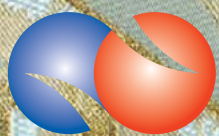


# Annual Report FY2006 (Apr. 2006 – Mar. 2007)



**NEXI**

Nippon Export and Investment Insurance



## NEXI's Resolution

**S** **P** **I** **R** **I** **T**  
 SPEED PROFESSIONAL INTEGRATION REFORM IT ORIENTED TRANSPARENCY



## NEXI Mission

### NEXI is committed to:

1. Providing insurance products that make customers feel secure and protected in overseas transactions
2. Providing advice to customers from the preliminary stage of planning transactions
3. Responding promptly to inquiries and the interests of customers
4. Meeting customers' demands and business needs
5. Promptly completing the assessment of insurance claims and making insurance claim payment
6. Promptly allocating the recovery

### Management Principle

NEXI will contribute to Japan's economic community by anticipating changes in the market at all times, appropriately responding to customer needs, and efficiently and effectively conducting insurance business in covering risks that arise in international transactions but are not covered by regular commercial insurance.

### Management Policy

1. NEXI, realizing its role as an incorporated administrative agency, operates its business from the public standpoint and aims at being conducive to national stability and sound development of the economic community.
2. NEXI will observe the customer-first principle at all times, provide high-quality services by improving its expertise, and aim at increasing customer satisfaction and building strong trust relations with customers.
3. NEXI will systematically make use of its operating resources, work on quantitatively and qualitatively increasing the risks it underwrites, improve its profits through appropriate risk management, and aim for long-range development.
4. NEXI will develop human resources and promote staff strengthening their specialty, make use of staff diversity, and aim at creating a liberal and lively workspace where staff feels proud of their organization.

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## Message from the Chairman



**Hidehiro Konno**  
Chairman and CEO

Since its establishment in April 2001, Nippon Export and Investment Insurance (NEXI) has operated on the principle of “customer first,” and has striven to improve services and enhance the efficiency of business operations. Taking a positive view of the new business environment brought about by the progress of deregulation, our staff at NEXI is doing its utmost to provide services that meet the true needs of its customers.

An example of this effort is an improvement in the insurance products and premium rate structure, including the fundamental review of the comprehensive insurance contracts with the exporters’ associations, conducted from April 2007. We have adopted an optional coverage scheme for Comprehensive Insurance with Exporters’ Associations, which has been our core product, in order to ensure the deregulation of the trade insurance market. Along with this scheme we will provide various insurance products that more precisely reflect our customers’ needs, a premium rate structure that more appropriately responds to risks, and new services that focus on further simplification of paperwork and procedures.

NEXI is making efforts to fulfill its duties as a public institution in the area of natural resources and energy, as well as in supporting the international expansion of small- and medium-sized enterprises. In response to “The New National Energy Strategy” established by the government, we relaxed the terms of cover for resource-producing countries and created Investment and Loan Insurance for Natural Resources and Energy. Further, we implemented a fundamental review of Overseas Investment Insurance and lowered the premium rate for Overseas Untied Loan Insurance. Through these new products and schemes, we intend to promote the diversification and globalization of Japanese companies’ activities and contribute to securing a stable supply of resources and energy.

In December 2006, we started operating the new information system (common name: SPIRIT ONE). We will continue to improve customer services, including those for electronic applications that access our website through this new information system, in line with the e-Government Project.

In addition, we will further expand our cooperation with overseas export credit agencies (ECAs) by signing one-stop shop reinsurance agreements with European and American ECAs in order to respond to international consortiums in a timely manner. We are also concluding reinsurance agreements with institutions in other Asian countries in order to support the efforts of Japanese companies that are expanding their operations throughout Asia.

The total underwritten amount in fiscal 2006 reached 14.6 trillion yen, an increase of 13.8% compared with the previous fiscal year. We look forward to further deepening the relationship with our customers. We are deeply grateful for your continued support and cooperation.



## Meeting Customers Demands and Raising the Quality of Services Still Higher in FY2006

### New policy structure implemented by adopting an optional coverage scheme for comprehensive insurance contracts with exporters’ associations

In April 2007, NEXI completed a fundamental review of its policy/premium rate structure, and adopted an optional coverage scheme for comprehensive insurance contracts with exporters’ associations (where each member company of the exporters’ associations can voluntarily select whether to use NEXI’s comprehensive insurance), to make NEXI’s trade and investment insurance products and services even more attractive to users than before. Specifically, by enhancing the contents of our products through expanding the risk coverage and the optional policy menu, we have responded more appropriately to our customers’ risk-hedging needs. In addition, the customers’ burden of premium payment is further equalized by adopting a detailed premium structure rate that is more appropriate to each underwritten risk. Further, we simplified our application procedures in order to make insurance application as simple as possible. On our website, we posted detailed information of the new policy/premium rate structure and related rules and regulations, such as insurance policy, supplementary agreement, operation rules, premium rate rules, and so on. We also posted a simulation so that our customers can perform a trial calculation of premium using the new premium rate structure. A manual has been prepared and an explanatory meeting was held to familiarize our customers with the new policy/premium rate structure.

### Relaxation of the terms of cover mainly for resource-producing countries

NEXI implemented an all-round revision of terms of cover mainly for resource-producing countries (oil, gas, and mineral resources) in order to strengthen our efforts to secure a stable supply of resources and energy for Japan. By clearly specifying the conditions and setting detailed coverage conditions for countries where underwriting was restricted or off cover, the terms of cover for approximately 40 countries were relaxed.

### Efforts toward the development of foreign resources were further strengthened by creating Investment and Loan Insurance for Natural Resources and Energy

In a time of intense global competition over the acquisition of resources, NEXI is required to further support Japanese companies’ development of resources and acquisition of interests abroad. Under these trying circumstances, in addition to relaxing the terms of cover and reviewing the Overseas Investment Insurance, we created an Investment and Loan Insurance for Natural Resources and Energy with enhanced contents compared to conventional products in April 2007. For senior loans extended by banks and subordinate loans contributed by investors to transactions that acquire interests of or off-take energy and mineral resources implemented by Japanese companies, we reduced the premium rate by 50 to 70% compared with the present rate in addition to raising the percentage of cover to 100% for political risks such as expropriation, war, civil war, etc. The Investment and Loan Insurance for Natural Resources and Energy Team was set up as the unifying contact point in order to expedite our underwriting assessment business. NEXI will continue to actively address the transactions that contribute to the development of resources and secure a stable supply of resources by putting an emphasis on these transactions.

### Overseas Investment Insurance reviewed to improve user-friendliness

In order to promote overseas expansion activities and investment in resources and energy projects by Japanese companies even more strongly, NEXI uniformly reduced its premium rates 30% for Overseas Investment Insurance in October 2006. In addition, we created a new type of Overseas Investment Insurance that does not cover transfer risk, and that has lower premium rates. Further, we decided to recognize as insured events and pay insurance claims for cases where only the reinvested sub-subsidiary and not the invested company abroad (direct subsidiary) discontinues its business. We also started coverage of “goodwill”. Specifically, we have decided to pay insurance claims based on the depreciated value of the invested amount with “goodwill” value added to the net asset value on the balance sheet of the invested company immediately before the insured event.



Since October 2002, losses incurred by breach of contract or unilateral cancellation by the counterpart country government for contracts concluded between the invested company and the invested country's government have been covered through special agreements. Lately, we have been actively providing cover for contracts with local governments and government institutions of invested countries as well as with the central government.

### Operation of the new information system and website services started

In December 2006, NEXI made a full changeover of the new information system of trade and investment insurance (common name: SPIRIT ONE) and started providing website services that made it possible for customers to apply for trade and investment insurance through the Internet, to carry out various procedures including the notification of occurrence of insured risk, and to make inquiries about such information as ratings on the foreign buyers list, changes made to the ratings, and trade and investment insurance that our customers have applied for up to the present. These services are intended to improve convenience for our customers and to promote the efficiency of office work. The latest encryption technology has been applied, so that we can communicate with our Internet customers with maximum security, thereby ensuring that our customers' vital information will not be stolen or suffer malicious damage. As for user ID on the website, it is possible to use different IDs according to purposes of use, since we have subdivided the extent of services for each ID.

### Small- and medium-sized enterprises' challenge to overseas markets actively supported

The Export Credit Insurance for SMEs has been well received. This is a new insurance policy that was created in April 2005, solely for small- and medium-sized enterprises (SMEs) to support their entry in overseas markets. The underwritten results for fiscal 2006 were 278 underwritten transactions (a 65% increase compared to the previous fiscal year) with an underwritten amount of 496 million yen (34.4% increase compared to the previous fiscal year). The main features of the Export Credit Insurance for SMEs are:

- Coverage of 95% of damages incurred from the inability to collect receivables in transactions of direct exports from Japan with a maximum repayment term of 180 days.
- Availability of this insurance in alliance with banks, in order to promote bank loans to SMEs engaged in the export trade, enabling customers to apply for this insurance at participating banks.

- Simplified procedures and expedited services that provide greater convenience for our customers, including simplified procedures for establishing the right of pledge for insurance claim rights.

### Expansion of policyholders eligible for coverage

- Expanded range of policyholders eligible for Trade Insurance for Standing Orders from Specific Buyer to types of industry other than manufacturers

In the past, eligibility for Trade Insurance for Standing Orders from Specific Buyer was limited to policyholders who were manufacturers or manufacturer-linked trading companies where manufacturers contributed at least two-thirds of their capital. However, in order to appropriately meet the diversified needs of the customers, we expanded the eligibility to all types of industry from April 2007.

- Range of foreign exchange risk coverage eligible for elimination of surcharges expanded

From the viewpoint of contributing to further strengthening the international competitiveness of the Japanese plant industry, in addition to the foreign exchange risk coverage for US dollar denominated loan contracts with repayment terms of at least two years for Export Credit Insurance (supplier's credit) and Buyer's Credit Insurance (buyer's credit or bank loans), which are already exempted premium surcharges, we decided to also exempt premium surcharges for Euro denominated loan contracts.

- Range of transactions eligible for Premium Installment Payment System expanded to transactions for less than two years

We adopted the Premium Installment Payment System available for a part of insurance with a repayment period of two years or more to transactions with a repayment period of less than two years of Export Credit Insurance. As a result, customers wishing to conduct Export Credit Insurance transactions with a repayment period of less than two years, with a contract amount exceeding 50 billion yen, are eligible for the system. Customers' burden of the premium payments, particularly in the plant industry, is reduced.

### User-friendly explanatory leaflet on substantive matters compiled

We drew up an explanatory leaflet on substantive matters that compiled the exemption clause under the insurance policy and the requirements/points to note that we would like the customers to especially take heed of regarding Export Credit Insurance. In addition to issuing hard copy, we posted the leaflet on our website so that customers would be able to confirm the contents at the time of signing an insurance contract.



### Reinsurance to overseas ECAs provided for implementation of "one-stop shop" scheme

NEXI has concluded "one-stop shop" reinsurance agreements with overseas ECAs in order to promptly and accurately meet the business needs of Japanese companies participating in international collaborative projects. In fiscal 2006, we concluded a new reinsurance agreement with SERV, an export credit agency in Switzerland. The total number of reinsurance agreements concluded is now 11.

When a Japanese company jointly participates in an international project with foreign companies, an overseas ECA underwrites insurance for the whole project, and NEXI underwrites reinsurance for the portion by the Japanese company. This way of applying for insurance enables flexible formation of finances and reduction in the total cost of transactions for customers.

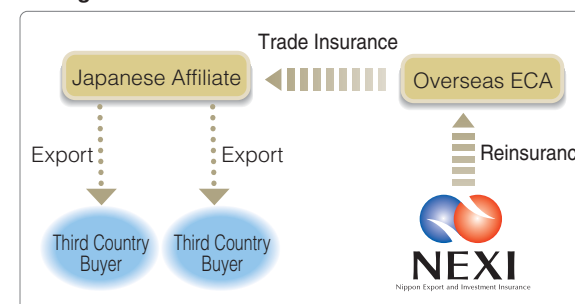
In 2006 we provided reinsurance to the US Ex-Im Bank for the export transaction of Boeing 767 aircraft to Kenya Airways in order to support the international expansion of the Japanese aircraft industry. (See page 18 of "Main Projects Recently Underwritten".)

### Export by Japanese affiliates located in Asia supported through Asian reinsurance agreements

NEXI is working to strengthen the Asian reinsurance agreement network with Asian ECAs. We believe that this program will support the business activities of Japanese affiliates in Asian countries and contribute to strengthening the economic relationships between Japan and other Asian countries. Following the reinsurance agreement concluded with ECICS of Singapore in fiscal 2004, a reinsurance agreement was concluded with MEXIM of Malaysia in fiscal 2006. The conclusions of these agreements enable NEXI to provide reinsurance when the Asian ECAs underwrite trade insurance for Japanese affiliates in these countries that export goods to a third country.

NEXI's reinsurance, which will increase Asian ECAs'

#### Diagram of the NEXI Asian Reinsurance Network



underwriting capacity, is expected to encourage Japanese affiliates to use the local ECA's insurance and facilitate hedging risks involved in their export transactions. We will continue to expand the reinsurance network in order to support the international business activities of Japanese companies.

### Efforts toward environmental and social considerations exerted in line with revision of the Common Approaches

Approaches to environmental issues have been further intensified with the revision of the "Recommendation on Common Approaches on the Environment and Officially Supported Export Credits," which all OECD member countries are required to abide by, in reviewing the impacts of the insured projects on the environment, implemented in June 2007. NEXI has its own "Guidelines on Environmental and Social Considerations in Trade Insurance," that reflects the contents of the Common Approaches. We will continue to confirm whether the project contractors are giving due environmental and social consideration towards the insured projects.

### Various services simplified and efforts made to lighten the burden of customers and expedite services, based on the spirit of the Customer Service Charter

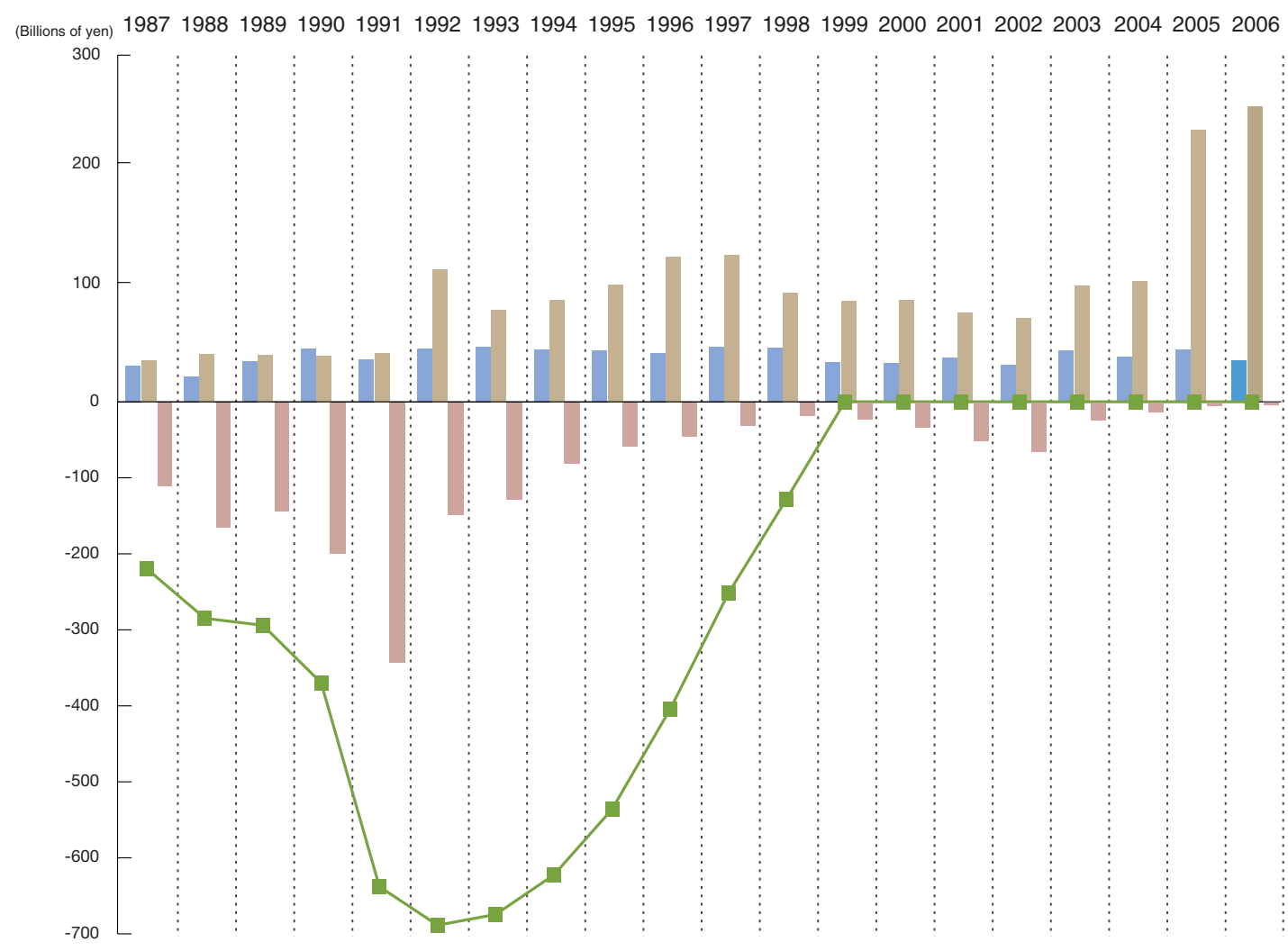
The following are the main procedures that have been simplified in fiscal 2006:

- The OCR form used for Export Credit Insurance (Specific Insurance) etc. has been revised.
- The accompanying documents necessary for the application of Comprehensive Insurance for specified capital goods have been partly abolished.
- The evidence documents for Enterprise Comprehensive Insurance have been partly abolished.
- The accompanying documents necessary for making material changes to export contracts have been partly abolished.
- The terms that apply in making material changes to Comprehensive Insurance contracts for specified consumable goods (steel products/chemical goods) have been relaxed.



# Main Data for Fiscal Year 2006

## 1 Result of Trade and Investment Insurance Activities (from FY1987 to FY2006)



	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Premium income	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
Recoveries and other income	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
Claims paid	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
Outstanding Balance at the end of year	(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

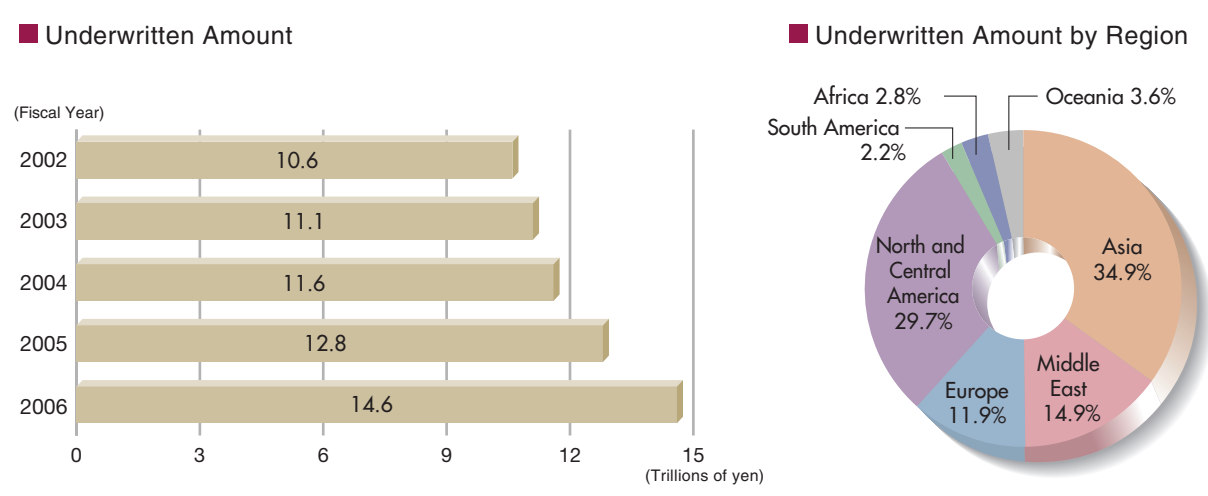
※ On an actual payment basis. Premium income does not include refunded premiums.

### World Events

**1987** Black Monday, **1988** Cease-fire in Iran-Iraq war, **1989** Paris Club rescheduling agreement, between 24 countries including Central and South American countries / Fall of Berlin Wall, **1990** Invasion of Kuwait / German reunification, **1991** Gulf War / Dissolution of the Soviet Union, **1992** Bosnia and Herzegovina conflict, **1993** Foundation of EU, **1994** Meeting between former US President Jimmy Carter and North Korean leader Kim Il-Sung, **1995** Foundation of the WTO, **1996** Japanese embassy hostage crisis in Peru, **1997** Asian currency crisis, **1998** Russian financial crisis / Brazilian crisis (with the declaration of a moratorium in 1999), **1999** Introduction of euro / The Year 2000 Problem, **2001** Argentina's declaration of a moratorium / The September 11th terrorist attacks, **2002** Bali bombings, **2003** Iraq war / Outbreak of SARS, **2004** Avian flu pandemic / Sumatra earthquake, **2005** Prepayments to the Paris Club by Russia and Nigeria / Venezuela's nationalization of mineral resources, **2006** Military coup in Thailand

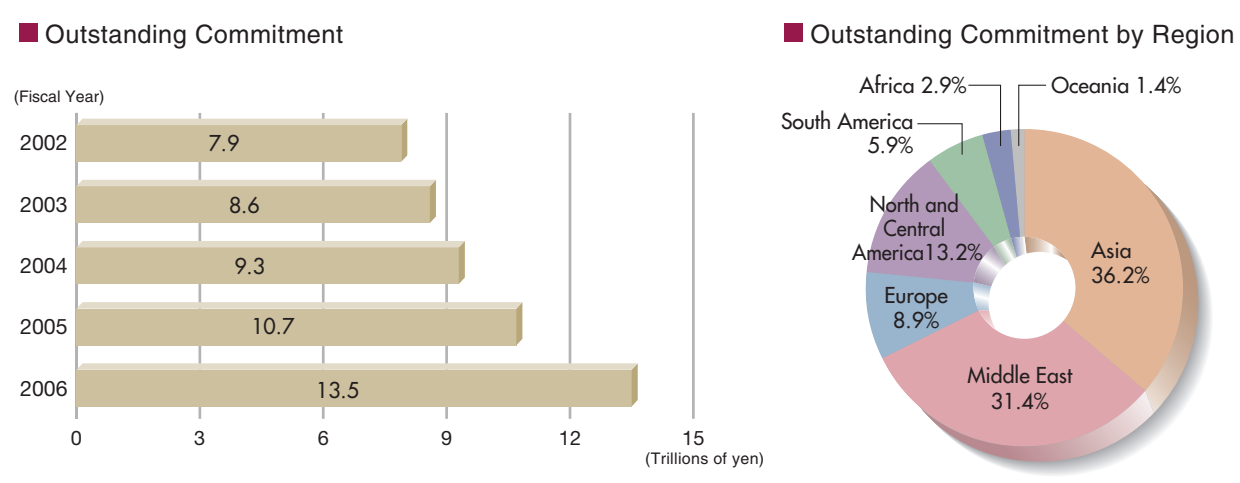
## 2 Underwritten Amount

The total FY2006 underwritten amount was ¥14.6 trillion, up 13.8% from the previous year.



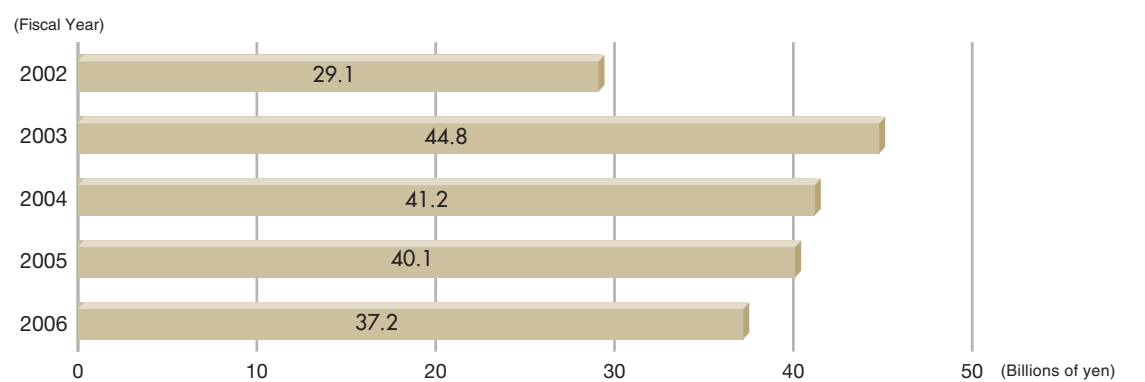
## 3 Outstanding Commitment

Total outstanding commitment in FY2006 was ¥13.5 trillion, up 26.3% over the previous year.



## 4 Premium Income

Premium Income (insurance originally underwritten) in FY2006 was ¥37.2 billion, down 7.3% compared with the previous year.

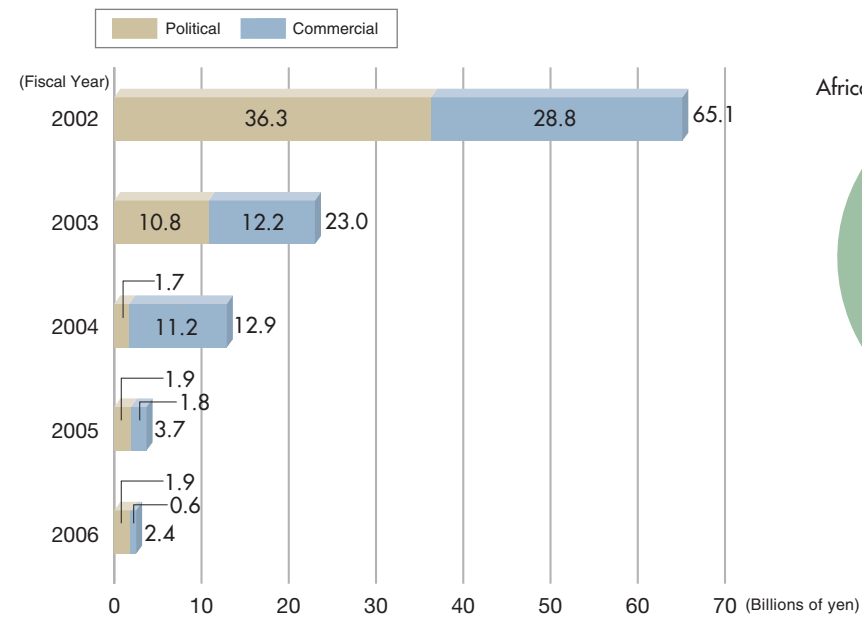




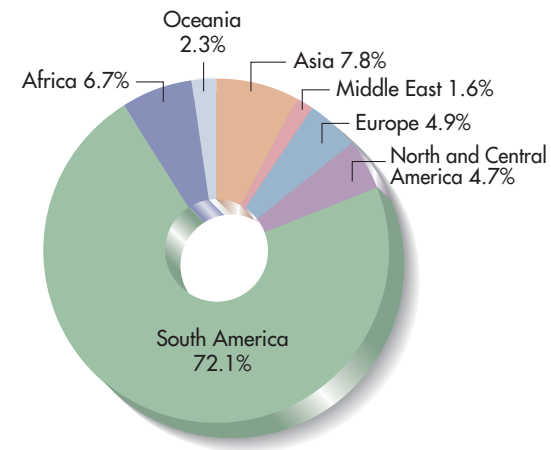
## 5 Claims Paid

The total amount of claims paid in FY2006 was ¥2.4 billion, down 33.9% from the previous year.

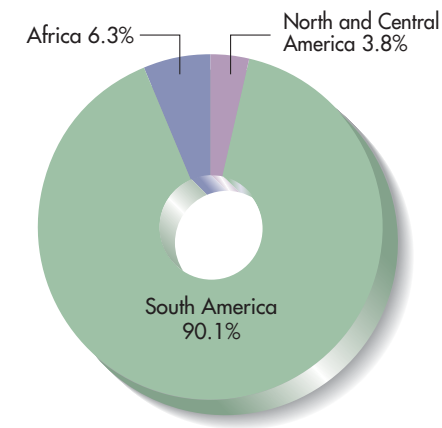
■ Claims Paid by Risk (Political/Commercial)



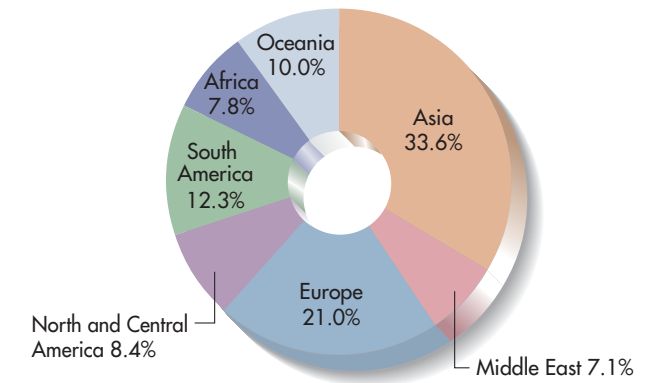
■ Claims Paid by Region



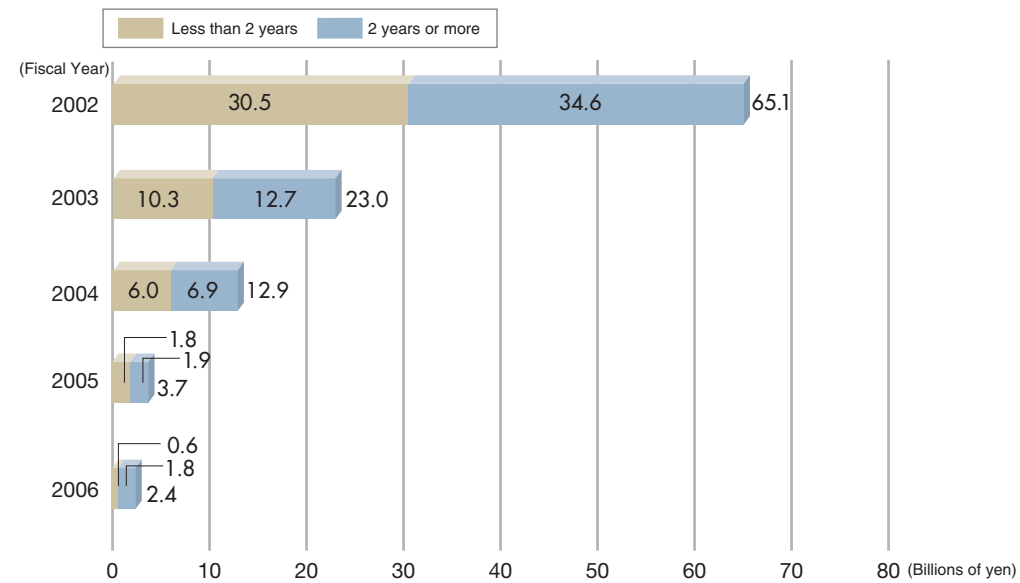
■ Claims Paid by Region (Political)



■ Claims Paid by Region (Commercial)



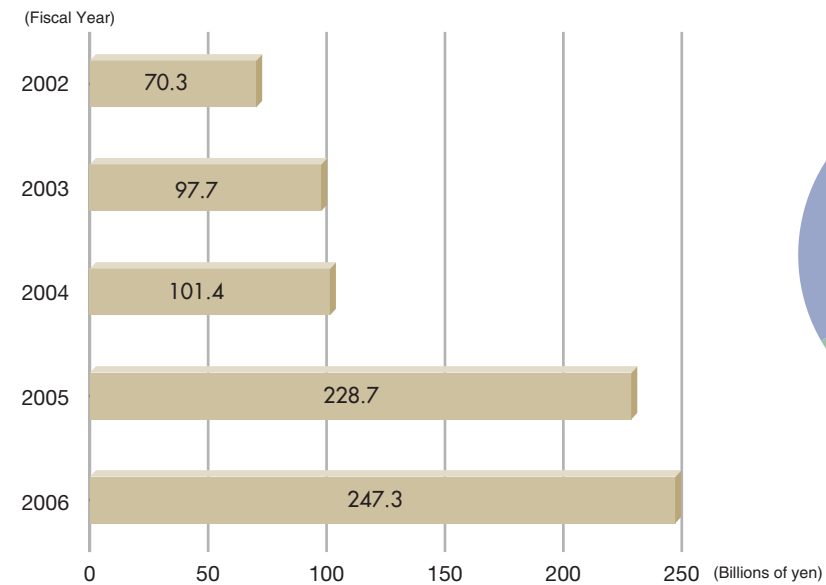
■ Claims Paid by Policy Term



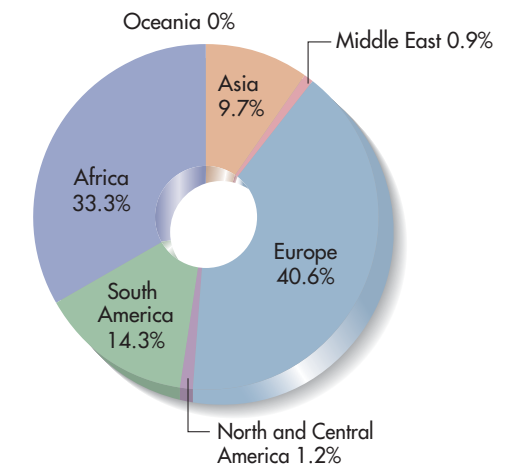
## 6 Recoveries

Recoveries in FY2006 amounted to ¥247.3 billion, an increase by 8.1% from the previous year.

■ Recoveries



■ Recoveries by Region





## IV Main Projects Recently Underwritten



### Vietnam

#### Dung Quat Economic Zone Project

This is the first large-scale refinery project in Vietnam conducted by a state-owned oil company, Petrovietnam, in the Dung Quat Economic Zone located in central Vietnam. NEXI provided Overseas United Loan Insurance (US\$300 million) covering a loan extended by commercial banks (led by BNP Paribas, Tokyo Branch) to the Ministry of Finance in Vietnam for port facility construction to ship products manufactured by the refinery. This project is expected to cover 30 to 40 percent of domestic demand for petroleum products. NEXI's support in the Vietnamese energy sector helps strengthen Japan's relationship with the Vietnamese government and the state-owned oil company.

**(The insurance contract was concluded in May 2007.)**



### Indonesia

#### Tangguh LNG Project

NEXI provided Overseas Investment Insurance for investment (JPY16.5 billion) made by LNG Japan Corporation in the Tangguh LNG Project in Indonesia. The project is attracting attention as Indonesia's third LNG project and is expected to produce approximately 7.6 million tons of LNG annually. The LNG produced by the project will be exported to Japan. Since Indonesia is the largest natural gas supplier for Japan, we believe this project will further strengthen the economic relations between the two countries.

**(The insurance contract was concluded in January 2007.)**



### Vietnam

#### Butson Cement Plant Project

NEXI has underwritten Export Credit Insurance for the export of plant equipment by Kawasaki Plant Systems Ltd. of the Kawasaki Heavy Industries Group to Butson Cement Joint Stock Company (BUSOCO), an affiliate of the Vietnam National Cement Corporation. This project, to build an integrated cement production plant with an annual capacity of 1.6 million tons in Hanam province in northern Vietnam, is a response to the growing demand for cement due to the recent construction boom in that country, and will contribute to easing the tight supply-demand situation anticipated in the future.

**(The insurance contract was concluded in November 2006.)**



## United Arab Emirates

### Second Phase Construction of the Dubai Metro Project

NEXI has underwritten Export Credit Insurance for the export of machinery and tools by a consortium of Japanese companies led by the Mitsubishi Heavy Industries, Ltd. for the second phase of the construction (approx. JPY130 billion) of a fully automated driverless light rail transit system being built in Dubai, United Arab Emirates.

The Dubai Metro Project is the first urban transportation project in the Middle East initiated by the Dubai Municipality to solve the traffic congestion brought about by the rapid population increase in Dubai. The second phase of construction consists of the Green Line, an 18 km route connecting the Dubai Airport Free Zone, the distribution base in the area, to the city center. The Green Line is scheduled to go into operation in March 2010.

**(The insurance contract was concluded in March 2007.)**



## Ukraine

### Blast-Furnace-Gas Fired GTCC Power Generation Project

NEXI has underwritten Buyer's Credit Insurance for a loan extended by two Japanese financial institutions, Calyon, Tokyo Branch and Mizuho Corporate Bank, Ltd. The loan is for the export of blast-furnace-gas fired gas turbine combined-cycle (GTCC) power generation units for which Sumitomo Corporation and Mitsubishi Heavy Industries Ltd. received an order for Alchevsk Iron and Steel Works, an affiliate of the Industrial Union of Donbass (IUD) Corp. of Ukraine. Exhaust gas from the Alchevsk blast furnaces will be utilized to generate power for the steelworks, thereby reducing the burden on the environment. This is the first transaction in which NEXI has provided cover for commercial risk to a Ukrainian company through Buyer's Credit Insurance for two years or more.

**(The insurance contract was concluded in March 2007.)**



## Europe

## Kazakhstan

### Uranium Mine Development and Production Project

NEXI signed a Memorandum of Understanding (MOU) with Kazatomprom (KAP), Kazakhstan's state-owned nuclear fuel enterprise on April 30, 2007, during the government and private-sector joint mission to Kazakhstan led by the Minister of Economy, Trade and Industry, Akira Amari. Under the MOU, a credit line of US\$500 million was established to support loans relating to uranium offtake. Projects making use of this credit line are expected to contribute to securing a stable supply of energy resources for Japan and to diversifying suppliers, since Kazakhstan has the second largest uranium reserves in the world.

NEXI has underwritten Overseas Investment Insurance for the investment made by Marubeni Corporation, Tokyo Electric Power Company Incorporated, and Chubu Electric Power Co., Inc. for the uranium mine development and production project in Kharassan 1 and 2 uranium deposits. The uranium deposits are scheduled to move into full-scale production of 5,000MTU (combined) a year by 2014 and the three companies making the investment have the right to obtain up to an aggregate annual quantity of 2,000MTU of the uranium concentrate produced from the two mining areas.

**(The insurance contract was concluded in February 2007.)**







## Bolivia

### San Cristobal Silver/Zinc Mine Project

NEXI has underwritten Overseas Investment Insurance (approx. JPY9.5 billion) for the silver/zinc mine development project by Minera San Cristobal in Bolivia, in which Sumitomo Corporation has acquired a 35% participating interest. This is a project for the world's largest silver/zinc mine to be developed in the next five years and the mine is expected to be fully operated from the third quarter of 2007. Refining industries all over the world have great hopes for this project, as it is anticipated to ease the supply-demand situation of silver/zinc resources in a situation where demand is on the increase mainly in China, and prices are soaring. The project is also attracting attention as a pioneering project where foreign investment is taking part in the recent mining industry of Bolivia.

**(The insurance contract was concluded in June 2007.)**



## Venezuela

### Methanol Production Plant Expansion Project

Mitsubishi Corporation has established a joint venture, Metanol de Oriente, METOR S.A., a company that produces and sells methanol with Venezuela's Pequiven (state-owned petrochemical company) and a Japanese company and will build a second plant (scheduled to start commercial operations in 2010) with an annual production of 850 thousand tons, in the vicinity of the existing plant that produces 750 thousand tons of methanol annually. NEXI has underwritten Overseas Investment Insurance for the investment made by Mitsubishi Corporation in this expansion project. Methanol is a basic liquid chemical that is made from natural gas and is used in adhesives and synthetic resins. In addition, various other uses, such as a bio-diesel fuel or in fuel cells that are an alternative to gasoline are expected in the future. The proper management of country risks and stable business operations will be possible through the use of Overseas Investment Insurance.

**(The insurance contract was concluded in May 2007.)**



## Russia

### Sheremetyevo Airport Terminal 3 Construction Project

NEXI has underwritten Overseas Untied Loan Insurance for a loan of approximately US\$57 million extended by a Japanese financial institution (Sumitomo Mitsui Banking Corporation) to Vnesheconombank of Russia for the loan proceeds for the Sheremetyevo Airport Terminal 3 construction project. As an international airport situated near Moscow, Sheremetyevo Airport is fulfilling a function as an "air gateway," and this project will expand the airport's capacity in order to address the huge increase in the number of passengers due to recent economic growth. We believe that NEXI's support and promotion of this kind of infrastructure project that is vital to the Russian government will contribute toward the development of the relationship between Japan and Russia.

**(The insurance contract was concluded in March 2007.)**



## Mexico

### Pacifico Coal Thermal Power Project

This is a project to expand the current coal thermal power plant (648MW) in Petacalco, Guerrero state of Mexico, for which Comision Federal de Electricidad (CFE), a public power generation company of the Mexican government placed an order to Mitsubishi Corporation and Mitsubishi Heavy Industries Ltd.

NEXI has underwritten Buyer's Credit Insurance for the portion of the loan extended by the syndicate of Japanese banks (the Bank of Tokyo-Mitsubishi UFJ, Ltd. etc.) The implementation of this project is expected to help relieve the chronic power shortage in Mexico.

**(The insurance contract was concluded in October 2006.)**



Europe

South America

North and Central America

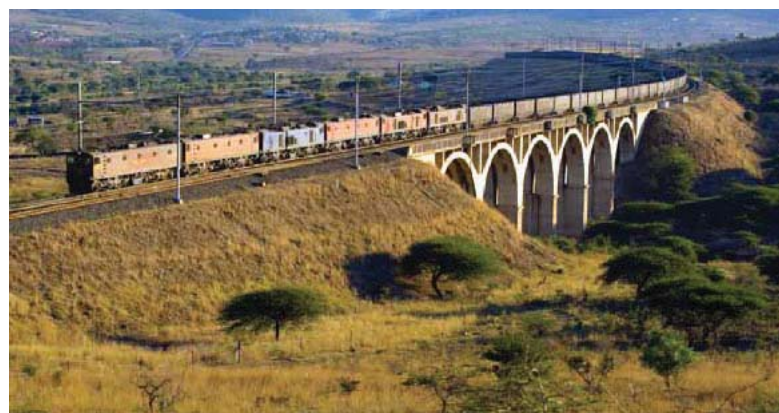


## South Africa

### Project to Supply Locomotives to South African State-Run Transport Company

NEXI provided Export Credit Insurance for the transaction of the export of coal transporting electric locomotives undertaken by Mitsui Corporation for the total amount of JPY40 billion for Transnet Limited, a state-run diversified transport and logistics group of the Republic of South Africa. This project is contributing to the railway improvement plan for South Africa where the means of transporting resources has had to rely on a dilapidated rail infrastructure. This has been an issue of concern in a situation where there is a growing global demand for coal, iron ore, etc. We also provided insurance for the transaction of the export of iron ore transporting electric locomotives (total amount of JPY19 billion) by Mitsui Corporation in January 2007.

(The insurance contracts were concluded in May 2006 and January 2007.)



## Reinsurance (Reinsured Projects)

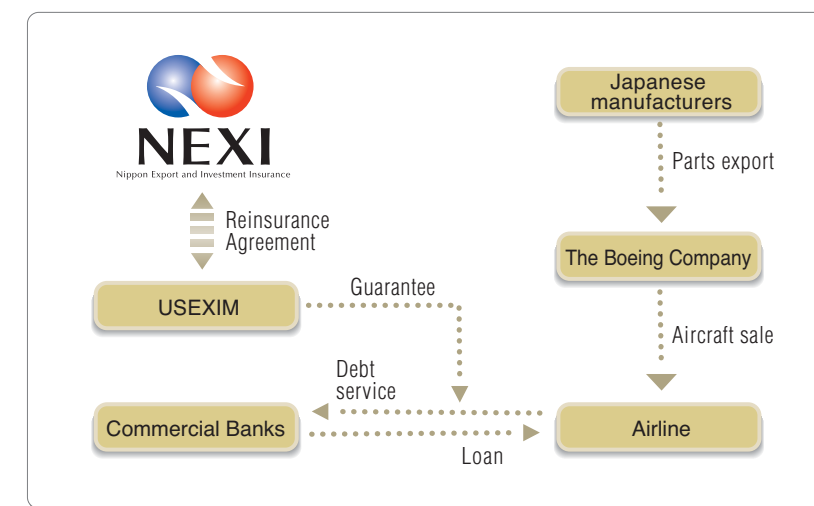
Based on the Reinsurance Agreement concluded with the Ex-Im Bank of the United States (USEXIM), an export credit agency of the United States, NEXI underwrote reinsurance for several export finance transactions of Boeing 767 and 777 aircraft, such as Lan Airlines in Chile and Kenya Airways in Kenya.

Japanese companies have been playing a major role in the development and manufacture of Boeing aircraft, and have become the major partner in international joint projects. NEXI's reinsurance program to USEXIM for Boeing aircraft strengthens the competitiveness of Japanese manufacturers expanding in the aerospace industry, which is effective in achieving the policy objective of the Japanese government.



(Photographs courtesy of Boeing)

Africa





# Review of Performance in Fiscal Year 2006



## 1 Economic Trends

The Japanese economy remained on a recovery track in FY2006. Improvement in the corporate sector such as earnings and capital investment spread to the household sector, leading to a gradual improvement in consumer spending. Japan's recovery was bolstered by the continuing global recovery. Under such circumstances, Japan's exports in FY2006 increased by 13.4% to ¥77.5 trillion compared with the previous year. Japan's exports to other Asian countries and to the United States continued to increase by 12.1% and 11.1% respectively. The major export earners were cars, steel and semiconductors.

Fiscal Year	2002	2003	2004	2005	2006
Total exports	52,727.1	56,060.3	61,719.4	68,290.2	77,462.4
Year-to-year change (%)	8.5	6.3	10.1	10.6	13.4

(Source: Trade Statistics, Ministry of Finance)

## 2 Summary of Trade and Investment Insurance Business

### Underwritten Amount (2002 to 2006)

Fiscal Year	2002	2003	2004	2005	2006	Year-to-year change (%)
Underwritten Amount	10,618.0	11,119.3	11,558.8	12,845.8	14,615.5	13.8

(Note 1) The above figures show only the insurance amount originally underwritten by NEXI.

### Outstanding Commitment (2002 to 2006)

Fiscal Year	2002	2003	2004	2005	2006	Year-to-year change (%)
Outstanding Commitment	7,874.2	8,593.9	9,306.5	10,665.0	13,474.2	26.3

(Note 2) The above figures show only the insurance amount originally underwritten by NEXI.

### Operating Income (2002 to 2006)

Fiscal Year	2002	2003	2004	2005	2006	Year-to-year change (%)
Premium income	29.1	44.8	41.2	40.1	37.2	(7.3)
Recoveries	70.3	97.7	101.4	228.7	247.3	8.1
Total	99.4	142.5	142.6	268.8	284.5	5.8

(Note 3) Premium income derived only from insurance originally underwritten by NEXI.

(Note 4) Recoveries are on a payment notice receipt basis.

(Note 5) Because of the rounding up or down of the fractions, the sum of the items in the columns above does not necessarily coincide with the total amount. (The same applies hereafter.)

### Claims Paid (2002 to 2006)

Fiscal Year	2002	2003	2004	2005	2006	Year-to-year change (%)
Claims paid	65.1	23.0	12.9	3.7	2.4	(33.9)

## 3 Summary of Underwriting

### Underwritten Amount by Insurance Type

The total underwritten amount in FY2006 was up by 13.8% year on year to ¥14,615.5 billion. In terms of type of insurance, Export Credit Insurance accounted for the largest share at 95.8%, with an increase by 21.3% to ¥14,007.1 billion. This was followed by Overseas Untied Loan Insurance of ¥273.6 billion (down by 69.5% from the previous year) and Overseas Investment Insurance of ¥205.9 billion (up by 31.3%).

(Billions of yen / Millions of U.S. dollars)

Type of Insurance	FY2002	FY2003	FY2004	FY2005	FY2006		Composition (%)
Export Credit Insurance	9,926.2	10,221.5	10,545.9	11,543.3	14,007.1	\$120,357	95.8
Less than 1 year	9,203.5	9,578.0	9,857.1	10,890.8	8,201.7	\$70,473	56.1
1 year or more	722.7	643.6	688.8	652.5	5,805.5	\$49,884	39.7
Buyer's Credit Insurance	256.7	575.4	261.4	198.6	91.9	\$789	0.6
Export Bill Insurance	53.5	41.9	41.6	38.1	33.4	\$287	0.2
Export Bond Insurance	0	0	0	0	0	\$0	0.0
Prepayment Import Insurance	0.6	0.8	1.8	2.0	0.0	\$0	0.0
Overseas Investment Insurance	41.8	63.8	55.1	156.8	205.9	\$1,770	1.4
Overseas Untied Loan Insurance	339.3	214.8	650.3	898.5	273.6	\$2,351	1.9
Trade Insurance for Standing Orders from Specific Buyer	—	1.2	2.7	8.1	3.1	\$26	0.0
Export Credit Insurance for SMEs	—	—	—	0.4	0.5	\$4	0.0
<b>Total</b>	<b>10,618.0</b>	<b>11,119.3</b>	<b>11,558.8</b>	<b>12,845.8</b>	<b>14,615.5</b>	<b>\$125,585</b>	<b>100.0</b>

(Note 6) The above figures show only the insurance amount originally underwritten by NEXI.

(Note 7) In April 2005, Buyer's Credit Insurance was developed independently from Export Credit Insurance. However, for convenience of comparison, buyer's credit related figures in and before FY2004 are indicated as Buyer's Credit Insurance, and are excluded from Export Credit Insurance figures.

(Note 8) Since FY2006, in accordance with the BU classification rules, Export Credit Insurance (1 year or more) has included insurance for capital goods, which usually has a long pre-shipment insurance period.





#### Amount Underwritten by Region

In a breakdown by region based on original insurance, the largest share of ¥5,556.7 billion was Asian transactions, followed by North and Central American transactions of ¥4,723.7 billion. These two regions also showed the sharpest increases over the previous fiscal year, at 31.2% and 25.9% respectively.

Region	FY2002	FY2003	FY2004	FY2005	FY2006	Composition (%)	Year-to-year change (%)
Asia	4,069,113	4,605,988	4,519,155	4,236,849	5,556,700	34.9	31.2
Middle East	874,517	1,026,748	1,239,071	2,590,537	2,368,905	14.9	(8.6)
Europe	1,799,933	2,373,640	2,259,931	2,320,659	1,897,383	11.9	(18.2)
North and Central America	4,036,374	3,370,391	3,602,079	3,751,277	4,723,659	29.7	25.9
South America	226,798	238,340	390,007	412,508	342,885	2.2	(16.9)
Africa	402,553	293,545	306,845	415,650	441,198	2.8	6.1
Oceania	341,164	433,811	497,141	528,098	573,471	3.6	8.6

(Note 9) Classification used to compute the above amount:

Pre-shipment: Country of the shipment consignee

Post-shipment: Country of the payer (or country of the guarantor when guaranteed)

(Note 10) 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).

(Note 11) The above figures show only the insurance amount originally underwritten by NEXI.

(Note 12) Central Asia is included in Asia. Until FY2005, the Middle East was included in Asia also. Since FY2006, however, the Middle East has been classified separately from Asia. For convenience of comparison with the previous data, Middle East data is excluded from the above Asia data in and before FY2005. (The same applies hereafter.)

(Note 13) Central and Eastern Europe and Russia are included in Europe. (The same applies hereafter.)

#### Top Ten Countries and Regions of Underwritten Amount in FY2006

Order	Country/Region	Underwritten amount	Composition (%)
1	U.S.A.	3,326,686	20.9
2	China	1,313,802	8.3
3	Saudi Arabia	805,547	5.1
4	Korea	748,164	4.7
5	Thailand	695,643	4.4
6	Qatar	670,670	4.2
7	Taiwan	595,343	3.7
8	Singapore	543,434	3.4
9	Belgium	525,028	3.3
10	Panama (flag of convenience vessel)	518,047	3.3

#### 4 Outstanding Commitment

##### Outstanding Commitment by Type of Insurance

The total outstanding commitment as of the end of FY2006 was ¥13,474.2 billion, up 26.3% year-on-year. In a breakdown by insurance type, Export Credit Insurance was the largest with ¥9,378.5 billion, followed by Overseas Untied Loan Insurance of ¥2,240.0 billion.

Type of Insurance	FY2002	FY2003	FY2004	FY2005	FY2006		Composition (%)	Year-to-year change (%)
Export Credit Insurance	5,097.5	5,608.0	6,017.7	6,909.2	9,378.5	\$80,585	69.6	35.7
Less than 1 year	3,493.2	3,997.5	4,429.1	5,286.3	8,582.7	\$73,747	63.7	62.4
1 year or more	1,604.3	1,610.5	1,588.7	1,622.9	795.8	\$6,838	5.9	(51.0)
Buyer's Credit Insurance	1,047.0	1,387.4	1,406.8	1,278.9	1,228.2	\$10,554	9.1	(4.0)
Export Bill Insurance	10.5	9.4	9.4	7.9	6.3	\$54	0.0	(20.0)
Export Bond Insurance	8.3	6.8	5.6	5.6	0.4	\$3	0.0	(93.2)
Prepayment Import Insurance	0.3	0.5	1.5	2.1	0.0	\$0	0.0	(99.3)
Overseas Investment Insurance	630.3	533.2	458.2	461.4	609.8	\$5,239	4.5	32.1
Overseas Untied Loan Insurance	1,080.4	1,047.3	1,403.3	1,989.0	2,240.0	\$19,247	16.6	12.6
Trade Insurance for Standing Orders with Specific Buyer	—	1.2	3.8	10.7	10.9	\$94	0.1	1.5
Export Credit Insurance for SMEs	—	—	—	0.1	0.1	\$1	0.0	(0.9)
<b>Total</b>	<b>7,874.2</b>	<b>8,593.9</b>	<b>9,306.5</b>	<b>10,665.0</b>	<b>13,474.2</b>	<b>\$115,778</b>	<b>100.0</b>	<b>26.3</b>

(Note 14) The above figures show only the insurance amount originally underwritten by NEXI.

(Note 15) In April 2005, Buyer's Credit Insurance was developed independently from Export Credit Insurance. However, for convenience of comparison, buyer's credit related figures in and before FY2004 are indicated as Buyer's Credit Insurance, and are excluded from Export Credit Insurance figures.

(Note 16) Since FY2006, in accordance with the BU classification rules, Export Credit Insurance (1 year or more) has included insurance for capital goods, which usually has a long pre-shipment insurance period.

##### Outstanding Commitment by Region

In terms of region, Asia accounted for the largest amount of ¥4,635.2 billion, up 18.8% from the previous year. Africa and Oceania also increased by 54.9% and 23.8% respectively.

Region	FY2002	FY2003	FY2004	FY2005	FY2006		Composition (%)	Year-to-year change (%)
Asia	3,992.7	4,315.9	4,186.8	3,901.9	4,635.2	\$39,828	36.2	18.8
Middle East	727.1	912.3	1,513.3	3,128.2	4,024.9	\$34,584	31.4	28.7
Europe	693.8	990.2	1,053.3	1,080.0	1,142.9	\$9,820	8.9	5.8
North and Central America	1,427.7	1,461.5	1,659.5	1,638.5	1,695.4	\$14,568	13.2	3.5
South America	607.6	591.7	701.4	730.0	760.5	\$6,534	5.9	4.2
Africa	517.7	393.2	220.9	238.6	369.5	\$3,175	2.9	54.9
Oceania	72.2	108.0	122.9	149.8	185.5	\$1,594	1.4	23.8

(Note 17) Classification used to compute the above amount:

Pre-shipment: Country of the shipment consignee

Post-shipment: Country of the payer (or country of the guarantor when guaranteed)

(Note 18) 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).

(Note 19) The above figures show only the insurance amount originally underwritten by NEXI.

(Note 20) Central Asia is included in Asia. Until FY2005, the Middle East was included in Asia also. Since FY2006, however, the Middle East has been classified separately from Asia. For convenience of comparison with the previous data, Middle East data is excluded from the above Asia data in and before FY2005. (The same applies hereafter.)



## 5 Insurance Claims Paid

### Insurance Claims Paid by Insurance Type and by Risk

The total amount of claims paid in FY2006 was ¥2.4 billion, down 33.9% over the previous fiscal year. This was attributed to the fact that no major political or commercial risk event occurred in the fiscal year under review, reflecting a stable world economy including high resource prices.

(Billions of yen/Millions of U.S. dollars)

Type of Insurance	FY2003			FY2004			FY2005			FY2006					Composition (%)	
	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Commercial Risk			
Export Credit Insurance	19.7	9.8	10.0	7.3	1.4	5.9	3.0	1.3	1.7	2.2	\$19	1.8	\$15	0.4	\$4	89.9
Buyer's Credit Insurance	0.4	0.4	0	0	0	0	0	0	0	0	\$0	0	\$0	0	\$0	0
Export Bill Insurance	0.2	0	0.2	0.0	0	0.0	0.1	0.0	0.1	0.1	\$1	0	\$0	0.1	\$1	5.1
Export Bond Insurance	0	0	0	0	0	0	0	0	0	0	\$0	0	\$0	0	\$0	0
Prepayment Import Insurance	0	0	0	0	0	0	0	0	0	0	\$0	0	\$0	0	\$0	0
Overseas Investment Insurance	0.5	0.5	0	0.2	0.2	0	0	0	0	0	\$0	0	\$0	0	\$0	0
Overseas Untied Loan Insurance	2.1	0.1	2.0	5.3	0.1	5.2	0.7	0.7	0	0.1	\$1	0.1	\$1	0	\$0	4.8
Trade Insurance for Standing Orders from Specific Buyer	0	0	0	0	0	0	0.0	0	0.0	0	\$0	0	\$0	0	\$0	0
Export Credit Insurance for SMEs	-	-	-	-	-	-	0.0	0	0.0	0.0	\$0	0	\$0	0.0	\$0	0.2
<b>Total</b>	<b>23.0</b>	<b>10.8</b>	<b>12.2</b>	<b>12.9</b>	<b>1.7</b>	<b>11.2</b>	<b>3.7</b>	<b>1.9</b>	<b>1.8</b>	<b>2.4</b>	<b>\$21</b>	<b>1.9</b>	<b>\$16</b>	<b>0.6</b>	<b>\$5</b>	<b>100.0</b>

### Insurance Claims Paid by Region

(Billions of yen/Millions of U.S. dollars)

Region	FY2003			FY2004			FY2005			FY2006					Composition (%)	
	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Total	Political Risk	Commercial Risk	Commercial Risk			
Asia	18.3	6.9	11.3	11.2	0.1	11.1	1.4	0.1	1.4	0.2	\$2	0	\$0	0.2	\$2	7.8
Middle East	1.0	1.0	0.0	0.1	0.1	0.0	1.1	1.0	0.1	0.0	\$0	0	\$0	0.0	\$0	1.6
Europe	0.1	0	0.1	0.0	0	0.0	0.0	0.0	0.0	0.1	\$1	0	\$0	0.1	\$1	4.9
North and Central America	0.1	0.0	0.1	0.0	0	0.0	0.3	0.0	0.3	0.1	\$1	0.1	\$1	0.0	\$0	4.7
South America	3.3	2.6	0.7	1.3	1.3	0.0	0.7	0.7	0.3	1.8	\$15	1.7	\$14	0.1	\$1	72.1
Africa	0.3	0.3	0	0.2	0.2	0.0	0.1	0.1	0	0.2	\$1	0.1	\$1	0.0	\$0	6.7
Oceania	0.0	0	0.0	0	0	0	0	0	0	0.1	\$0	0	\$0	0.1	\$0	2.3
<b>Total</b>	<b>23.0</b>	<b>10.8</b>	<b>12.2</b>	<b>12.9</b>	<b>1.7</b>	<b>11.2</b>	<b>3.7</b>	<b>1.9</b>	<b>1.8</b>	<b>2.4</b>	<b>\$21</b>	<b>1.9</b>	<b>\$16</b>	<b>0.6</b>	<b>\$5</b>	<b>100.0</b>

(Note 21) Because of the rounding up or down of the fractions, the sum of the items in the columns above does not necessarily coincide with the total amount.

### Top five Countries / Regions in terms of Insurance Claims Paid

(Millions of yen)

Order	Country/Region	Total Claims Paid	Political Risk	Commercial Risk
1	Argentina	1,684	1,684	0
2	Korea	184	0	184
3	Zimbabwe	118	118	0
4	Spain	90	0	90
5	U.S.A.	65	65	0

## 6 Recoveries

Recoveries for FY2006 rose by ¥18.6 billion (8.1%) to ¥247.3 billion from ¥228.7 billion in the previous fiscal year. The main contributor to the result was Paris Club debt repayment made ahead of schedule by countries including Algeria and Russia. In a breakdown by risk, political risk recoveries accounted for 95.0% (¥235.1 billion), with the remaining 5.0% (¥12.2 billion) coming from commercial risk recoveries. The top five recoveries in terms of country in FY2006 were ¥87.7 billion from Russia (¥69.3 billion in the previous fiscal year), ¥47.6 billion from Nigeria (¥80.7 billion in the previous fiscal year), ¥31.9 billion from Brazil (¥29.4 billion in the previous fiscal year), ¥26.5 billion from Algeria (¥4.2 billion in the previous fiscal year), and ¥13.3 billion from Indonesia (¥1.3 billion in the previous fiscal year), which accounted for 83.7% of the total recoveries.

### Recoveries by Risk

(Billions of yen/Millions of U.S. dollars)

	FY2002	FY2003	FY2004	FY2005	FY2006	
Political Risk	67.3	94.3	94.3	225.7	235.1	\$2,020
Commercial Risk	3.0	3.5	7.1	3.0	12.2	\$105
<b>Total Recoveries</b>	<b>70.3</b>	<b>97.7</b>	<b>101.4</b>	<b>228.7</b>	<b>247.3</b>	<b>\$2,125</b>

### Recoveries by Region

In a breakdown by region, ¥23.9 billion was from Asia, an increase of 106.7% over the previous fiscal year. Of all the Asian recoveries, 90.4% are from three countries: Indonesia with ¥13.3 billion (¥1.3 billion in the previous fiscal year), the Philippines with ¥6.6 billion (¥6.7 billion in the previous fiscal year), and Pakistan with ¥1.6 billion (¥1.6 billion in the previous fiscal year). Recoveries from the Middle East were ¥2.1 billion, up by 15.0% from the previous fiscal year. Syria and Jordan accounted for 99.2% of the Middle East recoveries, with ¥1.4 billion (¥1.5 billion in the previous fiscal year) and ¥0.7 billion (¥0.3 billion in the previous fiscal year) respectively. Recoveries from Europe were ¥100.4 billion, 11.5% up from the previous fiscal year. Russia and Poland accounted for 98.7% of the total European recoveries, with ¥87.7 billion (¥69.3 billion in the previous fiscal year) and ¥11.4 billion (¥19.2 billion in the previous fiscal year) respectively. Recoveries from North and Central America increased by 29.2% to ¥3.1 billion, of which ¥2.0 billion was from Cuba (¥1.9 billion in the previous fiscal year) and ¥1.1 billion was from the Dominican Republic (no recoveries in the previous fiscal year), accounting for 99.5% of the recoveries from this region. Recoveries from South America were ¥35.4 billion, an increase of 5.7% over the previous fiscal year. Three countries were the main contributors. Brazil, Argentina, and Ecuador accounted for 98.1% of the recoveries from this region, with ¥31.9 billion (¥29.4 billion in the previous fiscal year), ¥1.8 billion (¥1.5 billion in the previous fiscal year), and ¥1.1 billion (¥1.3 billion in the previous fiscal year) respectively. Recoveries from Africa decreased 7.8% to ¥82.5 billion. Recoveries from Nigeria, Algeria, and Egypt were ¥47.6 billion (¥80.7 billion in the previous fiscal year), ¥26.5 billion (¥4.2 billion in the previous fiscal year), and ¥4.4 billion (¥4.1 billion in the previous fiscal year) respectively. The recoveries from the three countries occupied 95.2% of the total recoveries from Africa.

(Millions of yen)

Region	FY2002	FY2003	FY2004	FY2005	FY2006	Composition (%)	Year-to-year change (%)
Asia	11,205	11,858	16,388	11,548	23,874	9.7	106.7
Middle East	1,853	1,676	1,722	1,836	2,112	0.9	15.0
Europe	23,198	19,553	35,184	90,046	100,373	40.6	11.5
North and Central America	1,491	1,064	618	2,361	3,051	1.2	29.2
South America	25,582	26,417	29,631	33,538	35,435	14.3	5.7
Africa	6,947	37,145	17,853	89,410	82,466	33.3	(7.8)
Oceania	1	0	0	0	0	0.0	-
<b>Total</b>	<b>70,277</b>	<b>97,712</b>	<b>101,396</b>	<b>228,739</b>	<b>247,312</b>	<b>100.0</b>	<b>8.1</b>



# Financial Results for Fiscal Year 2006 (Year ending March 31, 2007)



## 1 Fiscal Year 2006 in Review

Nippon Export and Investment Insurance (NEXI), an incorporated administrative agency, submitted a financial statement for its sixth year of operations (fiscal year 2006 ending March 31, 2007) to the Minister of Economy, Trade and Industry on June 22, 2007 and Ministry approval was obtained as of July 9. In accordance with Article 39 of the Act on General Rules for Incorporated Administrative Agency, the financial statement had been audited by MISUZU Audit Corporation appointed by the Minister of Economy, Trade and Industry.

### Overview of Financial Statement

Financial highlights for NEXI business  
Year end: March 31

	(Millions of yen)				
	FY2002	FY2003	FY2004	FY2005	FY2006
Ordinary Income	6,317	9,436	9,346	11,585	12,520
Net premium written	5,875	9,253	8,571	9,586	9,187
Interest on securities	–	9	567	905	1,918
Ordinary expenses	5,492	8,505	7,027	7,544	7,081
Net claims paid	78	402	75	74	62
Operating and administrative expenses	4,543	4,705	4,897	5,476	6,405
Provision for outstanding commitments reserves	647	3,327	1,980	2,008	510
Ordinary profit (loss)	825	931	2,319	4,041	5,439
Extraordinary profit <sup>(Note)</sup>	6,408	17,112	3,173	52,501	18,953
Total profit	7,233	18,043	5,492	56,542	24,392
Total assets	166,125	217,309	241,292	398,588	377,995
Net assets	134,815	183,712	198,908	326,131	350,522

(Note) The profits and losses of assets acquired by subrogation and contributed in-kind by the government have been entered as extraordinary profit (and loss) in accordance with the ministerial ordinance on the finance and accounting of the Incorporated Administrative Agency Nippon Export and Investment Insurance (Ordinance No. 104 of Ministry of Economy, Trade and Industry, March 29, 2001).

### Profits and Losses

Ordinary profit for the fiscal year ending March 2007 was ¥5,439 million, most of which came from net premium written and interest on securities. The underwritten amount (including assumed reinsurance amount and excluding ceded reinsurance amount) was up by 14.8% to ¥1,439,298 million though the net premium written was down 4.2% to ¥9,187 million. Interest on securities was up from ¥905 million to ¥1,918 million since more excess cash had been invested in government bonds and other securities as a result of continued recoveries from debtor countries. Operating and administrative expenses rose by ¥929 million to ¥6,405 million, due to an increase in development costs for a new system that had been brought into operation in December 2006. As for extraordinary profit, the valuation amount and interest of receivables contributed in-kind by the government were entered as extraordinary profit of ¥18,953 million. Reversal of provision for uncollectible receivables was ¥9,564 million and interest income from receivables acquired by subrogation and contributed in-kind by the government was ¥9,848 million, reflecting a continued increase in recoveries from debtor countries. As a result, the total profit amounted to ¥24,392 million.

### Appropriation of Profit

Unappropriated retained earnings for the fiscal year of 2006 (¥24,392 million) were fully transferred to the surplus reserves.

## 2 Financial Statements

### Balance Sheet (As of March 31, 2007)

(Millions of yen)

(Assets)		(Liabilities)	
Cash and cash items	33,781	Outstanding claims reserves	128
Securities	192,789	Reserves for outstanding commitments	12,559
Receivables subrogated by paying claims	356,172	Amount due to reinsurer	8,777
Accrued income	82,397	Deposits received	8
Accrued premium	6,662	Prepaid insurance premium	4,213
Reinsurance credit	368	Accrued amount payable	153
Buildings <sup>(Note 2)</sup>	95	Reserves for bonus payment	125
Equipment and fixtures <sup>(Note 3)</sup>	471	Reserves for retirement allowance	116
Accounts receivable	10	Other liabilities	1,394
Deposits	398	Total liabilities	27,473
Suspense payments	428	(Funds and surplus)	
Softwares	4,833	Capital	
Other assets	53	Government investment	104,352
Allowance for uncollectible receivables	(300,462)	Capital surplus <sup>(Note 5)</sup>	140,652
		Retained earnings	
		First target period reserve fund carried forward	24,585
		Surplus reserves	56,542
		Unappropriated retained earnings	24,392
		(of which Net profit for the current year)	24,392
		Total retained earnings	105,518
		Total funds and surplus	350,522
<b>Total Assets</b>	<b>377,995</b>	<b>Total liabilities, funds and surplus</b>	<b>377,995</b>

(Note 1) Amounts between one million yen and 500 thousand yen were rounded up to one million yen. Amounts less than 500 thousand yen were omitted.

(Note 2) The accumulated depreciation of buildings is ¥111 million.

(Note 3) The accumulated depreciation of equipment and fixtures is ¥1,664 million.

(Note 4) The accumulated depreciation of vehicles is ¥7 million.

(Note 5) The breakdown of capital surplus is as follows:

(Millions of yen)	
Appraisal difference of receivables subrogated by paying claims	45,386
Appraisal difference of rescheduled receivables	49,225
Evaluation difference of commercial risk subrogated receivables	(3,838)
Evaluation difference of capitalized amount	95,265
Total	140,652



**Statement of Income** (From April 1, 2006 to March 31, 2007)

(Millions of yen)

Ordinary profit and loss	Ordinary income	12,520
	Underwriting income	9,189
	Net premium written (Note 2)	9,187
	Interest income on receivables subrogated by paying claims	2
	Investment income	2,701
	Income from interest	783
	Interest on securities	1,918
	Foreign exchange gain	614
	Others	16
	Other ordinary income	16
	Ordinary expenses	7,081
	Underwriting expenses	575
	Net claims paid (Note 3)	62
	Provision for outstanding claims reserves	37
	Estimated amount of insurance claims recovery (Note 4)	(34)
	Provision for outstanding commitments reserves	510
	Investment expenses	77
	Loss on redemption of securities	77
Operating and administrative expenses	6,405	
Others	24	
Interest paid	0	
Other ordinary expenses	24	
	<b>Ordinary profit</b>	<b>5,439</b>
Extraordinary profit and loss	Extraordinary profit	19,412
	Profit relating to in-kind contribution of receivables acquired by government subrogation (Note 5)	9,848
	Reversal of provision for uncollectible receivables relating to in-kind contribution of receivables acquired by government subrogation	9,564
	Extraordinary loss	459
	Losses relating to in-kind contribution of receivables acquired by government subrogation (Note 5)	459
	<b>Total profit for the current year</b>	<b>24,392</b>

(Notes)

1. Amounts between one million yen and 500 thousand yen were rounded up to one million yen. Amounts less than 500 thousand yen were omitted.

2. The breakdown of net premium written is as follows:

(Millions of yen)	
Premium of original insurance written	37,178
Refund of premium paid for reinsurance	1,547
Premium received for reinsurance	702
Premium paid for reinsurance	(30,239)
<b>Total</b>	<b>9,187</b>

3. The breakdown of net claims paid is as follows:

(Millions of yen)	
Insurance claims paid	2,431
Reinsurance claims recovered	(2,367)
Recoveries received before reinsurance claims	(2)
<b>Total</b>	<b>62</b>

4. The breakdown of the estimated amount of insurance claims recovery is as follows:

(Millions of yen)	
①Capitalized amount of subrogated receivables acquired through claims payment	(37)
②Recoveries of subrogated receivables that are not capitalized	(0)
③Difference of estimated value between the current year and the previous year concerning subrogated receivables capitalized in line with the outstanding claims provision.	4
<b>Total</b>	<b>(34)</b>

5. The profits and losses of receivables acquired by subrogation and contributed in-kind by the government were entered as extraordinary profit and loss in accordance with Article 2 of the supplementary provision of the ordinance concerning the finance and accounting of the Incorporated Administrative Agency Nippon Export and Investment Insurance (Ordinance of No. 104 of Ministry of Economy, Trade and Industry on March 29, 2001).

(1) Breakdown of profit relating to in-kind contribution of receivables acquired by government subrogation

(Millions of yen)	
Interest income from receivables acquired by subrogation and contributed in-kind by the government	9,543
Recovery of non-rescheduled receivables acquired by subrogation and contributed in-kind by the government	146
Recognized amount of receivables acquired by subrogation and contributed in-kind by the government	149
Recoveries of write-offs	2
Other extraordinary profit	7
<b>Total</b>	<b>9,848</b>

(2) Breakdown of loss relating to in-kind contribution of receivables acquired by government subrogation

(Millions of yen)	
Bad debts loss	26
Foreign exchange loss on receivables acquired by subrogation and contributed in-kind by the government	416
Other extraordinary loss	16
<b>Total</b>	<b>459</b>

**Statement of Cash Flows** (From April 1, 2006 to March 31, 2007)

(Millions of yen)

<b>I. Cash flows from operating activities</b>	
Premium received	34,861
Reinsurance premium paid	(26,874)
Insurance claims paid	(2,431)
Reinsurance claims received	2,419
Income from recovery of receivables subrogated by paying claims	94,494
Payment of recovered receivables subrogated by paying claims	(23,875)
Income from recovery of receivables subrogated to the government	192,120
Payment of recovered receivables subrogated to the government	(201,699)
Personnel expenses	(1,422)
Other operating expenses	(3,326)
Others	1
<b>Subtotal</b>	<b>64,267</b>
Interests and dividends received	6,365
Interests and dividends paid	(0)
<b>Net cash provided by operating activities</b>	<b>70,633</b>
<b>II. Cash flows from investing activities</b>	
(Increase) in time deposits	(85,431)
Decrease in time deposits	72,671
Purchase of securities	(86,494)
Redemption of securities	7,500
Purchase of fixed assets	(1,294)
(Increase) in deposits	(8)
<b>Net cash (used in) provided by investing activities</b>	<b>(93,057)</b>
<b>III. Cash flows from financing activities</b>	
Finance lease payment	(3)
<b>Net cash (used in) provided by financing activities</b>	<b>(3)</b>
<b>IV. Foreign exchange difference related to cash and cash equivalents</b>	<b>1</b>
<b>V. Net increase (decrease) in cash and cash equivalents</b>	<b>(22,426)</b>
<b>VI. Cash and cash equivalents at the beginning of the current year</b>	<b>42,795</b>
<b>VII. Cash and cash equivalents at the end of the current year</b>	<b>20,368</b>

(Note 1) Amounts between one million yen and 500 thousand yen were rounded up to one million yen. Amounts less than 500 thousand yen were omitted.

(Note 2) The breakdown of cash at the end of the current year by title of balance sheet is as follows:

(Millions of yen)	
Cash and cash items	33,781
Time deposits	(13,412)
<b>Balance of cash at the end of the current year</b>	<b>20,368</b>



## Notes

### I. Important Accounting Principles

#### 1. Accounting procedures of depreciation

##### (1) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets purchased with a value exceeding ¥200,000, either singly or in sets, has been calculated by adopting a straight-line depreciation method. This is in accordance with estimated serviceable life stipulated in the Corporate Tax Law defining residual value as 10% of the purchase value. However, the depreciation of buildings (limited to incidental facilities), has been calculated by a straight-line depreciation method that sets its residual value at ¥1 as the memorandum value.

##### (2) Amortization of intangible fixed assets

Amortization of the trademark right has been calculated by a straight-line depreciation method that fixes its residual value at ¥0 in accordance with the estimated serviceable life stipulated in the Corporate Tax Law.

Amortization of computer software with a four year availability period being used in-house has been calculated by a straight-line depreciation method that sets its residual value at ¥0 by applying the relative availability period to the estimated serviceable life.

#### 2. Calculation basis of the reserves for retirement allowances and estimates

In order to prepare for retirement allowance payments for board members and employees, a reserve is provided, based on 100% of the amount of retirement allowances that is required by the rules of payment of retirement allowances for board members and also by those that apply to employees respectively.

#### 3. Calculation method of reserves for outstanding commitments, outstanding claims reserves, receivables subrogated by paying claims and allowance for uncollectible receivables

Reserves for outstanding commitments, outstanding claims reserves, receivables subrogated by paying claims and the allowance for uncollectible receivables have been dealt with by calculating the respective amount in accordance with the following ordinance: "Concerning the calculation methods ordained by the Minister of Economy, Trade and Industry, pursuant to the articles of the ministerial ordinance with regard to the finance and accounting of the Incorporated Administrative Agency Nippon Export and Investment Insurance" (2006-02-28 Trade No.4).

#### 4. Calculation basis of reserves for bonus payments and estimates

In order to prepare for the payment of bonuses for board members and employees, a reserve is provided, based on the amount remaining in the current fiscal year according to the rules of remuneration of board members and employees respectively.

#### 5. Appreciation basis and method for securities

- (1) Appreciation of bonds that are owned for the purpose of being held until maturity has been carried out by adopting an amortized cost method (straight-line method).
- (2) Appreciation of the remaining bonds that do not have a market price has been carried out by adopting a moving average cost method.

#### 6. Appreciation method of money claims and debts in foreign currencies

Money claims and debts in foreign currencies have been translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

#### 7. Calculation method for opportunity costs in the statement of administrative services costs

##### (1) Calculation method for opportunity costs of using national property free of charge

Opportunity costs arising from using national property free of charge for the facilities of NEXI, such as offices, have been

calculated by referring to the average rents stated in the White Paper on Real Estate 2006.

Computer room on the second floor of the annex to the main building of the Ministry of Economy, Trade and Industry

##### (2) Interest rate for the calculation of opportunity costs relating to investment by the government

The yield of 10-year government bonds (1.650%) has been applied.

#### 8. Accounting and depreciation methods applied to lease transactions

Financial lease transactions have been dealt with in accordance with the accounting procedures of typical sales transactions. Depreciation has been dealt with by a straight-line method, which sets its residual value at ¥0 by applying the relative contract period as its estimated serviceable life.

#### 9. Change in accounting principles

##### (1) Accounting standards concerning impairment loss on fixed assets

Since the fiscal year ending March 2007, NEXI has been applying the following policies: "Incorporated Administrative Agency Accounting Standards concerning Impairment Loss on Fixed Assets," "Notation for Incorporated Administrative Agency Accounting Standards concerning Impairment Loss on Fixed Assets" (June 29, 2005, Study Group of Incorporated Administrative Agency Accounting Standards, Fiscal System Council Fiscal System Sectional Committee, Legislation/Public Accounting Division Public Enterprise Accounting Subcommittee) and their Qs and As (August 2005, Administrative Management Bureau, Ministry of Internal Affairs and Communications; Budget Bureau, Ministry of Finance; and the Japanese Institute of Certified Public Accountants). No impact is associated with this change.

##### (2) Reporting method of receivables subrogated by paying claims

In the past fiscal years, interest equivalents payable to the insured after the recovery of subrogated receivables were reported as accrued amounts payable. Since fiscal year ending March 2007, the interest equivalents have been offset against receivables subrogated by paying claims in accordance with a more accurate definition of the amount of receivables subrogated by paying claims under Article 3 of the ordinance concerning calculation methods ordained by the Minister of Economy, Trade and Industry, pursuant to the articles of the ministerial ordinance with regard to the finance and accounting of the Incorporated Administrative Agency Nippon Export and Investment Insurance (2001-03-27 Trade No.2). As a result, both receivables subrogated by paying claims and accrued amounts payable have decreased by ¥36,095 million compared with the previous method.

### II. Important Debt Assumption Undertaken

Not applicable

### III. Important Subsequent Events

Not applicable

### IV. Translation of Accounting Titles Distinctive to NEXI

Receivables subrogated by paying claims	Total assets of receivables subrogated by NEXI's paying claims and estimated amount of potential subrogated receivables with regard to the outstanding claims reserves
Accrued premium	Accrued insurance premium due from policyholders arising from insurance contracts concluded
Reinsurance credit	Receivables arising from reinsurance provided by the government ○ Accrued premiums on reinsurance to be refunded by the government ○ Accrued reinsurance claims to be paid by the government
Outstanding claims reserves	Amount considered necessary in order to cover incurred losses under an insurance contract or losses recognized as having been incurred at the end of the fiscal year
Reserves for outstanding commitments	Amount reserved in order to prepare for possible future claim payments under insurance and reinsurance contracts
Amount due to the reinsurer	Amount to be paid by NEXI to the government under reinsurance contracts
Prepaid insurance premium	Insurance premium received with NEXI's obligation starting from the next fiscal year or later
Net premium written	Amount calculated by deducting reinsurance premium paid from premium written. Premium written is the total amount of premium of original insurance written and premium received for reinsurance.
Net claims paid	Amount calculated by deducting reinsurance claims recovered from insurance claims paid. Insurance claims paid are the total amount of original insurance claims paid and reinsurance claims paid.
Estimated amount of insurance claims recovery	The total of the following amounts: ○ Capitalized amount of receivables subrogated by paying claims ○ Recovery of receivables subrogated by paying claims that are not capitalized ○ Difference of value between the current fiscal year end and the previous fiscal year end, of the estimated amount of potential subrogated receivables capitalized in association with the outstanding claims reserves
Provision for outstanding claims reserves	Provision for outstanding claims reserves for the current fiscal year
Provision for outstanding commitments reserves	Provision for outstanding commitments reserves for the current fiscal year
Capital surplus	Appraisal difference of in-kind contribution of receivables acquired by government subrogation is processed based on Article 2 of the supplementary provision of the ministerial ordinance with regard to the finance and accounting of the Incorporated Administrative Agency Nippon Export and Investment Insurance (Ordinance of Finance and Accounting).  ○ Appraisal difference of receivables subrogated by paying claims With regard to the fiscal years ending March 2003, 2004 and 2005, the appraisal difference of receivables acquired by subrogation and contributed in-kind by the government (except for accrued income) was included in the capital surplus, in accordance with the ordinance concerning a partial revision of the Ordinance of Finance and Accounting (Article 49 of Ordinance of Ministry of Economy, Trade and Industry, March 31, 2003).  ○ Appraisal value associated with capitalization The Ordinance of Finance and Accounting was partially revised by ordinance No. 100 of October 28, 2005. Since the fiscal year ending March 2006 (FY2006), those receivables acquired by subrogation and contributed in-kind by the government that were capitalized and appraised for the first time have been included in the capital surplus.





## Second Medium-Term Objectives

Nippon Export and Investment Insurance (NEXI) has set the medium term-objectives for the second term of FY2005 to FY2008 and is enforcing various measures and policies based on these objectives. □ A summary of these objectives is outlined below.

### 1 Improving the quality of NEXI's services and other operations

#### 1 Improvement of products

From the perspective of securing the international competitiveness of Japanese companies, we will take the customers' demands and requirements for trade and industry policies into consideration and, in order to provide high-quality services equal to those in other foreign countries, we will improve and develop our products through a complete revision of the comprehensive insurance with the exporters' associations scheme and of the insurance products that we currently offer.

#### 2 Improvement of services

Adopting the perspective of the customers at all times, we will make efforts to improve and enhance our services by lightening the burden on the customer and promoting prompt decision-making/business proceedings in addition to fully enforcing the observance of compliance and building on the relationship of trust that we have with our customers. Further, the changes will enable us to perceive customers' needs with greater accuracy and create a system where it is possible to offer services that are more convenient for our customers.

#### 3 Streamlining the system to perceive and reflect customers' needs and enhance risk analysis/assessment

We will increase the publicity activities of existing insurance products and address our customers' needs with greater accuracy, making use of customer feedback on our insurance products as well as streamlining the system to improve risk analysis/assessment methods.

In order to strengthen the assessment of underwriting, information-gathering capacity, and recovery functions, we will increase the efficiency of the organic linkage system with domestic and international institutions, including the Japanese government, and also give further multifaceted and effective support to overseas transactions by Japanese companies.

#### 4 Emphasizing strategic priority policy issues

In light of our role as the public institution responsible for developing Japan's overseas transactions and taking heed of requirements regarding Japan's trade policies, industrial policies, natural resources and energy policies, etc. we will give priority to accomplishing these policy issues. In order to do so, we will qualitatively and quantitatively expand the insured risks regarding these areas.

At the same time we will take the initiative in addressing issues in great demand by our customers, including consideration for the environment and social issues and will make every effort to fulfill our social responsibilities as a public institution.

#### 5 Smooth entry of private insurers into the market

As for our efforts toward the improvement of our products, the introduction of choice of coverage system in the revision of the comprehensive insurance with the exporters' association extends our customers' choice of cover to private insurance companies, preparing a suitable environment that facilitates the smooth entry of private insurers.



### 2 Efficiency of business operations

#### 1 Promoting efficiency of business operations

Our staff will be trained to be thoroughly cost-conscious by giving full consideration to the cost-effectiveness of the disbursement of expenses, in order to improve the efficiency of our business operations.

- i. We will at all times closely monitor our organizational structure and personnel distribution so that they can appropriately deal with their workload. Further we will do our best to carry out necessary revisions as well as increasing cost-effectiveness.
- ii. Our goal for FY2008 is to reduce the workforce by at least 3% compared with FY2005, and for this purpose will take the necessary measures. We will also make necessary revisions in our board members' and employees' salaries.
- iii. We will promote the efficiency of business operations through consignment of part of our office work and business operations to private financial institutions, etc.

#### 2 Efficient development and smooth operation of the next generation information system

As for the development of our next generation information system, we will take all possible measures to ensure that effective development will be continued to maximize the effectiveness of investment, while appropriately managing the development schedule.

We will improve the services to our customers and realize efficient and prompt business operations (including, in addition to development and sale of new products, reinsurance by the government and smooth response to asset management) through a smooth transition from the current information system, the promotion of an efficient and prompt system maintenance/additional alteration after the new system is put in operation.

### 3 Improvement in composition of finances

#### 1 Reinforcement of financial grounds

In order to continuously and stably offer our customers an "assured peace of mind," we will improve the efficiency of business operations and hold down expenditure based on appropriate risk management, as well as enhance our finance grounds through the appropriate management of debts brought about by insured risks and strengthening of the recovery system.

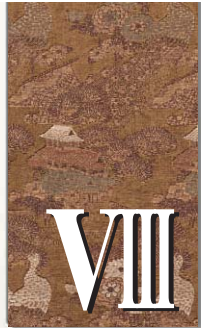
#### 2 Reinforcement of credit management/recovery

- i. We will strengthen our recovery capacity through the appropriate management of credit data and close coordination with relevant organizations.
- ii. We will feed back the know-how accumulated through assessment/recovery operations of specific transactions and enhance our risk management.
- iii. As for debts caused by insured risks, we will appropriately control them and improve their assessment and analyzing methods as well as execute precise accounting.

### 4 Fostering of personnel with high degree of specialist knowledge (personnel administration)

We will further elevate specialization of our staff through an enriched in-service training system, implementation of an efficient personnel system that takes into account the development of specialist knowledge, etc.

We will also properly appoint personnel to match the quantity and quality of our business operations by improving our present business processing.



# Profile of NEXI



From the left: Fumihiko Kato (Vice Chairman), Hidehiro Konno (Chairman and CEO), and Naoki Obayashi (Vice Chairman)



Shigeki Nishikawa  
(Corporate Auditor)



Takashi Imai  
(Corporate Auditor)

### Members of the Board and the Audit Board

Chairman and CEO	Hidehiro Konno
Vice Chairman	Naoki Obayashi
Vice Chairman	Fumihiko Kato
Corporate Auditor (Full Time)	Shigeki Nishikawa
Corporate Auditor (Part Time)	Takashi Imai



**Name** Incorporated Administrative Agency, Nippon Export and Investment Insurance ("NEXI")

**Date of Establishment** April 1st, 2001

**Acts** Act on General Rules for Incorporated Administrative Agency Trade and Investment Insurance Act

**Purpose** To efficiently and effectively conduct insurance business of covering risks which arise in foreign transactions and which are not covered by commercial insurance.

**Competent Minister** The Minister of Economy, Trade and Industry

**Capital** ¥104.4 billion (Fully contributed by the Japanese Government) (Unchanged from the previous year)

**Number of Full-time Employees** 142 (As of March 31, 2007)

**Scope of Business**

1. To conduct trade and investment insurance business operations complying with the regulations of Chapter 3 of the Trade and Investment Insurance Act.
2. To conduct business which is incidental to the business stated in 1.
3. To underwrite reinsurance under the insurance obligations of international institutions, foreign governments, or international companies that conduct insurance business (including reinsurance) which indemnifies losses similar to the losses covered by trade and investment insurance.
4. To entrust reinsurance for the insurance obligation of NEXI under the Trade and Investment Insurance Act to international institutions, foreign governments, or international companies that conduct insurance business (including reinsurance) which indemnifies losses similar to the losses covered by trade insurance as well as the reinsurance with the Government complying with the regulations of Chapter 4 of the Trade and Investment Insurance Act.

**Brief History**

July 1999	Enactment of Act on General Rules for Incorporated Administrative Agency	(For reference) The Trade and Investment Insurance Act was enacted in March 1950 and thereafter trade and investment insurance was managed by the Ministry of Economy, Trade and Industry (former Ministry of International Trade and Industry) until the end of March 2001.
Dec. 1999	Enactment of the Act which partly amended the Trade and Investment Insurance Act	
Apr. 2001	Establishment of Nippon Export and Investment Insurance	

**Offices**

<b>Head Office</b>	Chiyoda First Building, East Wing 3F, 3-8-1, Nishikanda, Chiyoda-ku, Tokyo 101-8359 Tel. 81-(0)3-3512-7650 Fax. 81-(0)3-3512-7660
<b>Domestic Branch</b>	3-1-22, Kitahama, Chuo-ku, Osaka City, Osaka 541-0041 Tel. 81-(0)6-6233-4017 Fax. 81-(0)6-6233-4001
<b>Overseas Offices</b>	NEXI Paris, NEXI New York, and NEXI Singapore (See page 42.)

**Main Insurance Products**

- Export Credit Insurance
- Buyer's Credit Insurance
- Trade Insurance for Standing Orders with Specific Buyer
- Export Credit Insurance for SMEs
- Intellectual Property License Insurance
- Overseas Untied Loan Insurance
- Overseas Investment Insurance
- Export Bill Insurance
- Prepayment Import Insurance
- Investment and Loan Insurance for Natural Resources and Energy

**URL** <http://www.nexi.go.jp>



# NEXI Customer Service Charter



## NEXI Spirit

- (1) Our mission is to assist customers to conduct international business with a sense of security by reducing incidental business risks. To this end, we take time to grasp the customer's viewpoint, so that we can meet our customer's needs precisely and we can provide efficient and high-quality services, thereby enhancing customer satisfaction and establishing mutual trust.
- (2) By implementing our customer-focused policy, we will continue to:
  1. Improve the quality of services,
  2. Broaden the range of risk coverage,
  3. Promote the efficiency of operations, and
  4. Increase the transparency of management.

## NEXI Pledges to the Customer

We are committed to:

- (1) Providing insurance products that make customers feel secure and protected in overseas transactions
  - 1) If you suspect that your international transactions, including exports, foreign investment and overseas lending may incur any risk, please visit our website (<http://www.nexi.go.jp>) and find the insurance product section, or contact the following offices.
    - Customer Relations Office (Head Office):  
Tel: 81-(0)3-3512-7712
    - Customer Relations Office (NEXI, Osaka):  
Tel: 81-(0)6-6233-4018
  - 2) To provide customers with further information on our insurance products that are beneficial to international business, we are always pleased to dispatch our staff to your office at your request. Please feel free to contact us.
- (2) Providing advice to customers from the preliminary stage of planning
 

If you plan to initiate international transactions, such as exports and overseas investment, there is a NEXI service available for you. We will be pleased to consult with you at an early stage of project formation and propose the most appropriate insurance product to minimize any risk involved.

※ For enquiries, please see the NEXI directory as below, in order to find out where to contact us.

- Customer Relations Office (Head Office):  
Tel: 81-(0)3-3512-7712  
Fax: 81-(0)3-3512-7687  
E-mail: [okyakusama@nexi.go.jp](mailto:okyakusama@nexi.go.jp)
- Customer Relations Office (NEXI, Osaka):  
Tel: 81-(0)6-6233-4018  
Fax: 81-(0)6-6233-4001

- (3) Responding promptly to inquiries and the interests of customers
  - 1) If you have any questions about insurance products, please call or e-mail the Customer Relations Office or any relevant group. We will respond quickly.
  - 2) To estimate an insurance premium, please use the premium calculation simulator on our website. If you give us information on your planned transaction, the group in charge will estimate a premium on the same day of the inquiry, in principle, or on the following business day at the latest. (For medium or long-term non-L/G transactions, however, we will answer within five business days.)  
If the group in charge finds it difficult to answer your inquiry within these time limits, the group will promptly notify you to that effect and give the reason for the delay and the expected date of answer.
  - 3) Should the group in charge find any inadequacy in the forms submitted, such as the pre-application form and the insurance application form (other than environment-related forms), we will notify you within five business days of our receipt at the latest.
  - 4) If you have any questions about trade insurance system for a specific project, please consult the group in charge or the Customer Relations Office. We will answer within five business days at the latest.  
Should we find it difficult to answer within the stated period, you will be promptly notified to that effect and be given the reason for the delay and the expected date of answer.
- (4) Meeting customers' demands and business needs
  - 1) It would be appreciated if you could give us sufficient lead time when consulting with us as our assessment may take longer than expected.
  - 2) If it becomes necessary to accelerate procedures for such a reason as an export contract proceeding more rapidly than anticipated, please consult with us. Your business needs are always important to us and we will do our utmost to meet accelerated deadlines.  
If we find it difficult to meet an accelerated deadline, we will immediately alert you of this and let you know how long it will take to complete the necessary procedures.
- (5) Promptly completing the assessment of insurance claims and making insurance claim payment
  - 1) As soon as we receive an insurance claim from a

customer, we will assess the details in light of the insurance policy provisions to determine the amount of the claim to be paid. We will then make a payment within a stipulated time. This is generally within two months of receipt of the claim, however, in a situation where more time is required for a survey, this rule does not apply. For an application for insurance claims, customers are requested to steadily execute the duty of notification and the duty of loss prevention and reduction stipulated in such documents as insurance policy provisions. In addition, customers are also requested to submit all necessary documents stipulated in the insurance policy provisions and other regulations within a specified time.

2) In the event of any inadequacy being found in a submitted claim or in other documents in light of insurance policy provisions or other regulations, we will give you notification no later than three business days after receiving the documents.

3) In order to pay claims within the period stipulated in the insurance policy provisions, and other regulations, we appreciate your understanding and cooperation, including the early submission of documents necessary for the assessment.

## (6) Promptly allocating the recovery

1) When money is recovered from a debt for which we have been entrusted with the exercise of recovery rights, we will promptly distribute the recovered money in accordance with insurance policy provisions, etc.

2) To allocate money recovered according to Paris Club debt rescheduling or other programs, in principle, we will complete remittance procedures to the relevant customer accounts by the business day following confirmation of the receipt of the full amount in a NEXI account.

## Information

Various kinds of information can be found on our website (<http://www.nexi.go.jp>) and in our annual report.

- (1) Please visit our website for comprehensive information on trade insurance, which we hope will be helpful.

NEXI website features:

- 1) Recent developments (including changes in systems and underwriting policies and business results for the last half-year period)
- 2) Description of our insurance products
- 3) Rules concerning trade insurance (including insurance policy provisions for all of our insurance products)
- 4) Underwriting policies
- 5) Country categories
- 6) Simulation of premium calculations

## 7) Application procedures

8) Procedures to be adopted after occurrence of an insured event

9) Examples of insurance claim payments cases

10) Brochures on our insurance products

11) Downloadable insurance policy provisions, detailed rules concerning procedures, various application forms

- (2) Our annual report (in Japanese and English) offers the results of our trade insurance business and our financial statements. Other publications are also available, including NEXI corporate brochures and leaflets on our insurance products. Please feel free to call the Public Relations Group or the Customer Relations Office of the Head Office.

- (3) For inquiries regarding our website, annual report or any other public relations material, please contact the Public Relations Group of the Head Office.

## Your Comments and Complaints

Enhancing customer satisfaction is our constant aim. If you experience difficulty with any procedure or have a complaint about our services, do not hesitate to tell us, then the problem will be rapidly addressed.

- (1) If you let us know about any trouble you may be having, we can do whatever is necessary to solve the problem. In such a case, for example in insurance-related procedures, please give us the details of the problem and what you wish to be done. We will immediately analyze the situation to discover the source of the problem and suggest a solution.

- (2) If you have any complaint about our services or the handling of a specific project, please inform the Customer Relations Office.

1) For any complaint about our services, please provide the details to the Customer Relations Office in writing or via e-mail. After examining your problem, the Customer Relations Office will let you know how it will be dealt with. In a situation where it is difficult for us to take immediate action, we will let you know the reason for the difficulty and how we intend to proceed with it.

2) If there is any complaint about the handling of a specific project, please provide the details to the Customer Relations Office in writing or via e-mail. After re-examining the details, the Customer Relations Officer will inform you of the results of our investigation without delay. If action cannot be taken immediately, the Customer Relations Officer will inform you of the reason and the projected schedule for completion.



## Customer Relations Office

(1) We have established a "Customer Relations Office" to provide more efficient services for our customers in accordance with our customer-oriented policy.

● Customer Relations Office (Head Office):  
Phone: 81-(0)3-3512-7712  
Fax: 81-(0)3-3512-7687  
E-mail: okyakusama@nexi.go.jp

● Customer Relations Office (NEXI, Osaka):  
Phone: 81-(0)6-6233-4018  
Fax: 81-(0)6-6233-4001

(2) The Customer Relations Office offers customer support by viewing the situation from the customer's viewpoint. Any question or inquiry is welcome, including questions about trade finance, the appropriate group to handle a planned project, and the handling of a specific project. We will take prompt action in these matters.

## About This Customer Service Charter

It is our policy that NEXI staff members act quickly at all times, and the Charter will be constantly reviewed. Please do not hesitate to make any comments about this Charter or NEXI in general.

## NEXI Directory

■ For general inquiries, including questions about the outline of trade insurance, please contact:

● Customer Relations Office (Head Office):  
Phone: 81-(0)3-3512-7712  
Fax: 81-(0)3-3512-7687  
E-mail: okyakusama@nexi.go.jp

● Head Office - Underwriting Group No.1  
Phone: 81-(0)3-3512-7667

● NEXI, Osaka - Customer Relations Office  
Phone: 81-(0)6-6233-4018  
Fax: 81-(0)6-6233-4001

■ For inquiries about matters ranging from consultation on trade insurance underwriting to assessment associated with specific transactions, (including terms of cover, country categories, international agreements and insurance application procedures, such as buyer registration), please contact:

### Short-Term Transactions (Repayment Term of Less Than Two Years)

● Head Office - Underwriting Group No.2  
(Phone: 81-(0)3-3512-7668)  
• Consultation, individual assessment and issuance of

informal approval of transactions for Export Credit Insurance, Export Bond Insurance and Prepayment Import Insurance that do not fulfill the insurance requirements by country such as for amount limits

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)

• Consultation and individual assessment of transactions for all kinds of insurance fulfilling the insurance requirements by country such as for amount limits  
• Consultation and individual assessment of insurance claims for Export Bill Insurance

● NEXI, Osaka - Underwriting Group  
(Phone: 81-(0)6-6233-4018)

• Consultation, individual assessment, and issuance of informal approval of transactions for Export Credit Insurance (for transactions less than one billion yen)

● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

• Consultation and individual assessment of transactions for Export Credit Insurance (Specific Insurance, Comprehensive Insurance with Exporters' Association, and Enterprise Comprehensive Insurance), fulfilling the insurance requirements by country, such as for amount limits  
• Consultation and individual assessment of transactions of Trade Insurance for Standing Orders from Specific Buyer  
• Consultation and individual assessment of Export Credit Insurance for SMEs  
• Consultation and individual assessment of insurance claims for Export Bill Insurance

### Medium & Long-Term Transactions (Repayment Term of Two Years or More)

● Head Office - Underwriting Group No.2  
(Phone: 81-(0)3-3512-7668)

• Consultation, individual assessment and issuance of informal approval of transactions for Export Credit Insurance, Buyer's Credit Insurance, Export Bond Insurance and Prepayment Import Insurance  
• Consultation on underwriting and assessment regarding transactions with direct government loans or government guarantees, or a transaction without government guarantees for which insurance cover is requested only for political risks.  
• Consultation, individual assessment and issuance of informal approval of transactions for Overseas Investment Insurance

● Head Office - Structured and Trade Finance Insurance Department

• Consultation, individual assessment, and issuance of informal approval of transactions for Buyer's Credit Insurance without L/G and Overseas Untied Loan Insurance

### Power & Mining Team

• Asia  
(Phone: 81-(0)3-3512-7675)  
• Regions other than Asia  
(Phone: 81-(0)3-3512-7673)

### Oil & Gas Team

• Middle East, Africa, and Asia  
(Phone: 81-(0)3-3512-7744)  
• Regions other than the Middle East, Africa, and Asia  
(Phone: 81-(0)3-3512-7672)

### Infrastructure Team

• Infrastructure/Aircraft Finance  
(Phone: 81-(0)3-3512-7674)  
• Manufacturing/Service Business  
(Phone: 81-(0)3-3512-7601)

### Investment and Loan Insurance for Natural Resources and Energy Team

(Phone: 81-(0)3-3512-7744)

For inquiries about the following, please contact the appropriate office.

■ Ratings for, and credit management of, non-Japanese trading companies and banks:

● Head Office - Credit Administration Group  
(Phone: 81-(0)3-3512-7684)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Insurance application forms:

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Issue of insurance policies

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Collection or refund of insurance premiums

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Acceptance and handling of applications for alteration

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Various application procedures, including approval of pledge

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Various types of notification, such as notification of redemption date

● Head Office - Business Administration Group  
(Phone: 81-(0)3-3512-7664)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Notice of occurrence of risks, notification of losses and credit advice

● Head Office - Claims Service & Recovery Group  
(Phone: 81-(0)3-3512-7663)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ Claims and assessment of insured events

● Head Office - Claims Service & Recovery Group  
(Phone: 81-(0)3-3512-7663)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ For inquiries about Paris Club rescheduling, allocation of recoveries and so forth

● Head Office - Recovery Services Group  
(Phone: 81-(0)3-3512-7725)

■ For inquiries about assessments of recoverable assets other than the above and recovery business in general

● Head Office - Asset Planning Group  
(Phone: 81-(0)3-3512-7658)  
● NEXI, Osaka - Administration Group  
(Phone: 81-(0)6-6233-4017)

■ "Guidelines on Environmental and Social Considerations in Trade Insurance"

● Head Office - Environment Group  
(Phone: 81-(0)3-3512-7685)

■ Disclosure of Information

● Head Office - Personnel and Administration Group  
(Phone: 81-(0)3-3512-7656)

■ Public relations, including the NEXI website and annual report

● Head Office - Public Relations Group  
(Phone: 81-(0)3-3512-7655)



# Implementation of Confirming Environmental and Social Considerations

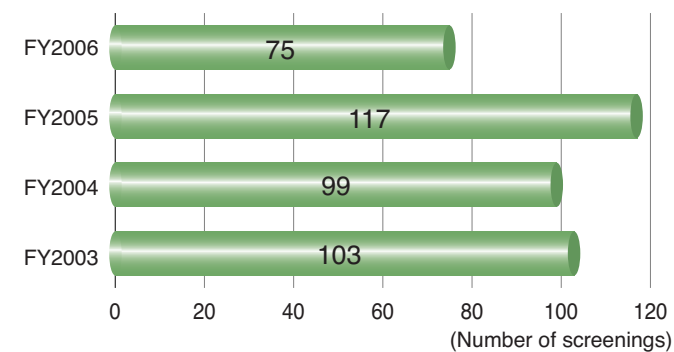
Nippon Export and Investment Insurance (NEXI) confirms whether appropriate environmental and social considerations are being addressed in projects that may be covered by NEXI's insurance, in accordance with the "Guidelines on Environmental and Social Considerations in Trade Insurance" (established April 1, 2001).

Specifically, projects are screened, based on the screening forms submitted by insurance applicants, and classified into three categories A, B, or C in descending order of level of impact. The environmental impact of the projects is examined based on the classification results. For example, an on-site visit is conducted for "Category A" projects.

Although the number of projects screened in fiscal 2006 decreased compared with the number in the previous fiscal year, the number of Category A projects increased. Since export and investment patterns have become diversified, we are working on making further prompt and precise assessments.

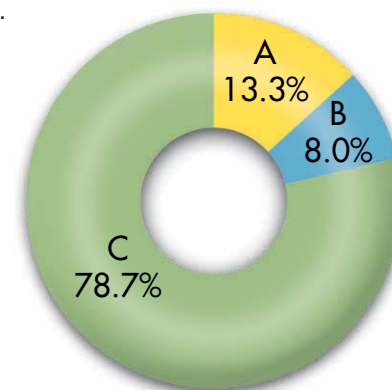
## Results of Screening Conducted

Due to the decrease in the number of insurance applications, the number of screenings conducted in FY2006 decreased by about 36%.



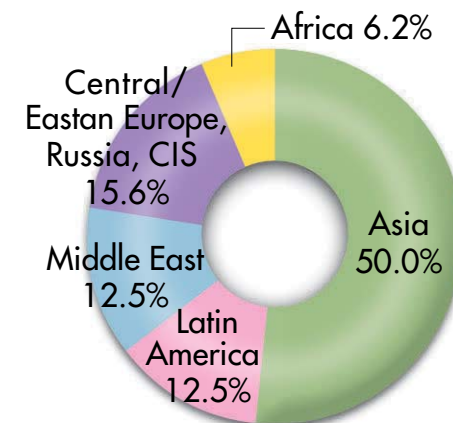
## Percentage of Screening in FY2006 by Category

The percentage of Category A projects doubled compared with fiscal 2005 (6.8%) due to the increase in insurance applications for large-scale plant projects.



## Percentage of Screening in FY2006 by Region (for Category A and B projects)

The percentage of projects in Asia showed a relative increase compared with fiscal 2005 (30.6%).



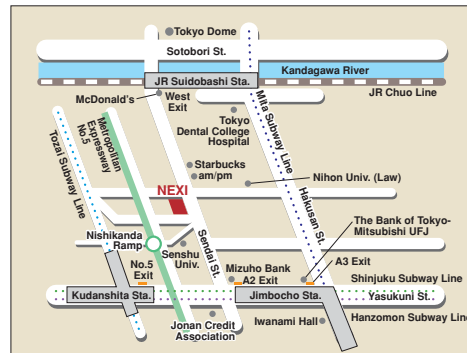
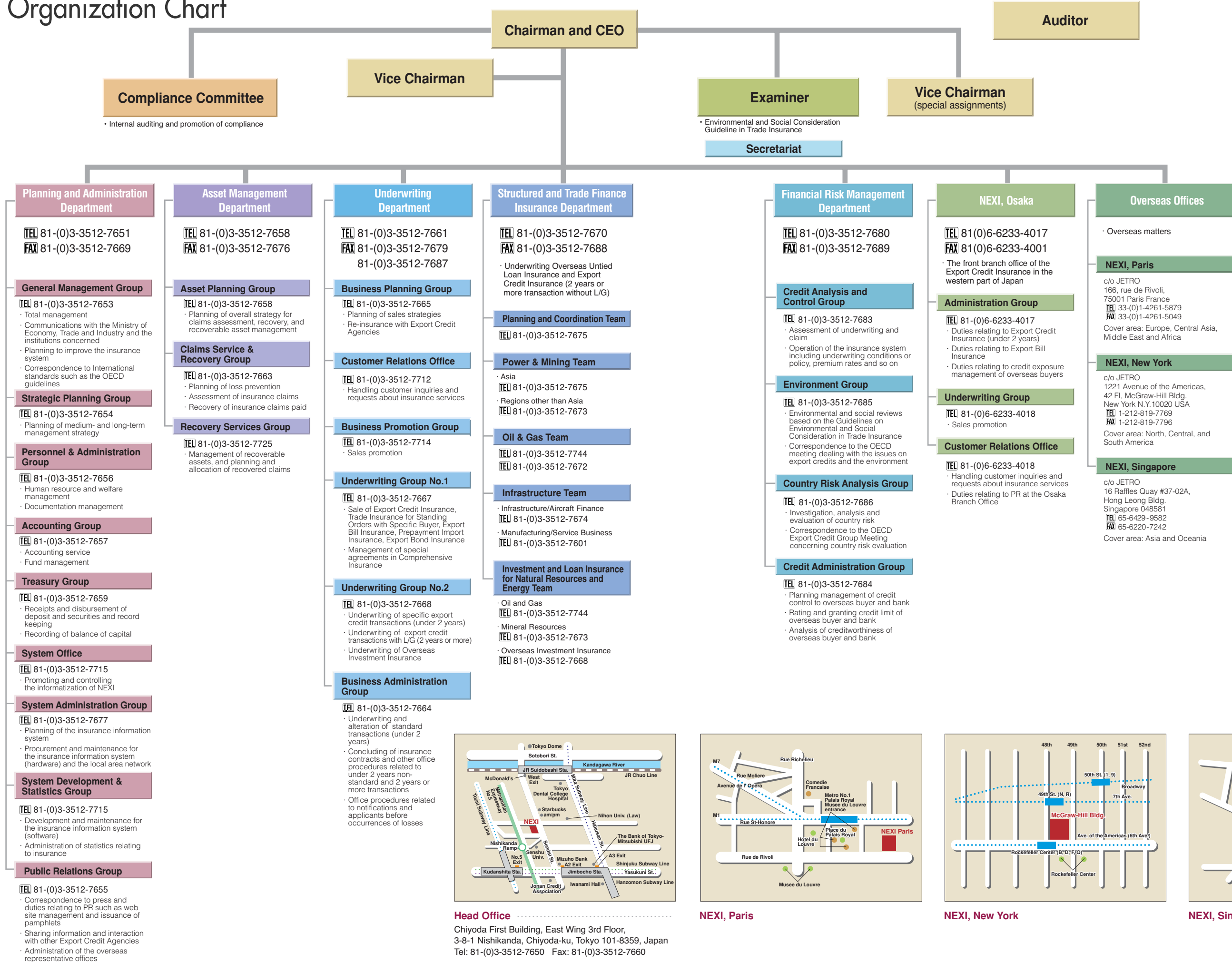
## On-site Visits

Please click the following URL for details of the "Environmental and Social Consideration in Trade Insurance."

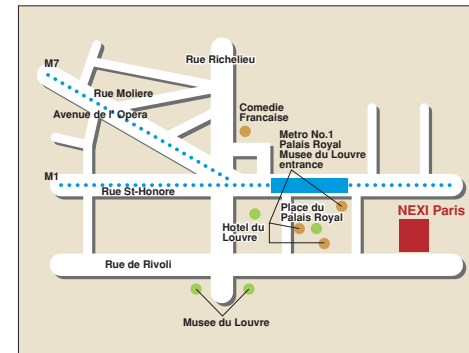
[http://nexi.go.jp/e/env/index1\\_frame.html](http://nexi.go.jp/e/env/index1_frame.html)



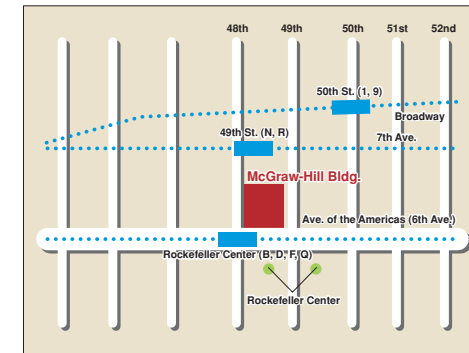
# Nippon Export and Investment Insurance Organization Chart



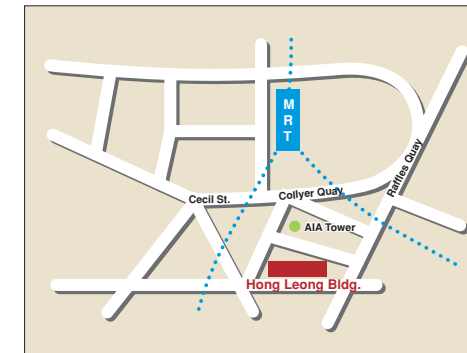
**Head Office**  
Chiyoda First Building, East Wing 3rd Floor,  
3-8-1 Nishikanda, Chiyoda-ku, Tokyo 101-8359, Japan  
Tel: 81-(0)3-3512-7650 Fax: 81-(0)3-3512-7660



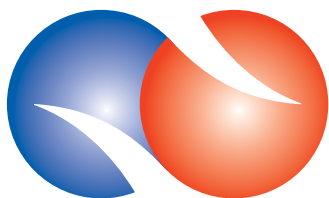
**NEXI, Paris**



**NEXI, New York**



**NEXI, Singapore**



**NEXI**

Nippon Export and Investment Insurance

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**Nippon Export and Investment Insurance**

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Planning and Administration Department

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E-mail: [info@nexi.go.jp](mailto:info@nexi.go.jp)

