurance: About JPY 9 million**
- **This insurance contract was entered into in September 2017.**



(Photograph courtesy of ZEN-NOH International Corporation)

AFF Sector

Craft Beer Exports

Miyazaki Hideji Beer Co., Ltd. (Miyazaki Hideji Beer), which won the best prize at the World Beer Awards 2017, made use of Export Credit Insurance for SMEs and AFF Sector to mitigate concerns about payment collection risk in exporting craft beer to the U.S. with deferred payment.

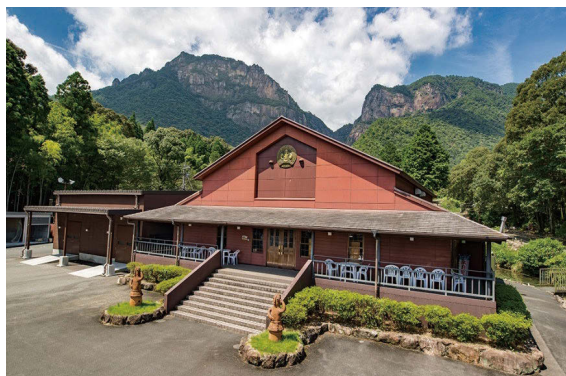
The company was introduced NEXI's insurance by The Miyazaki Bank, Ltd.*

With a craft beer brewery amidst rich nature, Miyazaki Hideji Beer is pursuing a distinctive flavor provided by its carefully selected home-grown yeast and is striving to produce a beer popular throughout the world. Its products have won numerous prizes, including the World's Best Stout and Porter at the World Beer Awards 2017 as mentioned above and other awards in local beer competitions such as the International Beer Cup gold medal. The highly-esteemed company is now becoming close to realizing its dream to brew a world-class beer produced solely from locally grown ingredients.

Concerned about the credit risk of its first overseas customer, the company made effective use of credit ratings that NEXI set for overseas companies.

* Miyazaki Bank: business tie-up with NEXI launched in February 2014.

- **Export amount to be covered by the insurance: about JPY 1.5 million**
- **This insurance contract was entered into in June 2017.**



(Photograph courtesy of Miyazaki Hideji Beer Co., Ltd.)

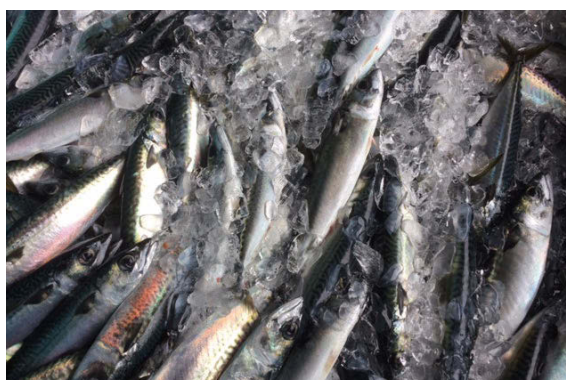
Marine Product Exports

Hamamatsu Uoichi Co., Ltd. (Hamamatsu Uoichi), located in the Hamamatsu Central Wholesale Market, contributes to a stable supply of food in the western part of Shizuoka Prefecture centered on Hamamatsu city. Through a business alliance with The Shizuoka Bank, Ltd.*, the company made use of Export Credit Insurance for SMEs for exporting marine products from 2013 to 2015. They also made use of Export Credit Insurance for SMEs and AFF Sector for exporting frozen mackerel to Africa. The company uses NEXI's insurance to meet terms and conditions of overseas transactions.

For a huge demand that a single fishery company cannot handle, Hamamatsu Uoichi cooperates with several dozens of those in Shizuoka to export marine products.

* Shizuoka Bank: Business tie-up with NEXI launched in January 2013.

- **Export amount to be covered by the insurance: About JPY 13 million**
- **This insurance contract was entered into in June 2017.**



(Photograph courtesy of Hamamatsu Uoichi Co., Ltd.)

Sanitary Material Exports

When starting new business with overseas buyers in the Philippines, Hakuzo Medical Corporation (Hakuzo Medical), a manufacturer and vendor of sanitary materials, decided to use NEXI's Export Credit Insurance for SMEs and AFF Sector to reduce concerns about the buyer's non-payment risk.

Hakuzo Medical, whose headquarters are located in Osaka city, undertakes production by reflecting the ideas of frontline workers in the field of medicine and nursing and gives shape to their needs. The company has been highly regarded both in Japan and overseas for not only its quality sanitary materials (bandages, gauze, absorbent cotton, etc.) but also high value added products (medical devices, products to prevent hospital infections, etc.).

The Hyakujushi Bank, Ltd. (Hyakujushi Bank)* advised its client Hakuzo Medical to consider using NEXI's insurance to effectively reduce risks. This was the first insurance contract underwritten by NEXI via Hyakujushi Bank.

Hakuzo Medical plans to further expand its overseas business by using NEXI's insurance.

* Hyakujushi Bank: Business tie-up with NEXI launched in February 2016.

- **Export amount to be covered by the insurance: about JPY 2.50 million**
- **This insurance contract was entered into in September 2017.**



(Photograph courtesy of Hakuzo Medical Corporation)

Medical Needle Exports

Unisis Corporation (Unisis), a manufacturer of specialty needles, made use of Export Credit Insurance for SMEs and AFF Sector for the first time when it exported medical needles to Republic of Tunisia.

Founded in 1978 as a trading company handling miscellaneous medical goods, Unisis has continued to expand business by providing quality medical devices as a dedicated manufacturer of disposable anesthesia needles and other special needles. Proud of providing "Made in Japan" products, the company has exported its products overseas since its founding, mainly to the U.S. and Europe. Unisis then started to deal with a distributor in Tunisia by working with North Pacific Bank Ltd.,* which prompted Unisis to use NEXI's Export Credit Insurance for SMEs and AFF Sector.

Unisis plans to continue to aggressively expand sales to overseas markets by making use of NEXI's insurance.

* North Pacific Bank Ltd.: business tie-up with NEXI launched in February 2014.

- **Annual insured amount: about JPY 8 million**
- **The first contract was entered into in May 2017.**



(Photograph courtesy of Unisis Corporation)

Industry

Non-Woven Fabric Exports

OZU CORPORATION (OZU), which is located in Chuo-ku, Tokyo, made use of Export Credit Insurance for SMEs and AFF Sector to reduce risks related to the export of non-woven fabrics to People's Republic of China.

Founded in 1653 (during the rule of the fourth shogun Tokugawa Ietsuna) as a Japanese paper wholesaler, OZU has expanded its business, now centering on the production and sale of paper and non-woven fabrics.

For this large amount transaction with China, the buyer, who was a new customer for OZU, requested deferred payment instead of normal advance payment. This prompted OZU to consider making use of NEXI's insurance. NEXI's insurance as a hedge against non-payment risk enabled OZU to comply with the buyer's request for deferred payment. This is a good example of NEXI's insurance supporting contract negotiations.

By using its own overseas offices and local subsidiaries, the company will continue to actively convey the usefulness and high quality of OZU brand products and cater to new orders from overseas.

- This insurance contract was entered into in August 2017.



(Photograph courtesy of OZU CORPORATION)

Pellet Exports

JEPLAN, INC. (JEPLAN) has created a business from the "circular flow" of all things in response to consumers' desire to contribute to the environment. In exporting its recycled PET resin pellets to Asia, the company recently decided to use Export Credit Insurance for SMEs and AFF Sector to manage the risk related to payment collection from overseas buyers.

The "circular flow" that JEPLAN envisions refers to promoting a more thorough circulation by not only manufacturing new products using chemical-recycling technology, but also by generating a profit, paying taxes, and investing in the technology development and human resource training as a going concern.

The export of the pellets is one part of that circular flow. First, consumers bring clothing that they no longer use to department stores, brand shops, and other stores that participate in JEPLAN's recycling program. Chemical recycling technology is used to make recycled pellets from the used clothes. The pellets are then exported to Asia to be used to make polyester fiber, which is processed into fabric for new clothing. JEPLAN used NEXI's insurance when exporting the pellets to Asian companies.

NEXI's insurance is used to support JEPLAN's efforts to promote "circular economy."

- Export amount to be covered by the insurance: about JPY 60 million
- This insurance contract was entered into in September and October 2017.



(Photograph courtesy of JEPLAN, INC.)

Walnut Furniture Exports

AKASE Mokko Co., Ltd. (AKASE Mokko) made use of Export Credit Insurance for SMEs and AFF Sector when exporting its walnut furniture to Republic of Korea. Tamashima Shinkin Bank* recommended its client AKASE Mokko to use NEXI's insurance.

This was the first insurance contract underwritten by NEXI via Tamashima Shinkin Bank.

Founded in 1961, AKASE Mokko is now expanding its brand nationwide, focusing on offering furniture designed internally and built in Japan. When the company started to consider new business with a Korea-based buyer, it was concerned about payment collection risk as the buyer requested payment after shipment. Tamashima Shinkin Bank advised the company to use NEXI's insurance in a timely manner. With a good reputation on its flagship brand of solid natural walnut furniture MASTERWAL, AKASE Mokko will continue to strengthen its overseas business by using NEXI's insurance for deferred-payment export contracts.

* Tamashima Shinkin Bank: Business tie-up with NEXI launched in October 2015.

- Export amount to be covered by the insurance: About JPY 4.50 million
- This insurance contract was entered into in August 2017.



(Photograph courtesy of AKASE Mokko Co., Ltd.)

Electrolyzer Exports

De Nora Permelec Ltd. (De Nora Permelec), a general manufacturer of metal electrodes and related products, made use of Export Credit Insurance (Specific) at the suggestion of its peer company. The insurance was used for exports of electrolyzers to China.

Established in 1969 as Permelec Electrode Ltd. and then transformed into a wholly owned subsidiary of the Italy-based De Nora Group in 2010, the company has played a development role within the group, continuing to pursue technological innovation for the whole group. The company's DSE electrode® technology has been applied to various technologies, including those related to reducing energy use and lessening the environmental burden.

De Nora Permelec is moving forward with its overseas expansion as a company that contributes to the environment and society as a "green company."

- Export amount to be covered by the insurance: about JPY 150 million
- This insurance contract was entered into in June 2017.



(Photograph courtesy of De Nora Permelec Ltd.)

Industry

Greenhouse Material Exports

Hokkaido General Trading Co., Ltd. (Hokkaido General Trading), a local general trading company, is exporting greenhouse materials for a massive vegetable factory construction project being undertaken in Yakutsk of the Sakha Republic, located in the Russian Far East. The company is using Export Credit Insurance (Specific) to cover country risk.

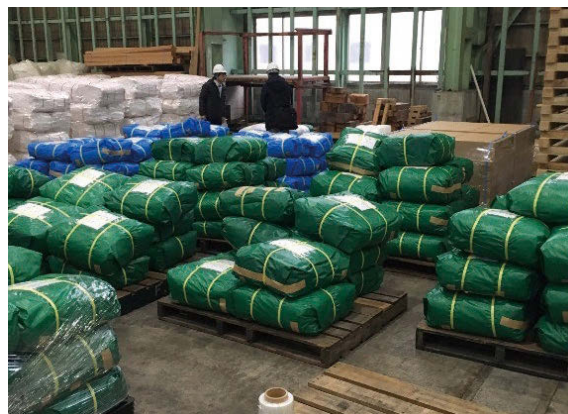
Located in the heart of the Sakha Republic, Yakutsk is a city built on permafrost. To meet the local demand for vegetables during winter, the city entirely relies on imports. In the spring of 2016, a project to construct greenhouses was launched, using technology fostered in the cold climates of Hokkaido. The project is undertaken by Hokkaido General Trading, which was established with the cooperation of Hokkaido's leading companies in 2015 to provide one-stop support system for overseas business of local companies.

For the materials export for this greenhouse project, Hokkaido General Trading made use of NEXI's insurance, which was recommended by The Hokkaido Bank, Ltd.(Hokkaido Bank),* one of its investors.

As for payment, Almazergien bank, a local government-affiliated bank, will issue an L/C, and Hokkaido Bank will purchase it. NEXI covers the collection risk in this payment scheme that has never been tried before.

* Hokkaido Bank: business tie-up with NEXI launched in April 2011.

- Exports amount covered by the insurance: about JPY 120 million
- This insurance contract was entered into in August 2017.



(Photograph courtesy of Hokkaido General Trading Co., Ltd.)

Car Production Line Conveyance Equipment Exports

Mishima Kosan Co., Ltd. (Mishima Kosan), with headquarters located in Kitakyushu, used Export Credit Insurance for SMEs and AFF Sector to reduce non-payment risk associated with export of production line conveyance equipment to a U.S. based car manufacturer.

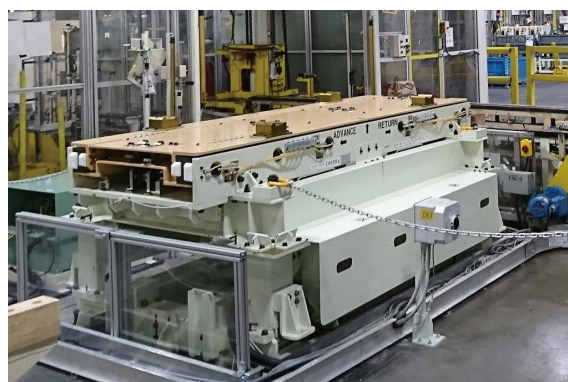
What Mishima Kosan was concerned about in this export transaction was a usance period (grace period for payment) desired by the overseas buyer. Then THE NISHI-NIPPON CITY BANK, LTD.* recommended the use of NEXI's insurance.

With strengths in the fields of continuous casting equipment (75% domestic market share), car production line engineering and mechatronics engineering, Mishima Kosan has supported the production of numerous manufacturers including steel material, cars, and TV displays through its engineering development skills, which have won 228 patents.

In addition to domestic operations, the company actively conducts business overseas through its group companies in Hong Kong, Shanghai, and Russian Federation. Mishima Kosan plans to continue to expand its overseas business by making use of NEXI's insurance to respond to various payment conditions.

* Nishi-Nippon City Bank: Business tie-up with NEXI launched in January 2013.

- This insurance contract was entered into in April 2017.



(Photograph courtesy of Mishima Kosan Co., Ltd.)

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FY2017 Financial Review

Overview of Financial Statements

(Millions of Yen)

	1st Fiscal Year (FY2017)
Ordinary income	67,331
Underwriting income	51,500
(Net premium written)	51,386
Subrogation income	10,211
Investment income	5,609
Other ordinary income	11
Ordinary expenses	68,931
Underwriting expenses	61,538
(Net claims paid)	19,256
(Acquisition of receivables subrogated by paying claims)	(5,230)
(Provision for unearned premium)	13,053
(Provision for contingency reserve)	34,876
Subrogation expenses	680
Investment expenses	798
Operating and administrative expenses	5,912
Other ordinary expenses	3
Ordinary loss	(1,600)
Extraordinary income	1,600
Income before income taxes	–
Total income taxes	10
Net profit (loss)	(10)
Total assets	1,709,378
Net assets	794,895

Profit and Losses

NEXI's underwritten amount in FY2017, the total amount of insurance contracts underwritten during the fiscal year (the same applies below), rose by 15.2% year-on-year to JPY 7.3 trillion. This is due to expansion of international trade and production, moderate recovery in the global economy bolstered by resilient domestic demand and an increase in Japan's export.

Premium income, the total amount of premium of original insurance written and premium received for reinsurance (the same applies below), was approximately JPY 56.1 billion.

Net premium written totaled JPY 51.39 billion; subrogation income, primarily consisting of recoveries, JPY 10.21 billion; and investment income JPY 5.61 billion. Meanwhile, due to large commercial risk events, net claims paid was JPY 19.26 billion, subrogation expenses JPY 680 million, investment expenses JPY 800 million, and operating and administrative expenses JPY 5.91 billion. As a result, provision for contingency reserve of JPY 34.88 billion was recorded.

Financial Statements etc.

Balance Sheet (As of March 31, 2018)

(Millions of Yen)	
Account Title	Amount
(Assets)	
Cash and bank deposits	1,251,904
Bank deposits	1,251,904
Securities	362,438
Government bonds	345,938
Municipal bonds	11,500
Corporate bonds	5,000
Receivables subrogated by paying claims	79,415
Tangible fixed assets	843
Buildings	394
Equipment and fixtures	446
Other tangible fixed assets	4
Intangible fixed assets	3,276
Software	1,626
Software in progress	1,649
Other assets	11,406
Accrued premium	7,472
Accounts receivable	805
Accrued income	2,406
Deposits	485
Other assets	237
Deferred tax assets	97
Total assets	1,709,378

(Millions of Yen)	
Account Title	Amount
(Liabilities)	
Reserves for insurance contract	899,614
Reserves for outstanding commitments	899,614
Unearned premium	165,811
Contingency reserve	733,803
Other liabilities	14,262
Income tax payables	107
Deposits received	10,200
Unearned income	516
Accrued amount payable	3,141
Other liabilities	298
Provision for bonuses	108
Provision for bonuses of directors	9
Provision for retirement allowance	482
Provision for retirement allowance of directors	7
Total liabilities	914,483
(Net assets)	
Capital	169,352
Capital surplus	625,553
Legal capital surplus	625,553
Retained earnings	(10)
Other retained earnings	(10)
Retained earnings brought forward	(10)
Total shareholders' equity	794,895
Total net assets	794,895
Total liabilities and net assets	1,709,378

Notes.

1 Important accounting principles are as follows.

- (1) Standard and method of valuation of securities: Held-to-maturity securities are measured at amortized cost based on the straight-line method.
- (2) Depreciation of tangible fixed assets is calculated using the straight-line method.
- (3) Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated based on the straight-line method over the period of internal use (five years).
- (4) Foreign-currency receivables and payables are converted into Japanese yen at fiscal year-end exchange rates, and conversion adjustments are recorded as profit or loss.
- (5) Provision for bonuses is recognized based on the amount estimated to be paid to employees.
- (6) Provision for bonuses of directors is recognized based on the amount estimated to be paid to directors.
- (7) Provision for retirement allowance is accrued at the amount required to pay. The obligations and expenses of retirement allowance are calculated based on the simplified method whereby the amount required to pay for voluntary resignations is regarded as the obligations of retirement allowance.
- (8) Provision for retirement allowance of directors is accrued at the amount required to pay in accordance with the internal rules.
- (9) Contingency reserve is accrued to pay large insurance claims due to political risks or other reasons, as stipulated in Article 22 of the Trade Insurance and Investment Act.
- (10) Consumption tax and local consumption taxes are accounted for using tax-exclusive method.

2 Significant components of deferred tax assets include the disallowance of provision for bonus, provision for retirement allowance and unpaid business tax, while the main component of deferred tax liabilities is retirement benefits liabilities translation adjustments.

3 Financial instruments

(1) Status

a. Policy on financial instruments

NEXI is engaged in the trade and investment insurance business. Some surpluses are invested in securities to strengthen NEXI's financial base. The securities held by NEXI include government, municipal, and government-backed bonds.

b. Financial instruments and risk

Receivables subrogated by paying insurance claims are exposed to debtor countries' or debtors' credit risk. Securities are exposed to interest rate and market fluctuation risks.

c. Risk management for financial instruments

[1] Country risk management

In concluding insurance contracts (that could cause the acquisition of receivables subrogated by paying insurance claims), NEXI's Country Risk Analysis Group conducts risk assessments by gathering information through the Berne Union and OECD as well as researching and evaluating country risk.

[2] Credit risk management

For the management of credit risk of an export contract counterparty (overseas buyer), the Credit Administration Group conducts credit check and assessment of overseas buyers.

[3] Market risk management

Regarding market risk, such as interest rate and price fluctuation associated with investments in securities, NEXI's fund management plans are discussed by the Board of Directors and the Corporate Governance Department perceives, administrates and reports the implementation status to the Board of Directors.

d. Supplementary explanation regarding fair value of financial instruments

Fair value of financial instruments is based on quoted market price. If the market price is not available, fair value is based on reasonably assessed value. Market value of financial instruments is measured based on certain assumptions and might differ if measured based on different assumptions.

(2) Fair value of financial instruments

The table below describes the carrying amount on the balance sheet, fair value and difference as of the end of the fiscal year. Financial instruments considered extremely difficult to calculate their fair value are not included. (Ref. Note 2)

(Millions of Yen)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	1,241,712	1,241,712	–
(2) Securities	362,438	412,294	49,856
Held-to-maturity securities	362,438	412,294	49,856
(3) Receivables subrogated by paying claims			
Receivables subrogated by paying claims	79,415	79,415	–
Allowance for uncollectible receivables*	–	–	–
(Net)	79,415	79,415	–
(4) Accrued premium	7,472	7,472	–
Assets	1,691,038	1,740,894	49,856
(5) Deposits received	8	8	–
Liabilities	8	8	–

* Allowance for uncollectible receivables associated with receivables subrogated by paying claims is deducted.

Note 1. Items pertaining to calculation of fair value measurement of financial services and securities

(Millions of Yen)

(1) Cash and bank deposits

The carrying amount is deemed as the fair value since these are settled in a short period of time.

(2) Securities

Fair value of securities is based on the quoted market value or value quoted by financial institutions. The differences between carrying amount and fair value by type of held-to-maturity securities are as follows.

(Millions of Yen)

	Type of securities	Carrying amount	Fair value	Difference
Fair value > Carrying amount	Government and municipal bonds	330,534	381,390	50,856
Fair value ≤ Carrying amount	Government and municipal bonds	31,904	30,904	(1,000)
Total		362,438	412,294	49,856

(3) Receivables subrogated by paying claims

Fair value of receivables subrogated by paying claims is equal to the carrying value at the fiscal year end less allowance for uncollectible receivables, since it approximates this net carrying amount.

(4) Accrued premium and (5) Deposits received

The carrying amount is deemed as the fair value since these are settled in a short period of time.

Note 2. Financial instruments considered difficult to calculate fair market values are as follows.

(Millions of Yen)

	Carrying amount
Cash and bank deposits	10,192
Deposits received	10,192

Cash and bank deposits are reserves held in an account at Banco Nacional de Cuba that the government of Cuba opened under the name of "NEXI" (hereinafter referred to as "the Fund") according to an agreement reached by the Japanese and Cuban governments.

As for deposits received, withdrawals from the Fund is restricted for use in Cuban Peso only and for the purpose of domestic development projects in Cuba approved by both Japan and Cuba. Users of the account are to repay NEXI the yen equivalent of the amount withdrawn from the account, which will be deemed as a partial collection of the political risk claims.

It is extremely difficult to measure their fair value because it is impossible to rationally forecast future payments. Therefore, they are not included in (1) cash and bank deposits and (5) deposits received.

Note 3. Expected payment and redemption amount of money claims and securities with maturity after the fiscal year end

	1 year of less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 10 years	More than 10 years to 20 years	More than 20 years	Undetermined*1
Cash and bank deposits	1,241,712	–	–	–	–	–	10,192
Securities							
Held-to-maturity securities	16,500	–	12,300	78,900	247,500	–	–
Receivables subrogated by paying claims*2	14,702	34,537	16,788	6,189	–	–	7,197
Accrued premium	7,472	–	–	–	–	–	–
Total	1,280,387	34,537	29,088	85,089	247,500	–	17,389

Note 1. For cash and bank deposits, the amount of reserves in the above fund are classified as undetermined. Receivables subrogated by paying claims that are in arrears are classified as undetermined. Receivables subrogated by paying commercial risk claims are classified as undetermined because they do not exist at maturity.

Note 2. The amount of receivables subrogated by paying claims is the expected recoverable amount.

4 The amount of accumulated depreciation on tangible fixed assets is JPY 145 million.

5 The breakdown of reserves for outstanding commitments at the end of the fiscal year is as follows.

Reserves for outstanding commitments

Provision for unearned premium (before deducting reinsurance reserve)	JPY 170,089 million
Reinsurance reserve for the above	JPY 4,278 million
Net (a)	JPY 165,811 million
Provision of other outstanding commitment reserves (b)	JPY 733,803 million
Total (a + b)	JPY 899,614 million

6 Net assets per common share is JPY 52,993.03.

Total net assets, which net assets per share is based on, is JPY 794,895 million, and the full amount is available for common shares. The number of common shares at the end of the current fiscal year is 15 million.

7 Receivables subrogated by paying political risk claims, receivables subrogated by paying commercial risk claims, expected receivables subrogated by paying political risk claims, expected receivables subrogated by paying political risk claims, transferred claims, and their total are as follows.

Receivables subrogated by paying political risk claims	JPY 72,873 million
Receivables subrogated by paying commercial risk claims	JPY 6,543 million
Expected receivables subrogated by paying political risk claims	–
Expected receivables subrogated by paying commercial risk claims	–
Transferred claims	–
Total	JPY 79,415 million

8 Amounts are rounded off to the nearest integer unit.

Statement of Income (April 1, 2017–March 31, 2018)

(Millions of Yen)

Account Title	Amount
Ordinary income	67,331
Underwriting income	51,500
Net premium written	51,386
Other underwriting income	114
Subrogation income	10,211
Investment income	5,609
Interest and dividend income	5,609
Other ordinary income	11
Ordinary expenses	68,931
Underwriting expenses	61,538
Net claims paid	19,256
Acquisition of receivables subrogated by paying claims	(5,230)
Commission fees	(591)
Provision for outstanding commitments reserves	47,929
Provision for unearned premium	13,053
Provision for contingency reserve	34,876
Foreign exchange loss	175
Other underwriting expenses	0
Subrogation expenses	680
Investment expenses	798
Foreign exchange loss	798
Operating and administrative expenses	5,912
Other ordinary expenses	3
Other ordinary expenses	3
Ordinary loss	(1,600)
Extraordinary income	1,600
Income from government grants	1,600
Income before income taxes	–
Income taxes-current	107
Income taxes-deferred	(97)
Total income taxes	10
Net profit (loss)	(10)

Notes.

1

(1) Breakdown of net premium written is as follows.

Premium written	JPY 56,117 million
Reinsurance premium paid	(JPY 4,731 million)
Total	JPY 51,386 million

(2) Breakdown of net claims paid is as follows

Insurance claims paid	JPY 19,256 million
Reinsurance claims recovered	—
Total	JPY 19,256 million

(3) Breakdown of commission fees is as follows.

Commission for agencies and others	JPY 0 million
Commission for outward reinsurance	(JPY 591 million)
Total	(JPY 591 million)

(4) Breakdown of provision for outstanding commitments reserves (figures in parentheses are reversals of provision) is as follows.

Provision for unearned premium (before deducting outstanding commitments reserves for reinsurance)	JPY 17,071 million
Provision for outstanding commitments reserves for reinsurance related to the above	JPY 4,019 million
Net (a)	JPY 13,053 million
Provision for other outstanding commitment reserves (b)	JPY 34,876 million
Total (a + b)	JPY 47,929 million

(5) Breakdown of interest and dividend income is as follows.

Interest from bank deposits	JPY 38 million
Interest and dividends from securities	JPY 5,571 million
Other interest and dividends	—
Total	JPY 5,609 million

(6) Breakdown of subrogation income and subrogation expenses is as follows.

Subrogation income

Recoveries of receivables subrogated by paying political risk claims	JPY 18 million
Interest from receivables subrogated by paying political risk claims	JPY 4,370 million
Recoveries of receivables subrogated by paying commercial risk claims	JPY 5,090 million
Interest from receivables subrogated by paying commercial risk claims	JPY 1 million
Recoveries of transferred claims	JPY 170 million
Recoveries received	JPY 501 million
Recoveries from overseas reinsurance received	JPY 22 million
Others	JPY 39 million
Total	JPY 10,211 million

(Subrogation expenses)

Bad debt loss (commercial risk claims)	JPY 22 million
Debt recovery expenses (underwritten)	JPY 92 million
Recovery expenses (inward reinsurance)	JPY 7 million
Foreign exchange loss (subrogation expenses, etc.)	JPY 559 million
Total	JPY 680 million

2 Business with related parties is as follows.

(Millions of Yen)

Type	Entity	Ratio of voting rights, etc.	Relation with party	Transactions	Amount of transactions ²	Account title	Balance at end of fiscal period
Major shareholders	Ministry of Finance	Directly held 100%	Trade and investment insurance administration	Income from government grants ¹	1,600	—	—

Condition of transactions and the policy for deciding the conditions of transactions, etc.

Note 1. The grants are provided to partially compensate for the impact that debt deduction for heavily indebted poor countries (HIPC), etc. has on the trade and investment insurance business.

Note 2. The figure does not include consumption tax, etc.

3 Government grant income recorded as extraordinary income refers to grants provided by the government to partially compensate for the impact that debt deduction for HIPC and others has on the trade and investment insurance business.

4 Net loss per share is JPY 0.69.

Net loss for the current fiscal year, which net loss per share is based on, is JPY 10 million, and the full amount of the loss is related to common shares.

The average number of common shares during the fiscal year was 15 million.

The diluted net loss per share is not given since there are no dilutive shares.

5 Amounts are rounded off to the nearest integer unit.

Statement of Changes in Net Assets (April 1, 2017–March 31, 2018)

(Millions of Yen)

	Shareholders' Equity					Total shareholders' equity	Total net assets
	Capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total Capital Surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the year	169,352	625,553	625,553	–	–	794,906	794,906
Changes during the year							
Issuance of new shares			–		–	–	–
Dividends of surplus			–		–	–	–
Net profit (loss)			–	(10)	(10)	(10)	(10)
Net change in items other than shareholders' equity during the year			–		–	–	–
Total change during the year	–	–	–	(10)	(10)	(10)	(10)
Balance at the end of the year	169,352	625,553	625,553	(10)	(10)	794,895	794,895

Notes.

1 Type and total number of issued shares and treasury shares

(Thousands of Shares)

	Number of shares at the beginning of the year	Increase in number of shares during the year	Decrease in number of shares during the year	Number of shares at the end of the year
Issued shares				
Common shares	15,000	–	–	15,000
Total	15,000	–	–	15,000

Note: NEXI holds no treasury shares.

2 Stock acquisition rights and treasury stock acquisition rights

There are no applicable matters.

3 Dividends

There are no applicable matters.

Statement of Cash Flows (April 1, 2017–March 31, 2018)

(Millions of Yen)

Account Title	Amount
Cash flows from operating activities	
Premium received	68,714
Premium paid	(19,248)
Income from recovery of receivables subrogated by paying claims	32,899
Payment of recovered receivables subrogated by paying claims	(6,196)
Payment of operating and administrative expenses	(5,420)
Others	325
Subtotal	71,075
Interest and dividends received	10,449
Net cash provided by (used in) operating activities	81,524
Cash flows from investing activities	
Redemption and sales of securities	10,000
Total for asset management activities	10,000
[Total for operating and asset management activities]	[91,524]
Purchase of tangible fixed assets	(166)
Purchase of intangible fixed assets	(1,707)
Others	43
Net cash provided by (used in) investing activities	8,169
Cash flows from financing activities	
Income from government grants received	1,600
Net cash provided by (used in) financing activities	1,600
Effect of exchange rate changes on cash and cash equivalents	(1,102)
Net increase (decrease) in cash and cash equivalents	90,192
Cash and cash equivalents at the beginning of the year	1,151,521
Cash and cash equivalents at the end of the year	1,241,712

Notes.

- The Statement of Cash Flows to be submitted to the Minister of Trade, Economy and Industry under the provisions of Article 20 of the Trade and Investment Insurance Act is prepared in accordance with accounting principles generally accepted in Japan and ordinance on terminology, forms and preparation methods of financial statements.
- Cash and cash equivalents in the statement of cash flows comprise cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash and bear only minor risks with respect to fluctuation of value with their redemption deadline arriving within about three months from the acquisition date.

- A reconciliation of the balance of cash and cash equivalents at the end of the current fiscal year to the amount of cash and bank deposits as presented in the balance sheet is as follows.

At the end of the current fiscal year	(Millions of Yen)
Cash and bank deposits	1,251,904
Other bank deposits*	(10,192)
Cash and cash equivalents at the end of the year	1,241,712

* Other bank deposits are not included in the scope of cash and cash equivalents for the following reason. Under a debt relief agreement between the governments of Japan and Cuba, the Cuban government opened an account at Banco Nacional de Cuba under the name of "NEXI." Withdrawals from the account are restricted to use for development projects for Cuba approved by both governments and to be made in Cuban Peso. Users of the account are to pay the equivalent amount to withdrawals in Japanese yen to NEXI.

- Amounts are rounded off to the nearest unit.

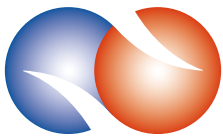
Account Titles Used by NEXI

Balance Sheet

Account title	Description
Receivables subrogated by paying claims	Total assets of receivables subrogated by paying political risk claims, receivables subrogated by paying commercial risk claims, expected receivables subrogated by paying political risk claims, expected receivables subrogated by paying commercial risk claims and transferred claims, out of the rights acquired as stipulated in Article 42 of the Trade and Investment Insurance Act
Accrued premium	Accrued premium associated with insurance applications
Accrued income	Total accrued interest from securities and receivables subrogated by paying claims (receivables subrogated by paying political risk claims) at the end of the fiscal year
Outstanding claims reserves	The amount needed to pay claims that are already made but not yet recorded as expense and that are not yet made but the occurrence of events is already notified about (excluding notification of the delay in the performance of obligations)
Unearned premium	For premium written, the amount equivalent to liability for the remaining period of coverage period stipulated in the insurance contract, etc. at the end of the fiscal year
Contingency reserve	Amount to prepare for possible future risks in order to fulfill obligations based on insurance contracts, etc.

Statement of Income

Account Item	Description
Net premium written	Premium of original insurance written adjusted by reinsurance premium, with premium received for reinsurance added and premium paid for reinsurance deducted
Subrogation income (expenses)	Amount including income from recovery on subrogated receivables, interest income, foreign exchange profit or loss, and bad debt loss
Investment income (expenses)	Amount including interest of financial assets such as bank deposits and securities, investment income such as dividends, foreign exchange profit or loss, and gain or loss on sale
Net claims paid	Amount calculated by deducting reinsurance claims recovered from paid insurance claims.
Acquisition of receivables subrogated by paying claims	Appraised value of acquired receivables subrogated by paying claims (excluding transferred claims) at the time of recognition
Commission fees	Commission for outward reinsurance, agencies and others
Income from Government grants	Grants related to debt forgiveness deemed necessary to fulfill international obligations under Article 36 of the Trade and Investment Insurance Act.



NEXI

Nippon Export and Investment Insurance

Nippon Export and Investment Insurance
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