

Jan 2020

Receivables Protection Program for
Japanese Overseas Subsidiaries
~NEXI Reinsurance Scheme~

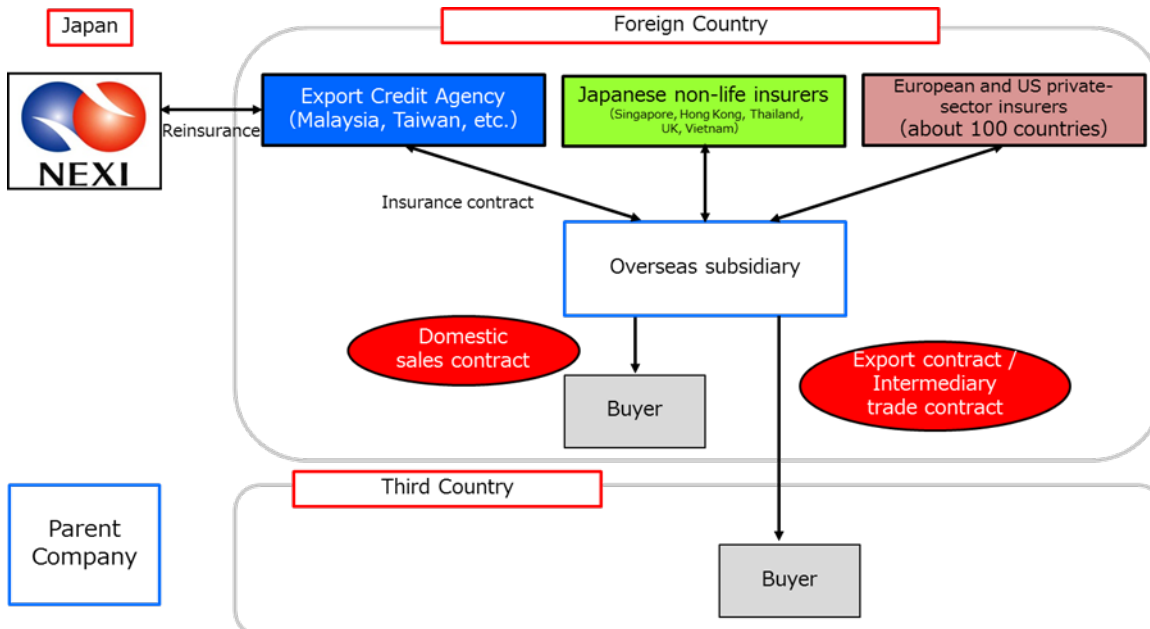
Nippon Export and Investment Insurance (NEXI)





NEXI reinsurance scheme

- NEXI's trade and investment insurance protects you against risks associated with your external transactions. It covers losses caused by country risk (e.g. war and natural disasters) and credit risk such as bankruptcy and late payment by your buyer.
- NEXI's support mainly focuses on transactions from Japan to foreign countries (export, outward investment and foreign lending). However, with more Japanese companies expanding overseas, there has been a growing demand in recent years for NEXI's support for transactions conducted by their overseas subsidiaries, such as domestic sale, export and intermediary trade.
- To meet such demand, NEXI would like to present our program, in particular, our reinsurance scheme, for protecting Japanese subsidiaries' accounts receivable.

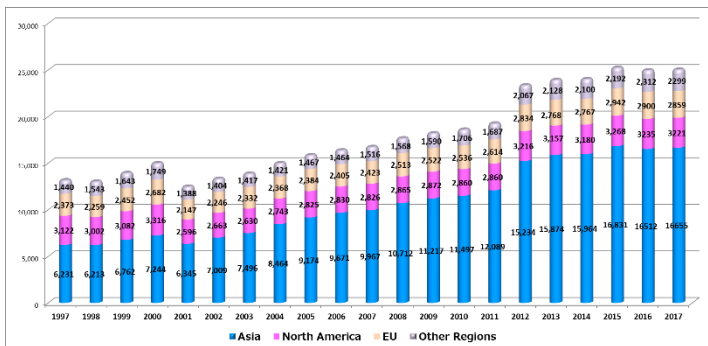


※Japanese overseas subsidiary is a foreign entity at least 10 percent owned by a Japanese parent company.

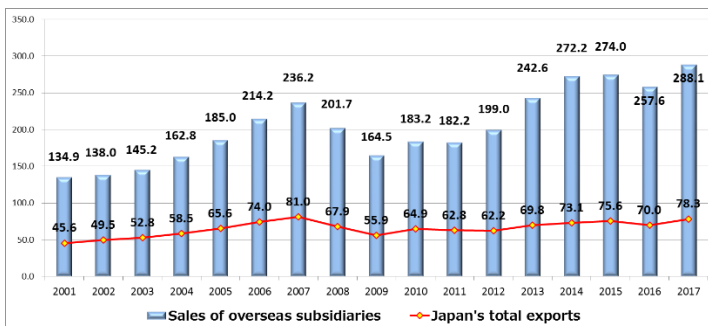


Japanese expansion to overseas market

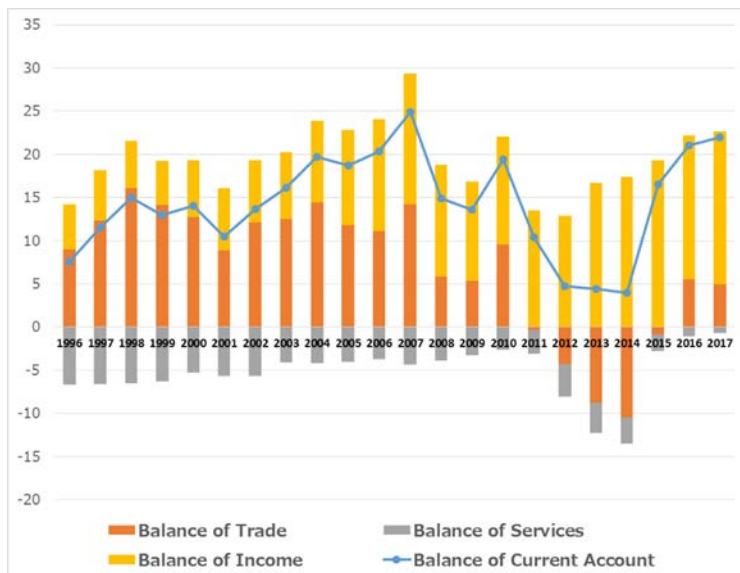
- A growing number of Japanese companies are expanding business overseas, especially in Asia. According to FY2017 data, the number of Japanese subsidiaries operating overseas reached 25,000, with total annual sales at about JPY 288 trillion, about 3.7 times as much as total annual exports from Japan (about JPY 78 trillion).
- While Japan's trade balance returned to a surplus in 2016 from a five-year deficit since the 2011 Great East Japan Earthquake, the income balance has remained in surplus and has supported the Japanese economy. The fact indicates that the income balance, stable dividend from overseas subsidiaries, plays an essential role in the nation's economy.



Number of overseas subsidiaries from 1997 through 2017
Source: METI Survey of Overseas Business Activities



Sales of overseas subsidiaries from 2001 through 2017
Source: METI Survey of Overseas Business Activities
(trillions of yen)

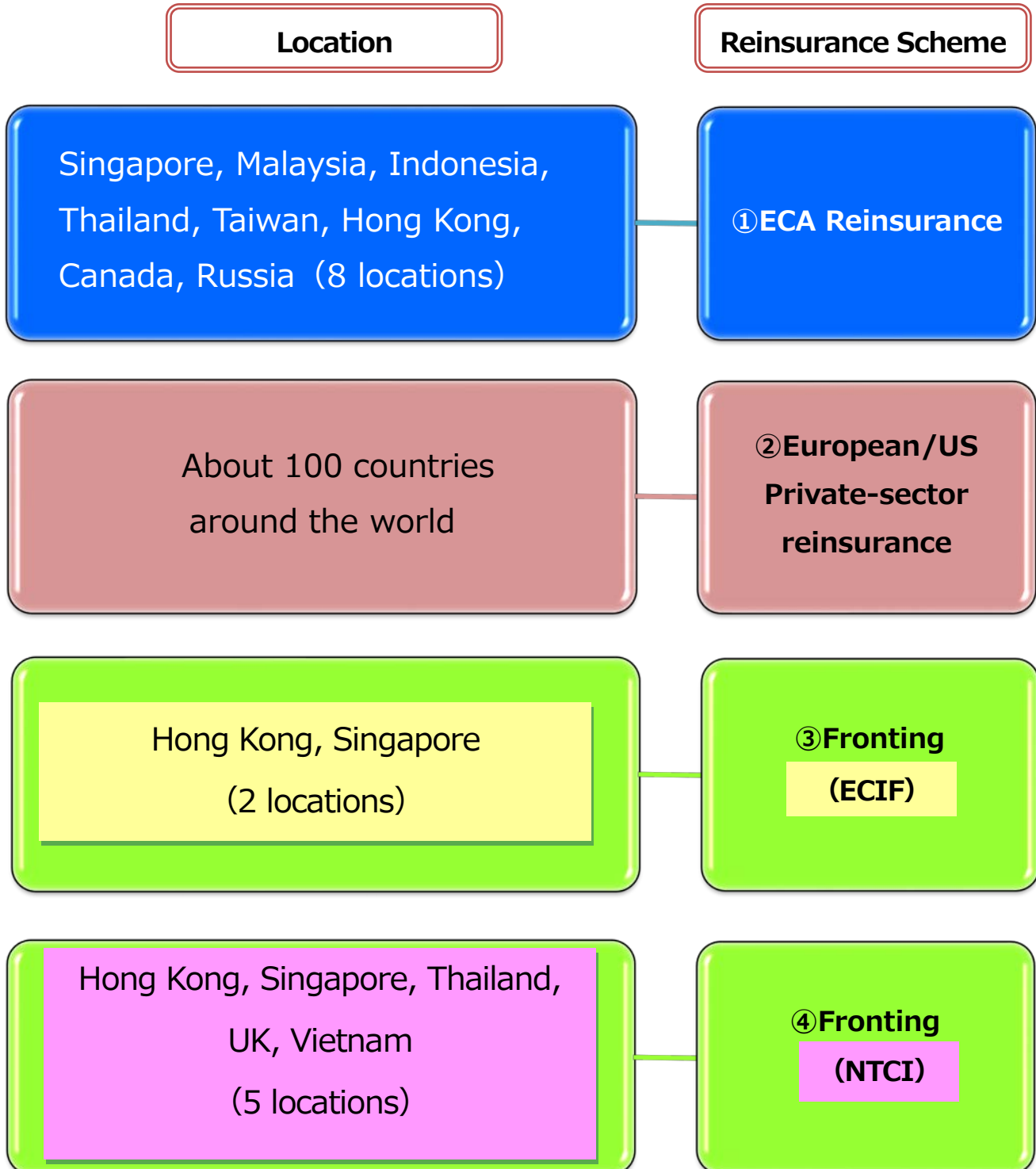


Japan's balance of payments from 1996 through 2017
Source: MOF Balance of Payments Summary Table
(trillions of yen)



Support Fitting into Transactions of Overseas Subsidiaries

- NEXI provides reinsurance scheme that fits into your business requirements.



■ List of Reinsurance Schemes

Reinsurance Menu	Year of starting service	Ceding Company	Location	Insured Contract	Usance
① ECA Reinsurance	2004	ECICS	Singapore	<ul style="list-style-type: none"> • Export Contract • Intermediary Trade 	200 days
	2006	MEXIM	Malaysia	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract • Intermediary Trade 	180 days
	2009	ASEI	Indonesia	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract 	180 days
	2009	Thai Exim	Thailand	<ul style="list-style-type: none"> • Export Contract 	180 days
	2010	TEBC	Taiwan	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract 	180 days
	2012	HKECIC	Hong Kong	<ul style="list-style-type: none"> • Export Contract 	180 days
	2012	EDC	Canada	<ul style="list-style-type: none"> • Export Contract 	180 days
	2016	EXIAR	Russia	<ul style="list-style-type: none"> • Export Contract 	case by case
② European/US Private-sector reinsurance	2013	Euler Hermes (France)	52 countries	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract • Intermediary Trade 	180 days
	2014	Coface (France)	96 countries	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract • Intermediary Trade 	180 days
	2015	AIG (US)	62 countries	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract • Intermediary Trade 	case by case
	2016	HCC (US · UK)	US · UK · EU	<ul style="list-style-type: none"> • Sales Contract (incl. Intermediary Trade) • Service Agreement • Loan Agreement 	case by case
	2019	MSIEU/MS Amlin (UK)	US · Countries MSIG located	<ul style="list-style-type: none"> • Sales Contract (incl. Intermediary Trade) • Service Agreement • Loan Agreement • Investment 	case by case
	2019	Credendo-Ingosstrakh (Russia)	Russia	<ul style="list-style-type: none"> • Domestic Sales Contract 	case by case
③ Fronting (ECIF)	2010	<ul style="list-style-type: none"> • Mitsui Sumitomo • Sampo Japan Nipponkoa • Tokio Marine & Nichido 	Singapore Hong Kong	<ul style="list-style-type: none"> • Export Contract • Intermediary Trade 	2 years
④ Fronting (NTCI)	2013	<ul style="list-style-type: none"> • Mitsui Sumitomo • Sampo Japan Nipponkoa • Tokio Marine & Nichido 	Singapore Hong Kong Thailand	<ul style="list-style-type: none"> • Domestic Sales Contract • Export Contract • Intermediary Trade 	180 days
	2016	<ul style="list-style-type: none"> • Mitsui Sumitomo 	UK		
	2018	<ul style="list-style-type: none"> • Mitsui Sumitomo • Sampo Japan Nipponkoa • Tokio Marine & Nichido 	Vietnam		



About Fronting

- “Fronting” presented by NEXI is a reinsurance scheme under which NEXI’s insurance products are sold on behalf of NEXI by a primary insurer that holds a license to issue insurance policies overseas.
- Under this scheme, NEXI’s insurance provided through fronting enhances credit of insurance offered by private-sector insurers; their underwritten capacity could be scaled down to control risks in the case of emergency situations such as the Great Recession, European crisis, prolonged instability in Ukraine and falling stock prices in China.
- The fronting scheme can ensure stable insurance capacity by covering risks that otherwise would not be covered.
- This scheme is an “all Japan support program” offered by NEXI in close collaboration with Japanese non-life insurers’ overseas network.

Comparison between Fronting and Reinsurance

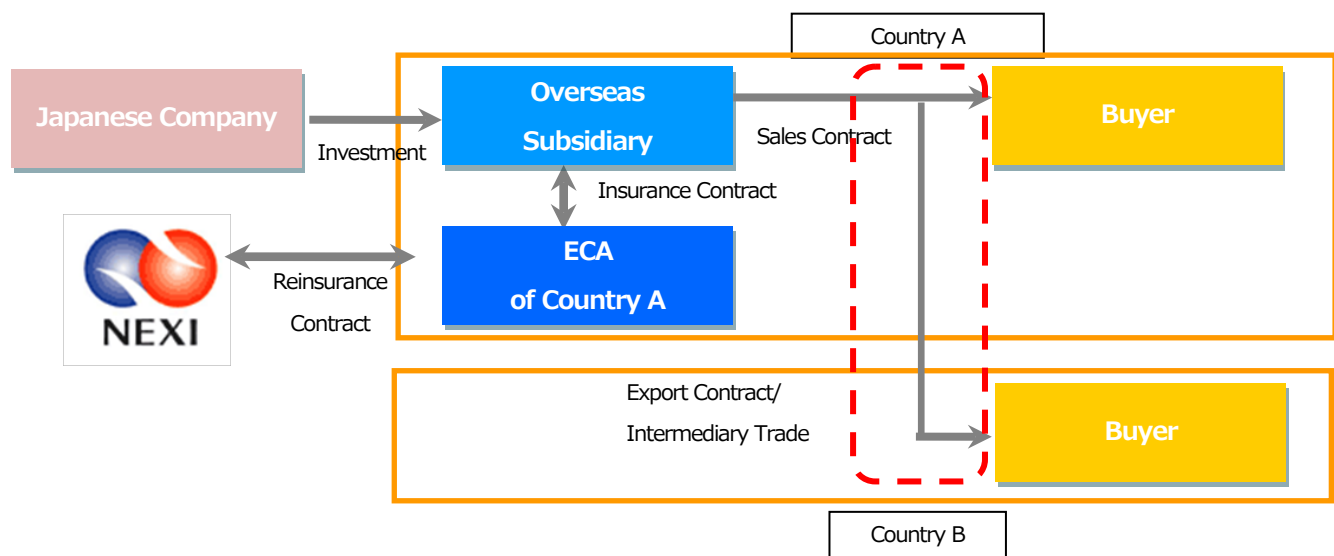
	Fronting	Reinsurance
Product	NEXI	Ceding Company
NEXI Reinsurance Proportion	100%	Up to 50%
Underwriting Decision	NEXI	Ceding Company

① ECA Reinsurance

Point

- ECA is a government-affiliated export credit agency of each country.

Scheme



Ceding Company

- ① Singapore (ECICS Limited)
- ② Malaysia (Export-Import Bank of Malaysia Berhad)
- ③ Indonesia (Asuransi Ekspor Indonesia)
- ④ Thailand (Export-Import Bank of Thailand)
- ⑤ Taiwan (Taipei Export-Import Bank of China)
- ⑥ Hong Kong (Hong Kong Export Credit Insurance Corporation)
- ⑦ Canada (Export Development Canada)
- ⑧ Russia (Russian Agency for Export Credit and Investment Insurance)

Covered Transactions, Premium

Cover conditions are based on contract and policy of a partner ECA.

Application

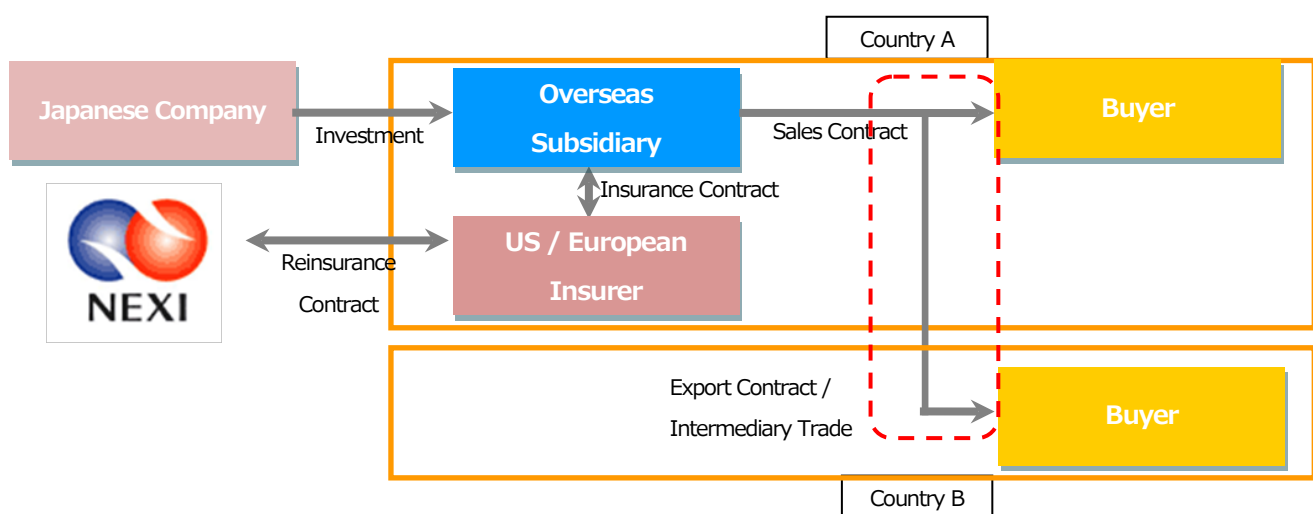
For application, NEXI serves as contact to each ECA.

② European and US private-sector reinsurance

Point

- Offering coverage for risks in high-risk countries that are not covered by private-sector insurers, or when the maximum liability is insufficient. Available in about 100 countries.

Scheme



Ceding Company

Broadly available in countries where European and US private-sector insurers are operating services

- ① Euler Hermes Deutschland AG (52 countries)
- ② Coface SA (96 countries)
- ③ American International Group (62 countries)
- ④ HCC (US · UK · EU member nations)
- ⑤ MSIEU/MS Amlin (UK · Countries MSIG located)
- ⑥ Credendo-Ingosstrakh (Russia)

Terms and conditions

Terms and conditions are based on the insurer's policy and contract with them.

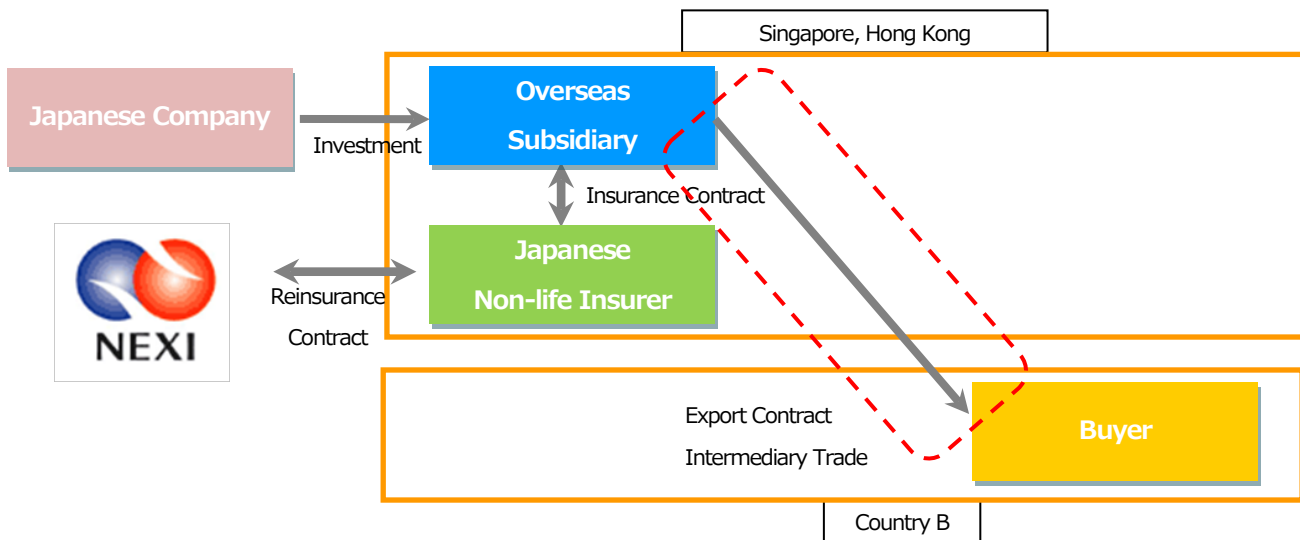
Application

For application, please contact to each insurer or NEXI.

③ Fronting (ECIF)

Point

- Insurance suitable for one-shot transactions with usance up to 2 years. Application is made for each export contract.



Ceding Company

Overseas subsidiaries of Mitsui Sumitomo, Sompo Japan Nipponkoa and Tokio Marine & Nichido

Application

Sales Contract must be presented at the signing of an insurance contract.

Model Insurance Premium

Contract Value: USD1, 000,000, 30days before shipment and 60 days after shipment, Buyer Rating: EF

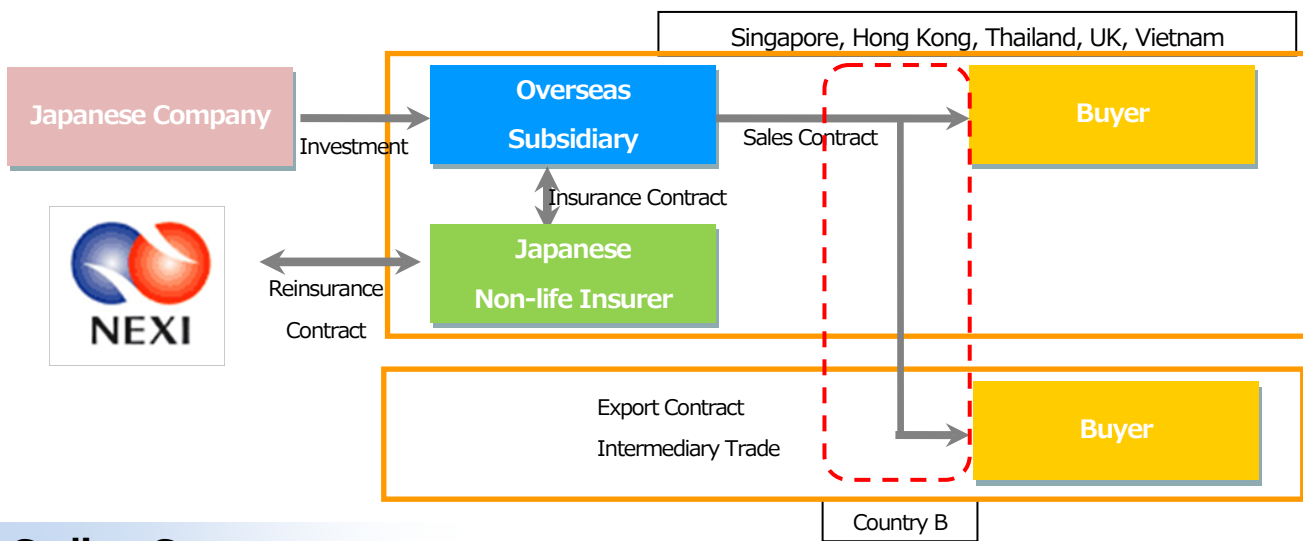
Shipment to China (Category C)	USD 12,930 (1.293%)
Shipment to Laos (Category H)	USD 26,190 (2.619%)

④ Fronting (NTCI)

Point

- Insurance suitable for repeated and successive transactions (with usance up to 180 days). Maximum Liability is set to be used for one year on each buyer.

Scheme



Ceding Company

Overseas subsidiaries of Mitsui Sumitomo, Sampo Japan Nipponkoa and Tokio Marine & Nichido

Application

Sales Contract is not necessary at the signing of an insurance contract.

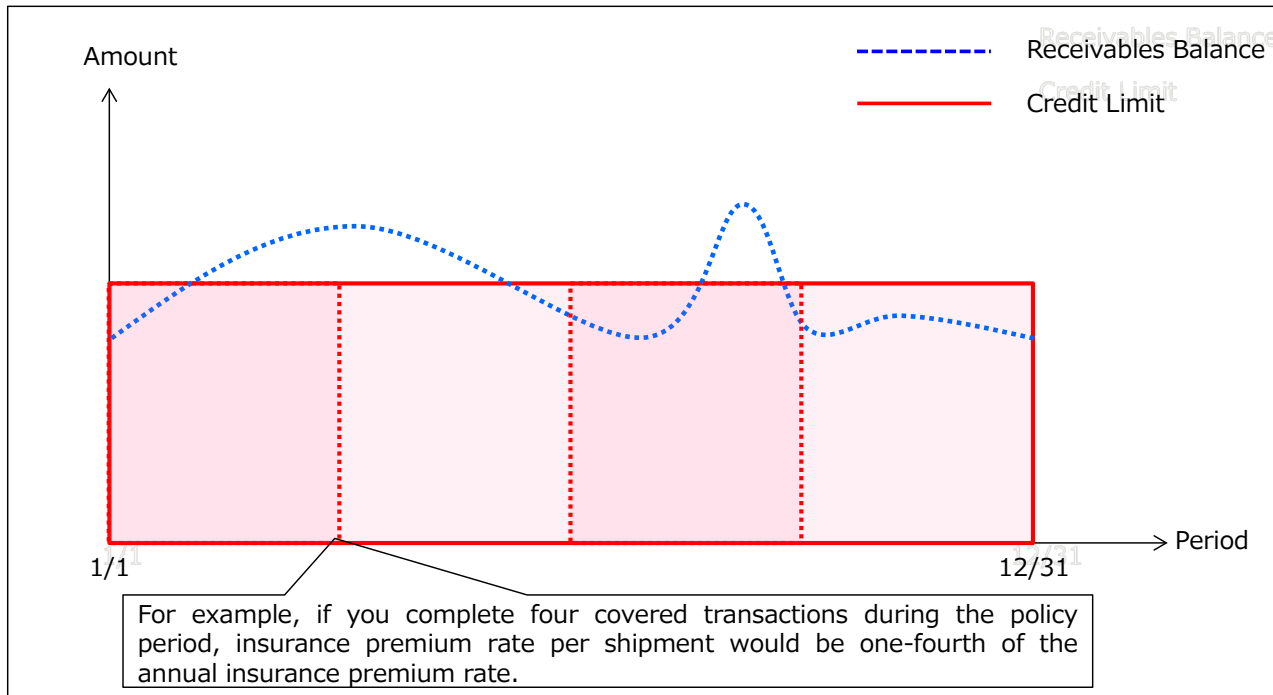
- ① Single-buyer Type : For transactions with a single buyer
- ② Multi-buyer Type : For transactions with at least 5 buyers (with premium one third as much as that of single-buyer type)

Model Insurance Premium

Credit Limit: USD1,000,000, 30 days before shipment and 60 days after shipment, Buyer Rating: EF

Shipment to China (Category C)	Single : USD 31,620 (3.162%) Multi : USD 9,480 (0.948%)
Shipment to Laos (Category H)	Single : USD 63,880 (6.388%) Multi : USD 19,160 (1.916%)

■ Features of Fronting (NTCI)



① Non-cancellable limit

No unilateral cancellation or reduction of limit regardless of market fluctuations or deterioration of the buyer's credit status, except at times of occurrence of covered events

② Transactions with high-risk countries

Coverage for non-marketable risk and risks in high-risk countries that may not be covered by private-sector insurers (e.g. risks in Russia, Ukraine, Egypt, Myanmar, Pakistan, and Cambodia)

③ Single-buyer Type

NTCI's Single-buyer Type can provide broader coverage compared to coverage by private-sector insurers

④ Multi-buyer Type

Basically, Multi-buyer Type coverage is applicable for a contract with a group of at least 5 buyers. The group can be a group of all buyers, a group of buyers dealing with specific transactions, a group of top-sales buyers, and a group of new buyers.

⑤ Insurance claims payable in foreign currency

Insurance claims can be paid in foreign currency such as US dollars, Euros, and Thai baht.

■ **Fronting (ECIF) Underwriting Example**

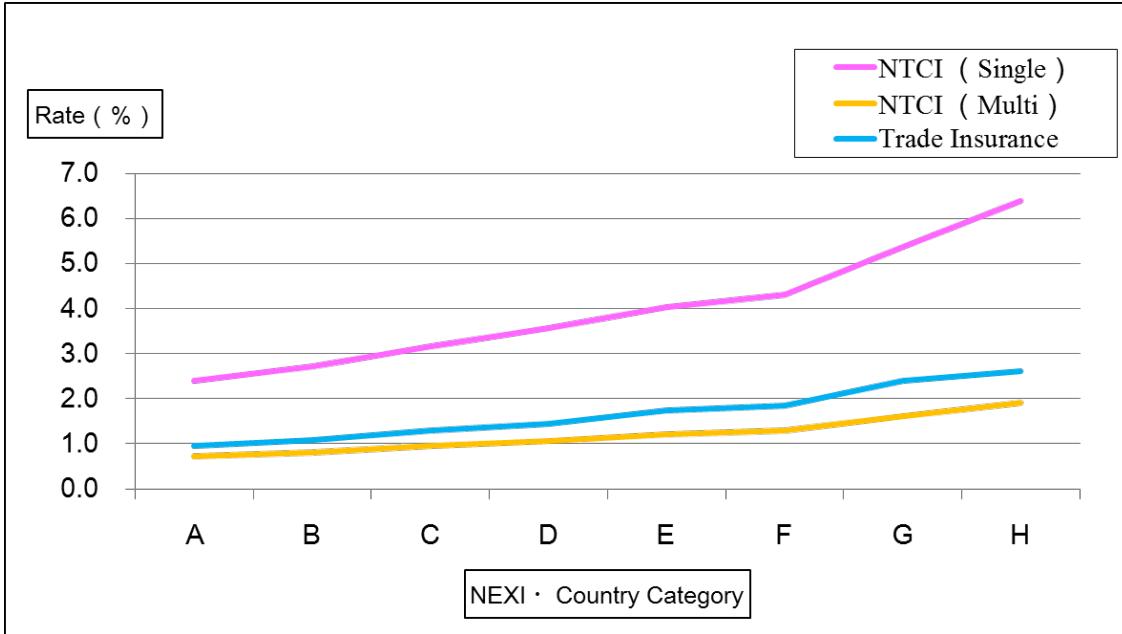
Insured	Covered Risk	Buyer's Location	Country Category	Rating	Settlement Period	Premium Rate
General Trading Company	political / commercial risk	China	C	EF	100 days	2.1%
Specialized Trading Company	political / commercial risk	Malaysia	C	EF	30 days	0.9%
Specialized Trading Company	political / commercial risk	Thailand	D	EE	30 days	0.5%
Specialized Trading Company	political / commercial risk	Indonesia	D	EA	30 days	0.6%
General Trading Company	political / commercial risk			EA	60 days	0.9%
General Trading Company	political / commercial risk			EF	60 days	1.4%
Chemical Manufacturer	political / commercial risk	Colombia	E	EF	60 days	1.7%
Chemical Manufacturer	political / commercial risk	Greece	F	EF	60 days	1.8%
General Trading Company	political / commercial risk	Cambodia	G	EA	45 days	1.7%
Electronic Manufacturer	political / commercial risk	Myanmar	H	PU	30 days	1.6%
Steel Manufacturer	political / commercial risk	Pakistan	H	EF	30 days	2.0%
Specialized Trading Company	political risk	Egypt	F	EF	90 days	2.4%
Specialized Trading Company	political risk	Lebanon	H	PU	30 days	1.6%

■ Fronting (NTCI) Underwriting Example

Insured	Single / Multi	Buyer's Location	Country Category	Rating	Settlement Period	Premium Rate	Premium Rate per Shipment (Reference)	
Electronic Manufacturer	Single	China	C	EA	60 days	1.6%	0.3%	
Chemical Manufacturer				EF	60 days	3.2%	0.5%	
Wholesaler				EF	90 days	3.1%	0.8%	
Specialized Trading Company		Malaysia	C	EF	90 days	3.3%	0.8%	
Specialized Trading Company				EF	60 days	3.2%	0.5%	
Wholesaler		Thailand	D	EF	60 days	3.5%	0.6%	
Wholesaler				EF	90 days	3.4%	0.8%	
Wholesaler				EF	90 days	3.6%	0.9%	
Chemical Manufacturer				EF	60 days	3.5%	0.6%	
Electronic Manufacturer					EF	90 days	3.9%	1.0%
General Trading Company		Russia	E	EF	90 days	4.1%	1.0%	
Electronic Manufacturer					EF	90 days	3.7%	0.9%
Medical-device Manufacturer		Jordan	F	GA	60 days	2.4%	0.4%	
General Trading Company		Egypt	G	EF	90 days	5.5%	1.4%	
General Trading Company					EF	90 days	5.2%	1.3%
General Trading Company		Ukraine	H	EA	90 days	4.9%	1.2%	
General Trading Company					EF	90 days	6.3%	1.6%
Electronic Manufacturer	Laos	H	EF	60 days	6.1%	1.0%		
Specialized Trading Company	Multi (new buyers)	Italy×9	A	EA×1 EF×8	90 days ~ 180 days	0.8%	0.2%~0.4%	
Stationery Manufacturer	Multi (small-value transaction)	Singapore×1	A	EF	60 days ~ 120 days	0.8%	0.1%~0.3%	
		Hong Kong×14	B	EA×2 EF×12				
		Taiwan×3		EF×3				
		Indonesia×2	D	EF				
		Thailand×1						
Specialized Trading Company	Multi (Private credit is unavailable)	Malaysia×2	C	EF	60 days ~ 90 days	1.1%	0.2%~0.3%	
		Thailand×3	D					
General Trading Company	Multi (high-risk countries)	Ecuador	E	EF	90 days ~ 120 days	1.5%	0.4%~0.5%	
		Colombia×2	G					
		Ukraine×2	H					EA×1 EF×1
Chemical Manufacturer	Multi (high-risk countries)	Singapore×3	A	EF	60 days ~ 90 days	1.1%	0.2%~0.3%	
		Saudi Arabia×1	C					
		Tanzania×1	G					

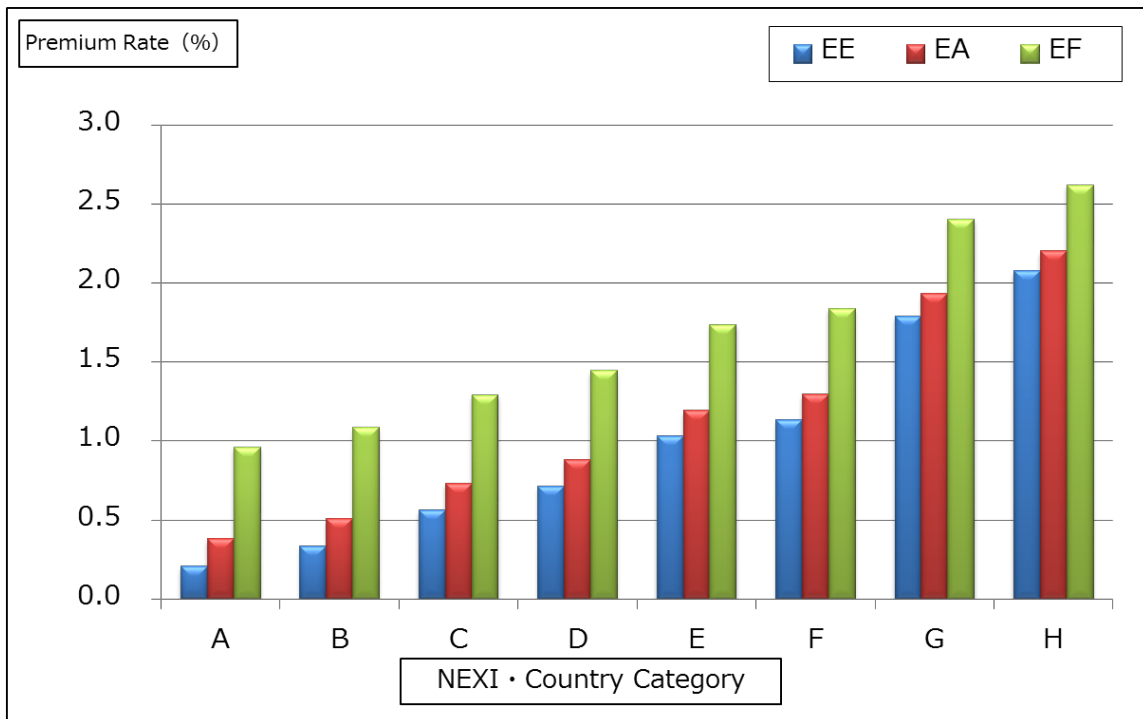
Comparison Example of Premium Rate

- Preconditions: Transactions with a buyer rated EF, policy period of 30 days before shipment and 60 days after shipment
- ECIF: Insurance Premium = Insurable Value × Premium Rate
- NTCI: Insurance Premium = Maximum Liability × Premium Rate



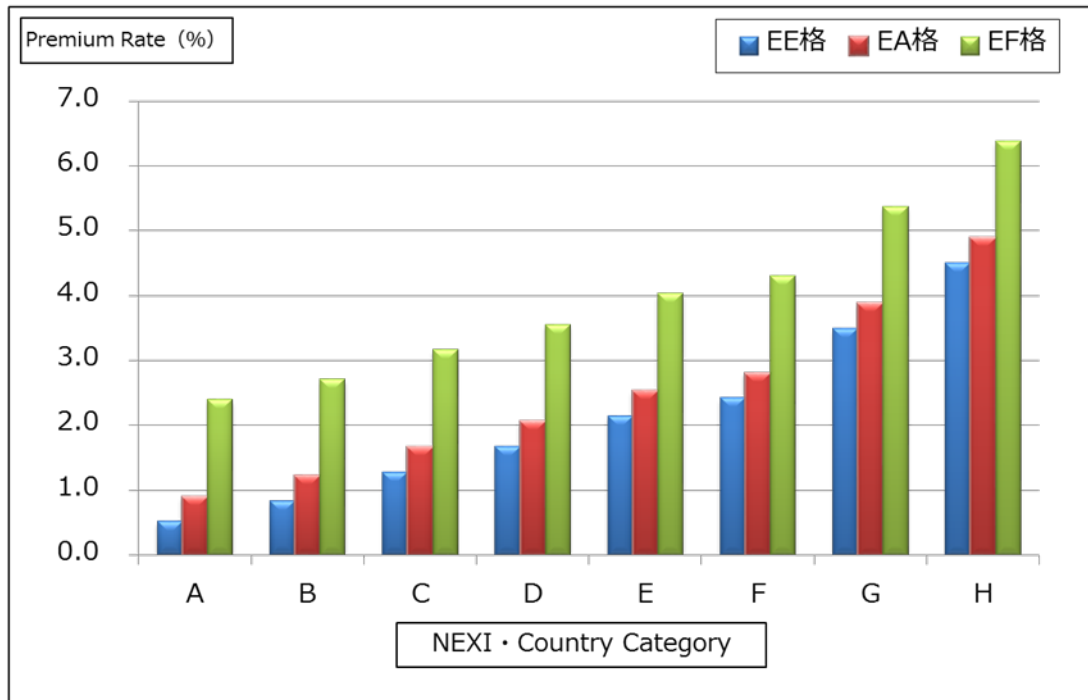
Fronting (ECIF)

Singapore · Hong Kong



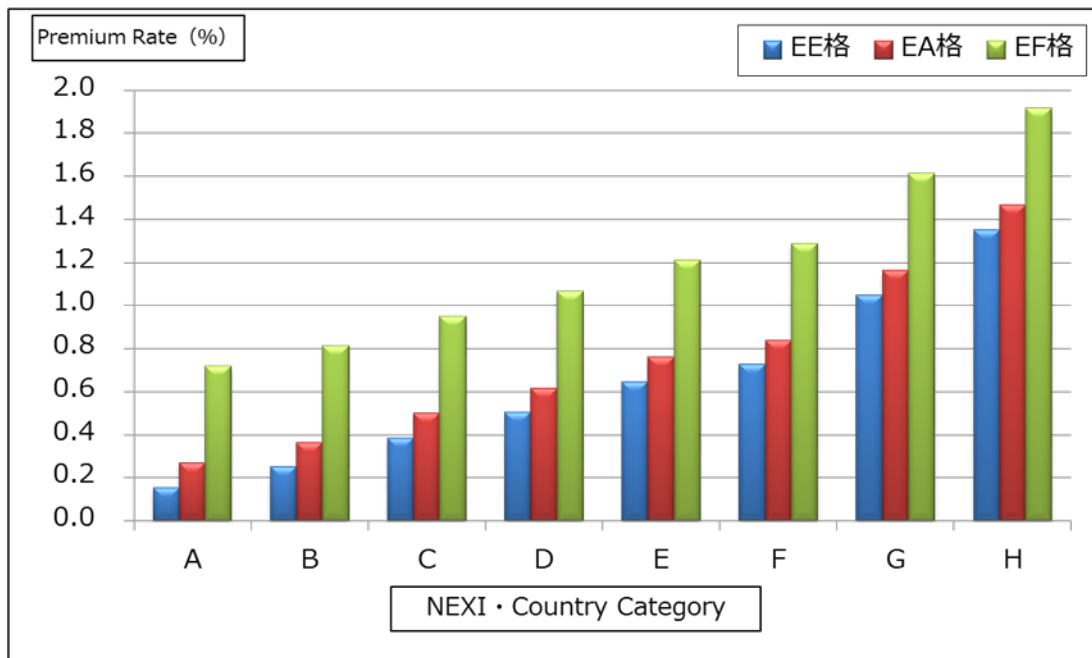
Fronting (NTCI)

【Single-Buyer Type】 Singapore · Hong Kong · Thailand · UK · Vietnam



Fronting (NTCI)

【Multi-Buyer Type】 Singapore · Hong Kong · Thailand · UK · Vietnam



■ Japanese Non-life Insurers' Global Network

Market	Insurer's Name	Contact
Singapore	MSIG Insurance (Singapore) Pte. Ltd.	+65-6827-7888
	Tokio Marine Insurance Singapore Ltd.	+65-6221-6111
	Sompo Insurance Singapore Pte. Ltd.	+65-6461-6555
Hong Kong	MSIG Insurance (Hong Kong) Limited	+852-2894-0893
	The Tokio Marine and Fire Insurance Co. (HK) Ltd.	+852-2529-4401
	Sompo Japan Nipponkoa Insurance (HK) Co., Ltd.	+852-2831-9980
Thailand	Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	+66-2679-6165
	Tokio Marine Insurance (Thailand) Public Co. Ltd.	+66-2686-8889
	Sompo Japan Nipponkoa Insurance (Thailand) Plc.	+66-2119-3000
UK	Mitsui Sumitomo Insurance Company (Europe) Ltd.	+44-20-7977-8321
Vietnam	MSIG Insurance (Vietnam) Co., Ltd.	Hanoi +84-24-3936-9188 Ho Chi Minh +84-28-3821-9030
	Bao Viet Tokio Marine Insurance Company Limited	Hanoi +84-24-3933-0704 Ho Chi Minh +84-28-3822-1340
	United Insurance Company of Vietnam	Hanoi +84-24-3826-2686 Ho Chi Minh +84-28-3821-9036

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