

NEXI

Nippon Export and Investment Insurance

Nippon Export and Investment Insurance
Annual Report FY2016



Message from the Chairman



I have pleasure in presenting the annual report of Nippon Export and Investment Insurance (NEXI) for FY2016 ended 31 March 2017, and I am truly grateful for your support and cooperation throughout the fiscal year.

The global economy overall continued to recover moderately throughout FY2016. Although the outlook became more uncertain during the first half partly reflecting concern about the Chinese economy, declining oil prices and the “Brexit” referendum, some pick-up in the Chinese economy and oil prices seen in the second half eased the uncertainty, slowing the negative trend in the advanced economies.

In May 2016, Prime Minister Shinzo Abe announced the “Expanded Partnership for Quality Infrastructure” initiative to offer quality infrastructure investment to meet the world’s huge infrastructure demand. In response to this initiative, NEXI worked out various measures to strengthen its functions, such as increase in political risk coverage in Overseas Investment Insurance and Export Credit Insurance. NEXI also made a positive contribution to the strengthening of Japanese companies’ competitiveness by supporting infrastructure projects including power and railway, and other sectors’ projects such as agriculture.

During the fiscal year, we continued to increase support to Japanese SMEs. Today our SME-support network based on business alliances and cooperative partnerships with local banks and shinkins (credit associations) covers all 47 prefectures in Japan. NEXI also updated its insurance designed for SMEs, and launched Export Credit Insurance for SMEs and AFF Sector in July 2016 to encourage the primary-sector SMEs to expand business overseas. The number of contracts of our Export Credit Insurance for SMEs and AFF Sector continued to grow in FY2016.

On April 1, 2017, NEXI completed transition from Incorporated Administrative Agency to a special stock company wholly owned by the government to improve its managerial flexibility, efficiency and mobility while strengthening coordination with the government by reflecting Japan’s policy. As the “new” NEXI, we are continuously responsible for offering the best possible support for our customers and all the executive officers and staff members of NEXI have renewed determination to fulfill our responsibility as the sole provider of Japan’s trade and investment insurance system. We will work to meet our customers’ needs by quickly responding to their changing business environment, striving for self-improvement, always willing to take on new challenges, nurturing diversity and expertise, and strengthening the organization. We appreciate your continued understanding and support.

Kazuhiko Bando
Chairman and CEO
Nippon Export and Investment Insurance

July 2017





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



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Profile of NEXI

Organization Name	Nippon Export and Investment Insurance	
Date of Establishment	April 1, 2017	
Acts	Trade and Investment Insurance Act	
Purpose	To conduct insurance business to cover risks which arise in foreign transactions not covered by ordinary insurance	
Competent Minister	The Minister of Economy, Trade and Industry	
Capital	JPY169,352,324,369- (100% State-owned)	
Executive Officers	Chairman and CEO	Kazuhiko Bando
	President	Masafumi Nakada
	Managing Executive Officer, Member of Board	Keiji Wada
	Managing Executive Officer, Member of Board	Kohei Okada
	Member of Board	Hideo Teramoto
	Audit & Supervisory Board Member (Full-Time)	Keishi Nakamura
	Audit & Supervisory Board Member	Akio Otsuka
	Audit & Supervisory Board Member	Tomoyo Matsui
Number of Employees	167 (as of April 1, 2017)	
Scope of Business	<p>1) To conduct trade and investment insurance business operations complying with the provision of Chapter III of the Trade and Investment Insurance Act.</p> <p>2) To conduct business incidental to the business stated in 1) above.</p> <p>3) To underwrite reinsurance for international institutions, foreign governments or foreign companies who underwrite insurance (including reinsurance) which indemnifies losses similar to the losses covered by the trade and investment insurance, for the liability incurred by such insurers.</p> <p>4) To underwrite reinsurance for Japanese insurance companies who underwrite insurance (excluding ordinary insurance) other than the trade and investment insurance deemed necessary to carry out the purpose of sound development of foreign transactions as prescribed by Cabinet Order, for the liability incurred by such insurers under the said insurance.</p> <p>5) To cede reinsurance of the liability held by NEXI under the Trade and Investment Insurance Act to international institutions, foreign governments or foreign companies who underwrite insurance (including reinsurance) which covers the risks similar to those covered by the trade and investment insurance.</p>	
Brief History	Jul 1999	Enactment of Act on General Rules for Incorporated Administrative Agency
	Dec 1999	Enactment of Act Revising a Section of the Trade and Investment Insurance Act
	Apr 2001	Establishment of Nippon Export and Investment Insurance (NEXI) as an Incorporated Administrative Agency
	Jul 2015	Enactment of Act Revising a Section of the Trade and Investment Insurance Act
	Apr 2017	Establishment of Nippon Export and Insurance (“new” NEXI) as a special stock company (Since 1950, the trade and investment insurance was handled by the Ministry of Economy and Trade, Industry (the former Ministry of International Trade and Industry))
Domestic Offices	Head Office: Tokyo, Branch Office: Osaka	
Overseas Offices	Paris, New York and Singapore	

Executive Officers

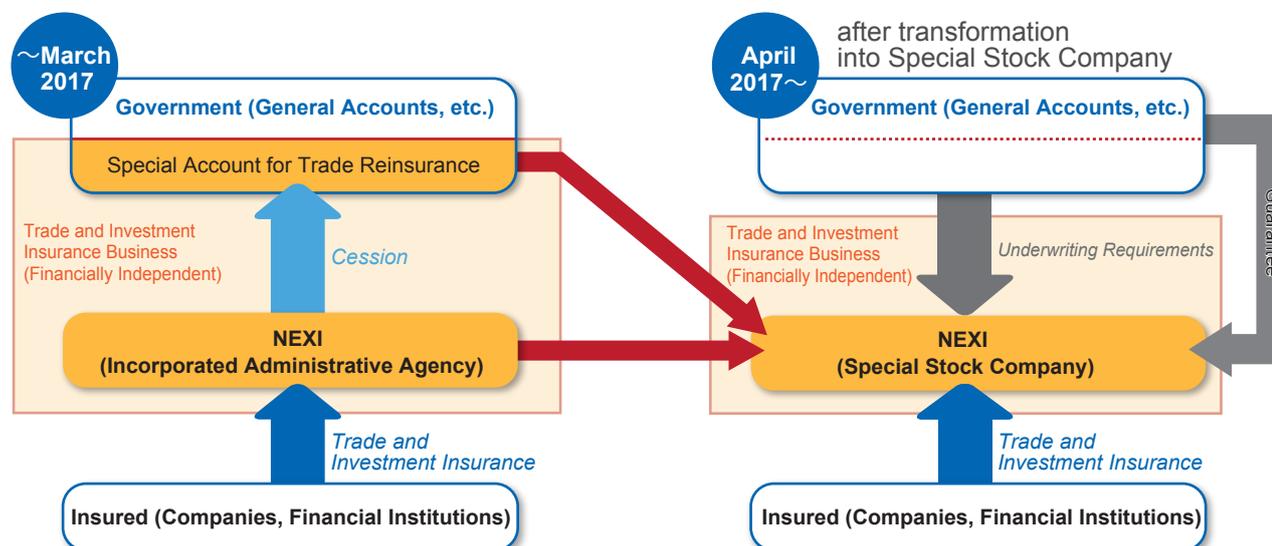


Back Row (from left): Hideo Teramoto (Member of Board), Keiji Wada (Managing Executive Officer, Member of Board), Tomoyo Matsui (Audit & Supervisory Board Member), Keishi Nakamura (Full Time Audit & Supervisory Board Member)
 Front Row (from left): Akio Otsuka (Audit & Supervisory Board Member), Kazuhiko Bando (Chairman and CEO), Masafumi Nakada (President, Member of Board), Kohei Okada (Managing Executive Officer, Member of Board)

NEXI Transformed into a Special Stock Company

On April 1, 2017, Nippon Export and Investment Insurance (NEXI) was transferred into a 100% government-owned special stock company from an incorporated administrative agency, and has been newly established as Nippon Export and Investment Insurance. This transformation is aimed to strengthen NEXI's ties with the government, so as to better reflect the intentions of the government policies in NEXI's business, and also to improve the flexibility, efficiency and mobility of business management at NEXI. Simultaneously, the Special Account for Trade Reinsurance held by the government was abolished, and all assets and liabilities of the account were succeeded by the "new" NEXI. Having abolished the government provided reinsurance system, in the event of emergency where NEXI is faced with a difficulty in funding, countermeasures will be taken by the government as prescribed in the Trade and Investment Insurance Act to ensure secure payment of insurance claims.

〈Outline of various measures taken to accommodate the transformation of NEXI into a Special Stock Company〉



Business Operation and Management System

Corporate Governance

◆ Surveillance, Evaluation and Business Execution

In addition to the establishment of organs such as the Board of Directors and the Audit & Supervisory Board in compliance with the Companies Act, NEXI strengthens the surveillance and evaluation functions by establishing the Evaluation Committee, the Management Council, and the Corporate Governance Committee, aimed to also enhance its mobility in business execution.



① Board of Directors

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

② Audit & Supervisory Board

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

③ Evaluation Committee

The Evaluation Committee consists of outside experts and

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

④ Management Council

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

⑤ Corporate Governance Committee

The Corporate Governance Committee is a conference body composed of directors and other members, and deliberates important issues concerning corporate governance and internal control of the company.

◆ Government Involvement

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

◆ Internal Control Principles

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

Compliance

As a policy-based financial institution responsible for the trade and investment insurance system, NEXI positions compliance as one of our most important management issues to stay aware of our public mission and social responsibility by observing the laws and regulations to operate always with a sense of fairness. The following are the initiatives we follow:

◆ Maintaining Awareness and Thoroughness of Compliance Rules

- NEXI conducts education and awareness-raising activities on compliance so that all executive officers and staff members (including dispatched workers) conduct their tasks in compliance with the applicable laws and regulations and the Articles of Incorporation, in a sound and appropriate manner.

- NEXI stipulates internal rules concerning confidential information management, information security policies and other information management by developing a frame to appropriately store and manage confidential information and information assets, and strives to disseminate and thoroughly comply with our compliance rules.
- NEXI prepares a compliance manual which outlines basic matters concerning compliance that should be known by the executive officers and staff members as well as important laws and regulations which must be observed. The manual also provides a comprehensive explanation on our internal compliance-related rules to help promote a better understanding pertaining to compliance issues among our executive officers and staff members.

◆ Compliance Status Monitoring by the Corporate Governance Committee

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

◆ Compliance and Promotion

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

◆ Policy for Antisocial Forces

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

| Risk Management

As a governmental agency and the sole specialized institution responsible for the trade and investment insurance business in Japan, it is our intention to provide security to even more customers who conduct foreign transactions, and to promote efforts in implementing the growth strategy of Japan by

proactively responding to the diverse needs of our customers. In order to fulfill our future social roles, NEXI has constructed the following framework for appropriate risk management.

① Insurance Underwriting Risk

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

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

② Cash Management / Liquidity Risk

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

In light of this nature of our funds, while aiming for efficiency, we prioritize and ensure high safety and liquidity in our cash management so as to be prepared for responding to claim payments with appropriate timing and amount.

③ Large-Scale Disaster Risk

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

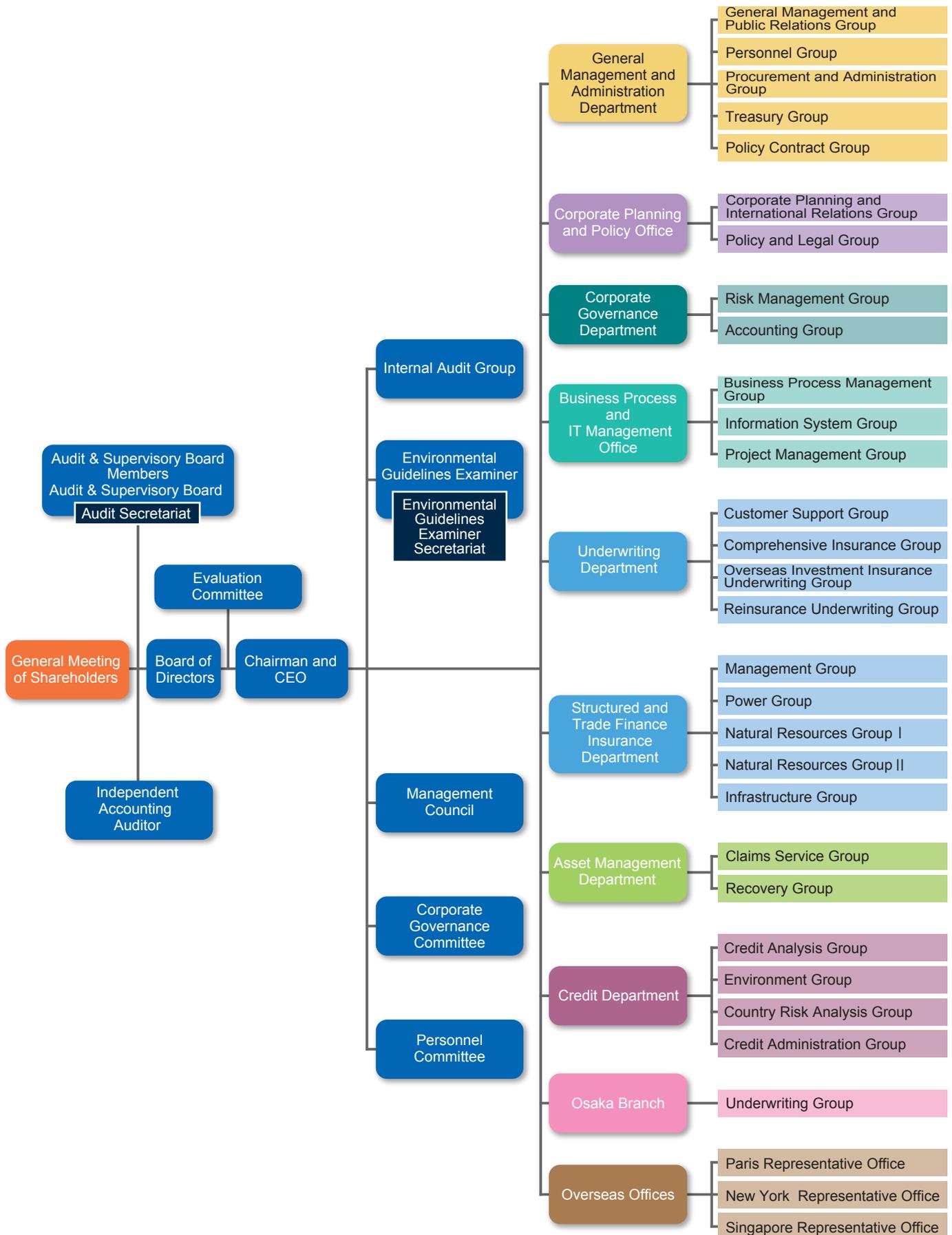
④ Operational Risk

NEXI regards operational risk as risks pertaining to internal processing procedures, behaviors of our executive officers and staff members, insufficient development of computer systems and occurrence of other exogenous events. Such risks are categorized so as to be controlled and managed in an appropriate manner.

Also, in order to enhance the effectiveness of operational risk management, we foster the awareness of such risks among our executive officers and staff members, and foster a corporate culture which values discipline in one's behavior.

Organization Chart

(as of April, 2017)



Access Map

Domestic Offices

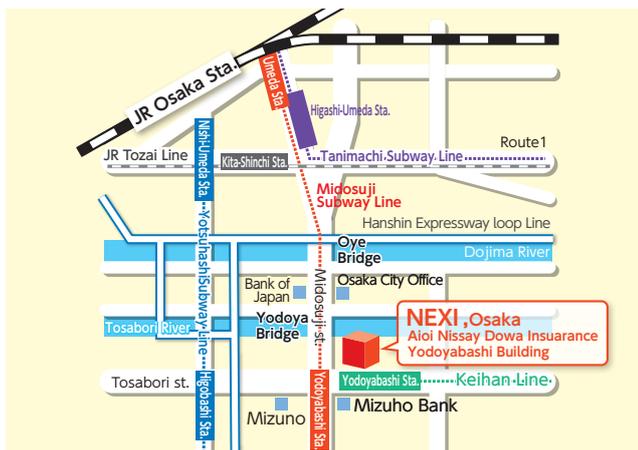
Head Office

Chiyoda First Building, East Wing 5th Floor, 3-8-1 Nishikanda, Chiyoda-ku, Tokyo 101-8359 Japan
 Phone: 81-(0)3-3512-7650
 Fax: 81-(0)3-3512-7660



Osaka Branch

Aioi Nissay Dowa Insurance Yodoyabashi Building 8th Floor, 3-1-22 Kitahama, Chuo-ku, Osaka City, Osaka 541-0041, Japan
 Phone: 81-(0)6-6233-4019
 Fax: 81-(0)6-6233-4001



Overseas Offices

Paris Representative Office

c/o JETRO 27, rue de Berri 75008 Paris, France
 Phone: 33-(0)1-4261-5879
 Fax: 33-(0)1-4261-5049



New York Representative Office

c/o JETRO 565 Fifth Avenue, 4th Floor, New York, NY 10017 USA
 Phone: 1-212-819-7769
 Fax: 1-212-997-0464



Singapore Representative Office

c/o JETRO 16 Raffles Quay #38-05, Hong Leong Bldg. Singapore 048581
 Phone: 65-6429-9582
 Fax: 65-6220-7242



TOPICS ①

When should you consider using Trade Insurance?

Case

1



When considering business with a new buyer.

Case

2



When considering making a new investment or providing a new loan.

Case

3



When the export transaction amount with an existing customer is expanding.

Case

4



When considering export with long pre-shipment periods or exporting commodities that are difficult to resell.

Case

5



When there is a change in the payment term from advanced payment to deferred payment.

Case

6



When you wish to hedge your risks for transactions with a specific country.

Trade Insurance is useful when faced with new business situations you have not experienced before.

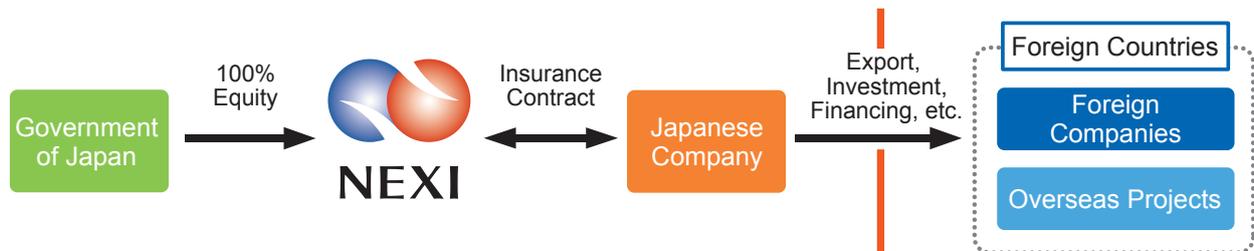
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Trade and Investment Insurance – How It Works

Trade and Investment Insurance covers risks pertaining to overseas business transactions, such as export/import, overseas investment or financing conducted by Japanese companies or banks, which cannot be covered by marine insurance.

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



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

Political Risk[※]

- Restriction or suspension imposed on foreign exchange banking transactions, Restriction or suspension imposed on import
- State of war, civil war, revolution, etc.
- Delay in transmitting foreign currency, caused by paying country
- High custom duties imposed, terrorism
- Sanctions imposed by UN or foreign countries other than destination countries
- Expropriation
- Natural disaster, or any other state of emergency for which any contracting party has no fault

Commercial Risk[※]

- Non-payment by counterparty extending over 3 months (Except for cases where the exporter is deemed liable for claims made by counterparty, such as damages or defects.)
- Bankruptcy of counterparty
- Any cause equivalent to bankruptcy
- Unilateral cancellation of export contracts made before the shipment by foreign governments, etc. (Cover on unilateral cancellation by a private buyer is provided only under a separate special policy.)

Occurrence of such event



The following losses will be covered:

Pre-shipment risk	Post-shipment risk	Overseas investment risk
Losses incurred due to failure of shipment	Losses incurred due to failure to collect receivables, service fees, or loans	Losses on investment assets as a result of discontinuation or suspension of a joint venture

※Political Risk : Risks caused by force majeure events for which the contracting parties have no fault. (Also referred to as Country Risk)

※Commercial Risk : Risks caused by the fault of the contracting opponent. (Also referred to as Credit Risk)

Insurance Products to Support Your Business

NEXI offers the following array of insurance products:

Insurance Products for Trade

◆ Export Credit Insurance Pg.16

Insurance for export, intermediary trade, and technical cooperation

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

◆ Insurance for License Export

This insurance covers the non-payment risk to intellectual property provided by Japanese companies, such as patents, know-hows, and copyright royalties.

◆ Trade Insurance for Standing Orders from Specific Buyer Pg.17

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

◆ Comprehensive Export Insurance with Simplified Procedure Pg.17

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

◆ Export Credit Insurance for SMEs and AFF Sector Pg.18

This insurance covers the risks of non-payment for exports conducted by Japanese small and medium-sized enterprises (SMEs) and those engaged in the business of agriculture, forestry and fishery (AFF Sector).

◆ Export Bill Insurance Pg.18

This insurance covers losses incurred by Japanese commercial banks due to the buyer's non-payment of matured bill of exchange purchased by the bank.

◆ Prepayment Import Insurance Pg.18

This insurance covers the risks of Japanese importers who import on advanced payment terms not being refunded of their payment in the event the shipment does not arrive.

Insurance for Investment and Financing

◆ Buyer's Credit Insurance Pg.19

This insurance covers the risk of non-repayment of loans made by Japanese commercial banks to foreign borrowers to be used for the purchase of goods imported from Japan.

◆ Overseas Untied Loan Insurance Pg.19

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

◆ Loan Insurance for Natural Resources and Energy Pg.20

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

◆ Overseas Investment Insurance Pg.21

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



Insurance Products to Support Your Business

Insurance Products for Trade

Export Credit Insurance

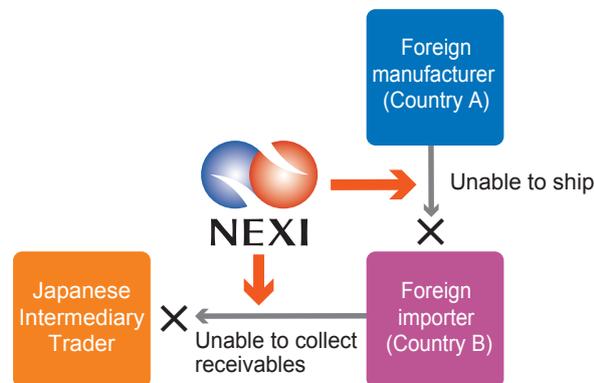
Insurance for export, intermediary trade, and technical cooperation

This insurance covers losses incurred when a Japanese company undertaking export, intermediary trade, or providing technical cooperation such as construction work is unable to export the goods due to (i) force majeure such as war, revolution, terrorism, import restriction/suspension, or natural disasters, or (ii) bankruptcy of the business counterpart (importer). This insurance also covers losses incurred when the exporter is unable to collect receivables after shipment or after providing technical cooperation, due to the above-mentioned reasons.

Export



Intermediary Trade



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

Insurance for License Export (Intellectual Property License Insurance)

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

Trade Insurance for Standing Orders from Specific Buyer

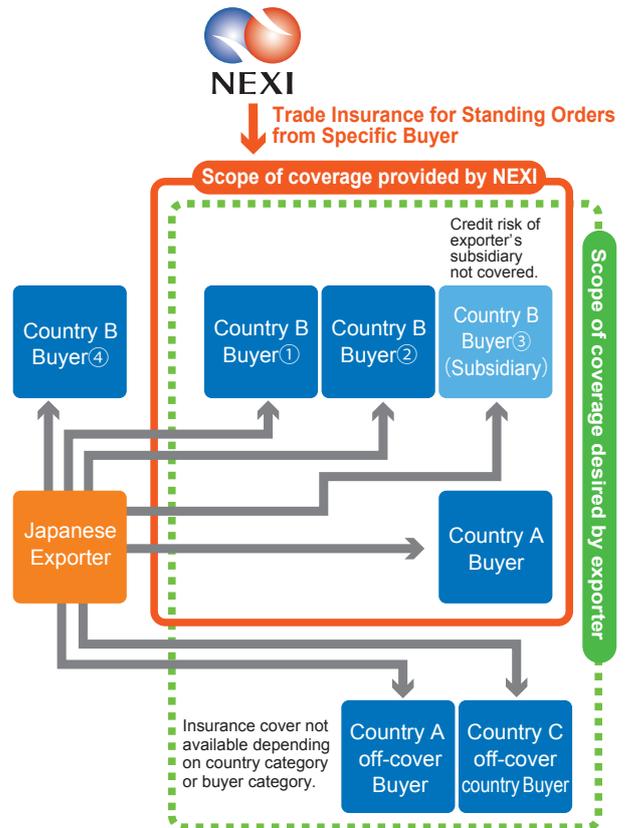
Insurance for companies who continually transact business with specific buyers

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

The features of this insurance are as follows:

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

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

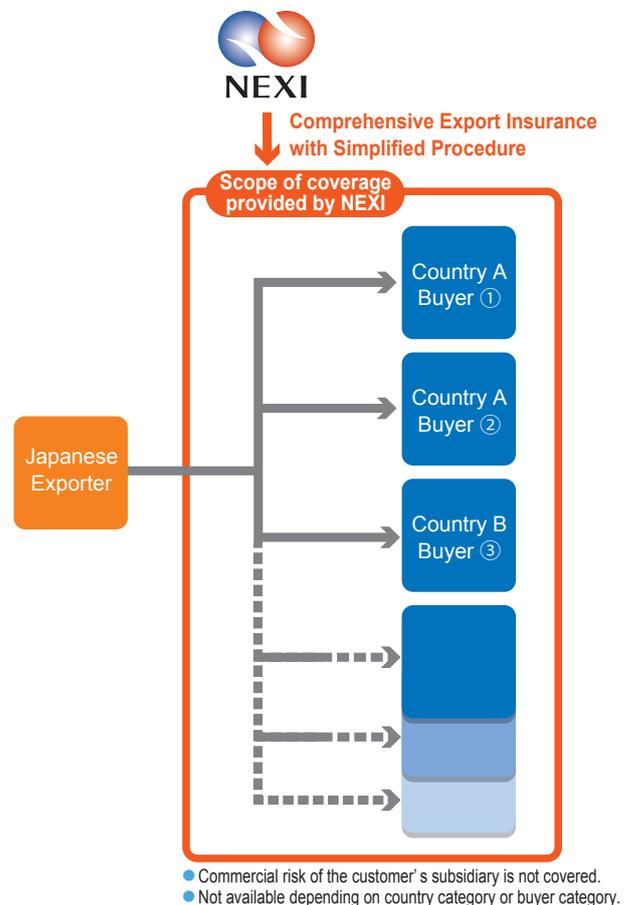


Comprehensive Export Insurance with Simplified Procedure

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

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

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

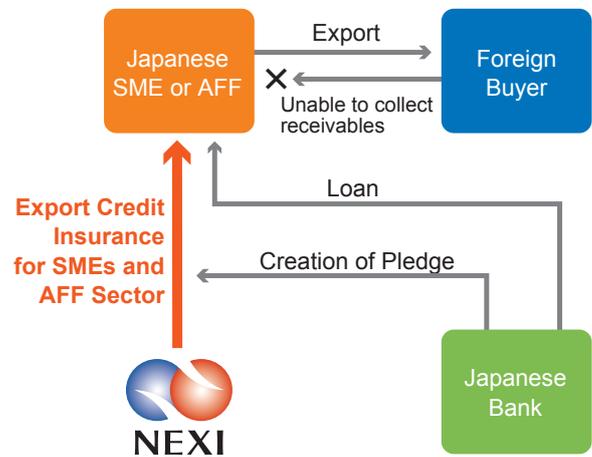


Insurance Products to Support Your Business

Export Credit Insurance for SMEs and AFF Sector

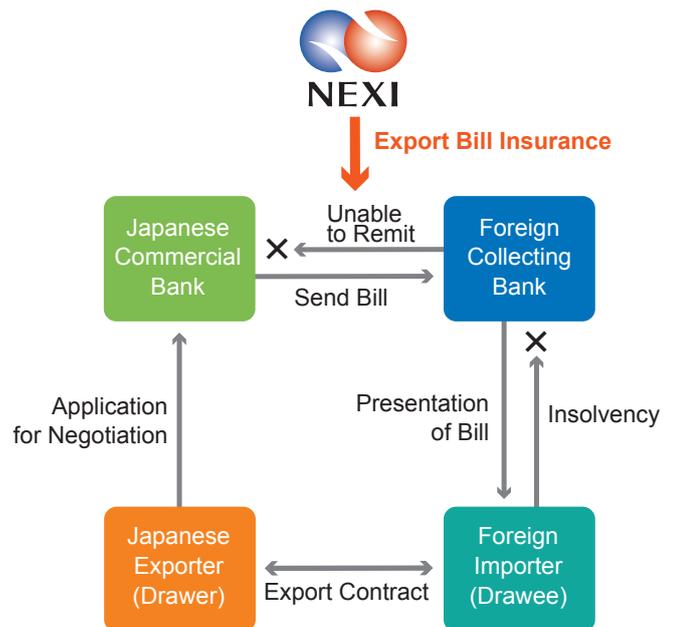
Insurance for supporting exports conducted by Japanese SMEs and those engaged in the business of agriculture, forestry and fishery

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



Export Bill Insurance

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



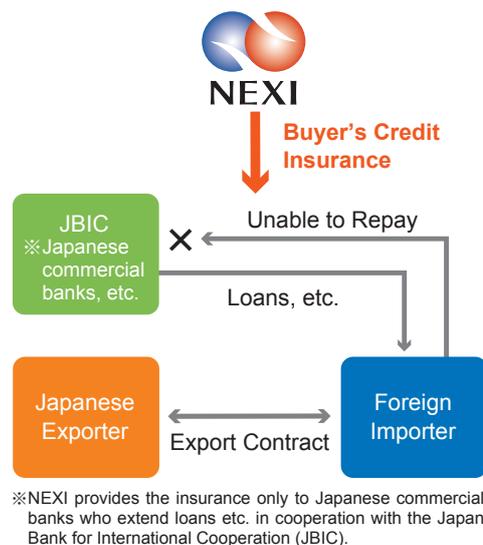
Prepayment Import Insurance

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

Buyer's Credit Insurance

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

This insurance covers losses suffered by a Japanese commercial bank or other financial institution as a result of providing loans, etc. (including bond purchase and surety obligation) to a foreign importer who purchases goods and services from a Japanese exporter. Losses may be incurred when the Japanese commercial bank is unable to receive repayment of the loans or bonds due to (i) force majeure such as war, revolution, prohibition of foreign currency exchange, suspension of remittance and natural disaster or (ii) bankruptcy or default of the importer. The financial terms and conditions for the loan agreements, etc. must be in line with international agreements. (See Page 28.)



Overseas Untied Loan Insurance

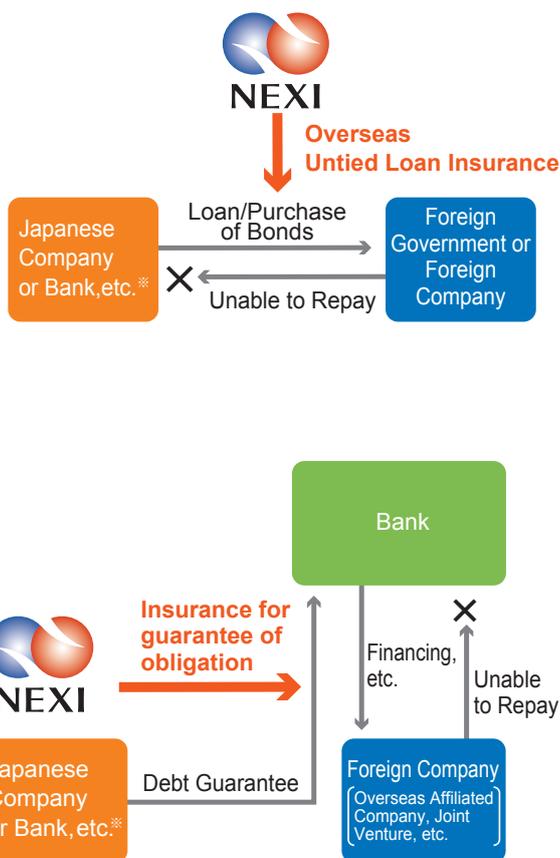
Insurance for loan or bond purchase for overseas business or project

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

Insurance for guarantee of obligation

This insurance also covers losses suffered by a Japanese company or commercial bank* that extended guarantee to the borrowings, etc. by its overseas subsidiary, a foreign government or company. The losses may be incurred when the guarantor fulfilled the obligation because of the failure of repayment of the borrowings due to force majeure including war, revolution, prohibition of foreign currency exchange, and suspension of remittance.

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

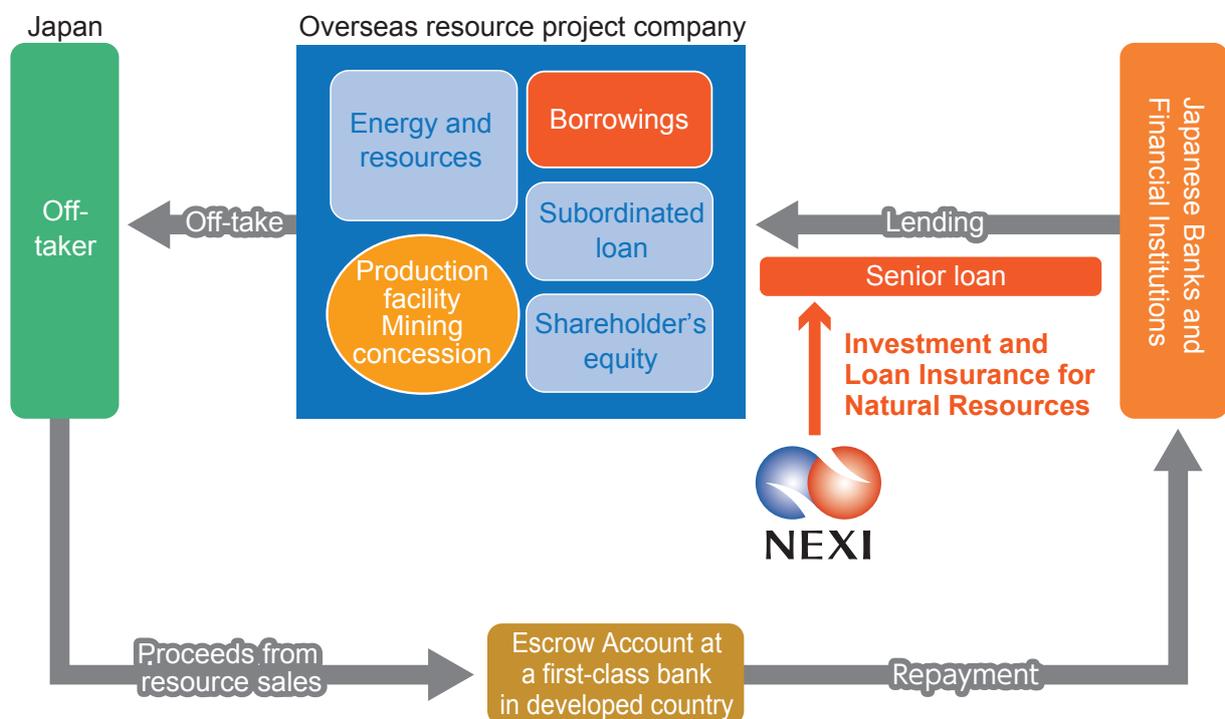


Insurance Products to Support Your Business

Investment and Loan Insurance for Natural Resources and Energy

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

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



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

Overseas Investment Insurance

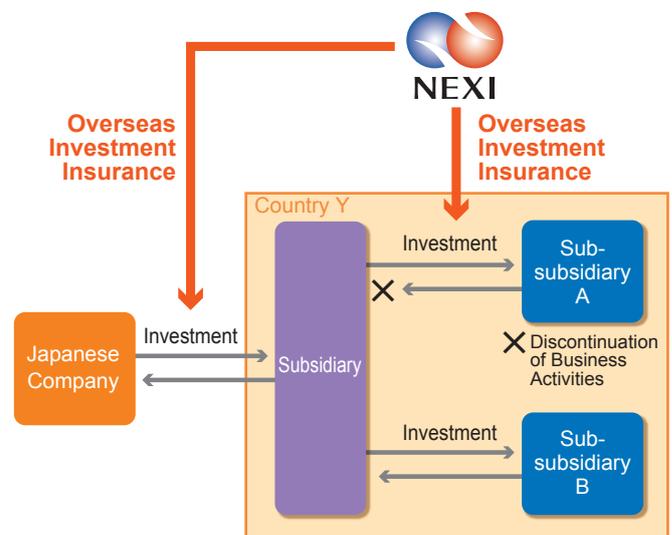
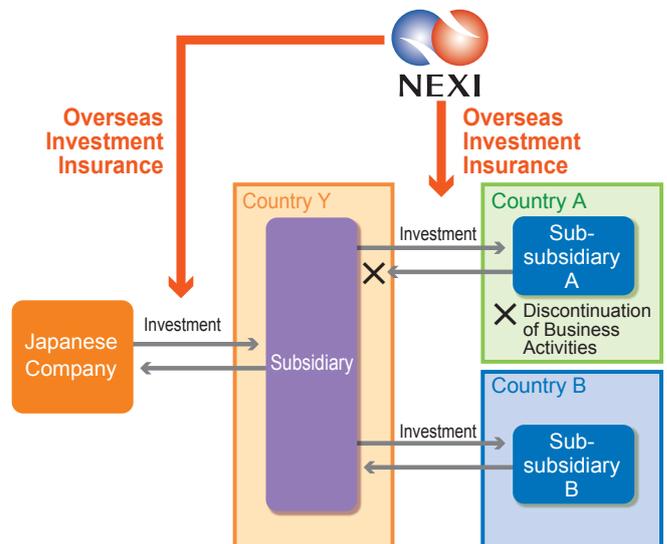
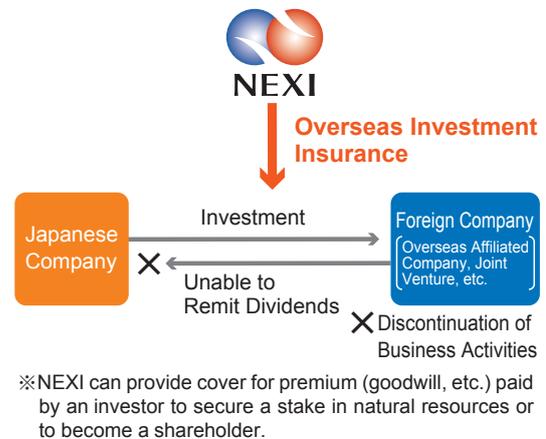
Insurance for investment (equity investment, etc.)

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

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

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

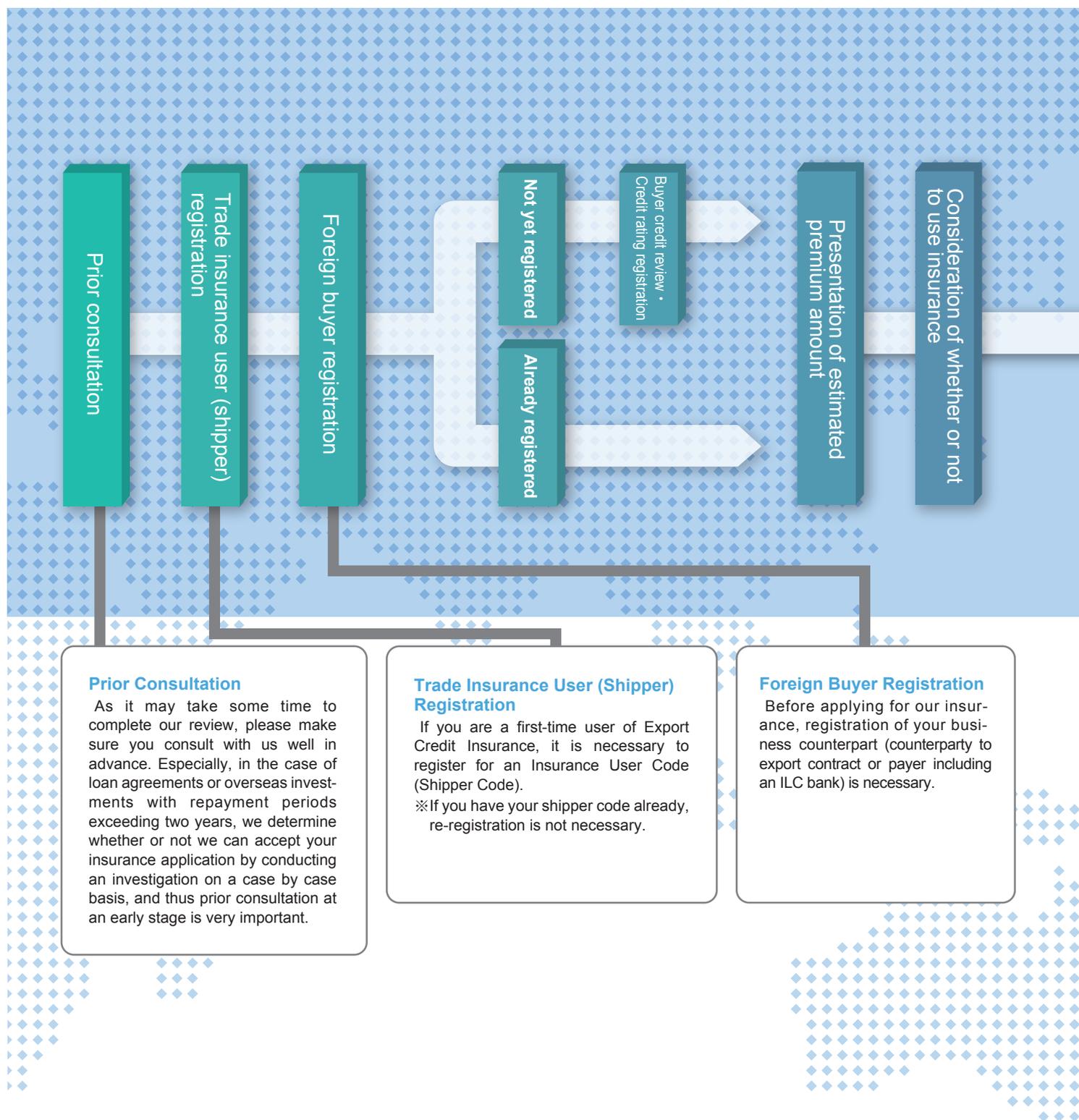
In addition to the above mentioned Overseas Investment Insurance, which mainly provides cover on investments (equity investment, etc.), there is another type of Overseas Investment Insurance which covers rights and acquired profits (real estate, etc.).



Application Procedure for Trade and Investment Insurance

◆ Making an application

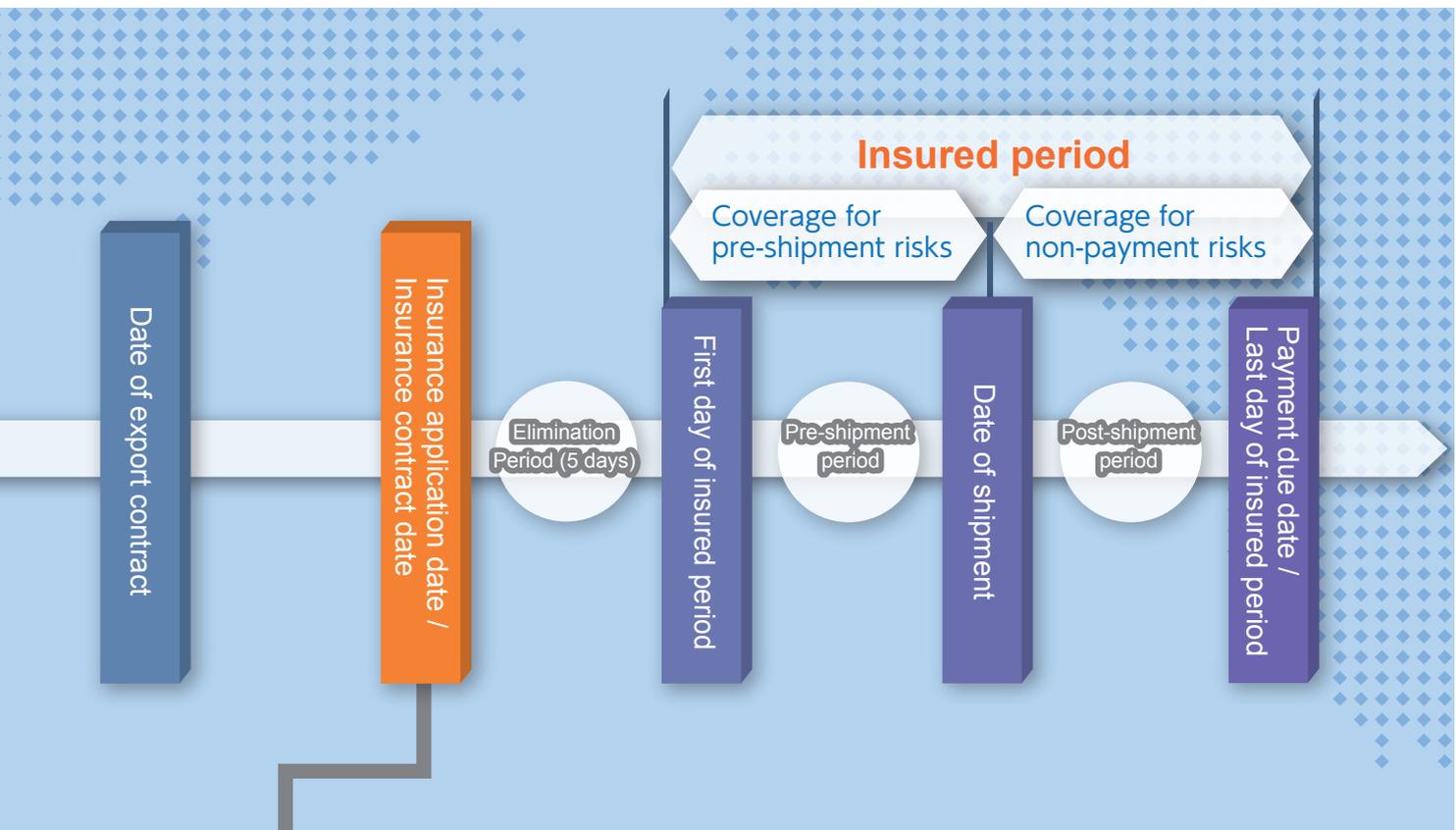
The chart below describes the application procedure summary for Export Credit Insurance.



Prior Consultation
 As it may take some time to complete our review, please make sure you consult with us well in advance. Especially, in the case of loan agreements or overseas investments with repayment periods exceeding two years, we determine whether or not we can accept your insurance application by conducting an investigation on a case by case basis, and thus prior consultation at an early stage is very important.

Trade Insurance User (Shipper) Registration
 If you are a first-time user of Export Credit Insurance, it is necessary to register for an Insurance User Code (Shipper Code).
 ※If you have your shipper code already, re-registration is not necessary.

Foreign Buyer Registration
 Before applying for our insurance, registration of your business counterpart (counterparty to export contract or payer including an ILC bank) is necessary.



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

Please contact the following numbers for more detailed information or inquiries.

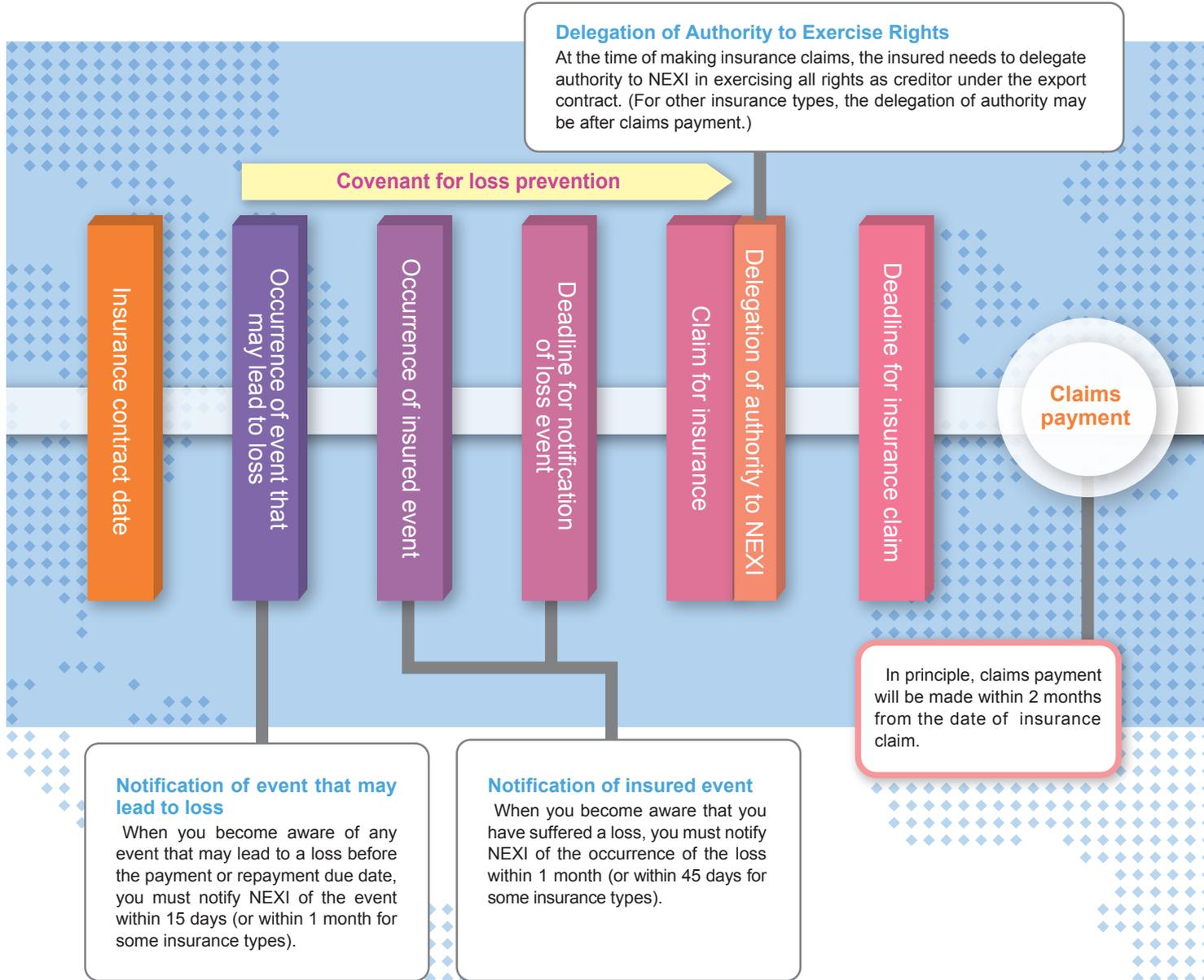
Head Office Underwriting Department
 Customer Service Group
 Toll Free 0120-671-094
 Comprehensive Insurance Group
 Toll Free 0120-675-094
 Osaka Branch Office Underwriting Group
 Toll Free 0120-649-818

You will also find more information on insurance application procedures on our website.
<http://www.nexi.go.jp>

Application Procedure for Trade and Investment Insurance

Insurance claim payment

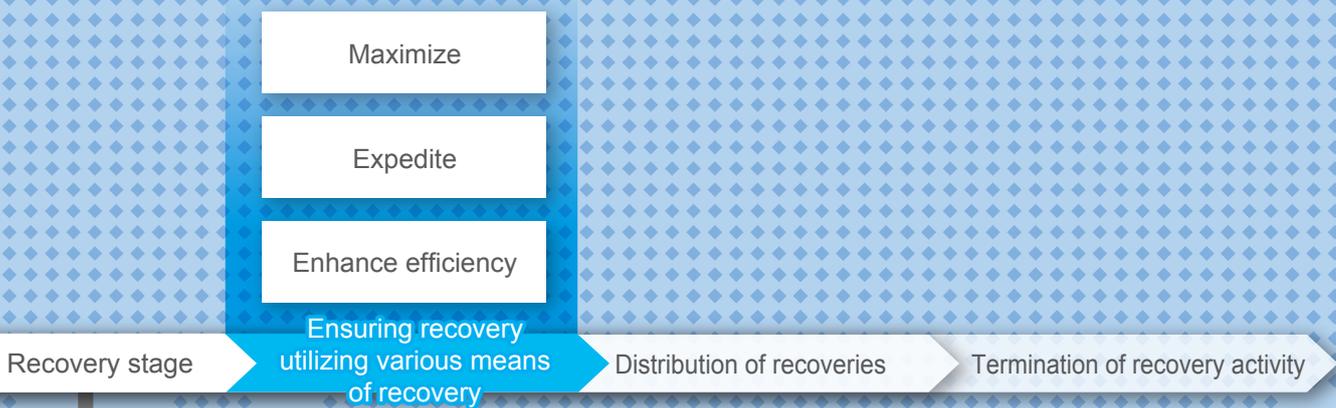
The chart below describes the procedure summary for Export Credit Insurance.



“Paris Club” – as a solution for debt recovery

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

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



Determination of appropriate recovery policy

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

Parties to conduct actual recovery

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

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

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



Recovery related arrangement

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

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



For more details, please contact the following numbers:

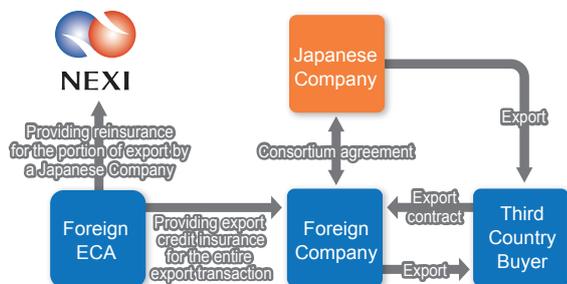
Asset Management Department
Toll-Free 0120-673-094
Claims Service Group 03-3512-7663
Recovery Group 03-3512-7658

International Cooperation

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

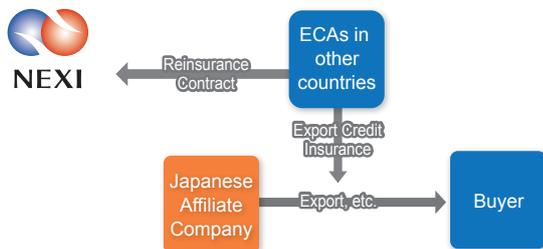
◆ One-Stop-Shop Reinsurance

For cases where a Japanese company jointly participates in a project in a third country with foreign companies, NEXI concludes One-Stop-Shop Reinsurance Agreements with major overseas export credit agencies (ECAs) for the purpose of underwriting risks for the portion exported from Japan. Through the development of this reinsurance structure, when a Japanese company forms a consortium with foreign companies for export to a third country, the foreign companies can conclude an insurance contract with their own country's ECA for the total amount of export contract including the portion exported by the Japanese company. Then NEXI provides reinsurance to the foreign ECA for the portion exported by the Japanese company.



◆ Short-term Reinsurance Agreement

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



◆ Reinsurance with European and US private-sector insurers

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

◆ Other Cooperative Relations

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

Europe

One-Stop-Shop Reinsurance Agreements

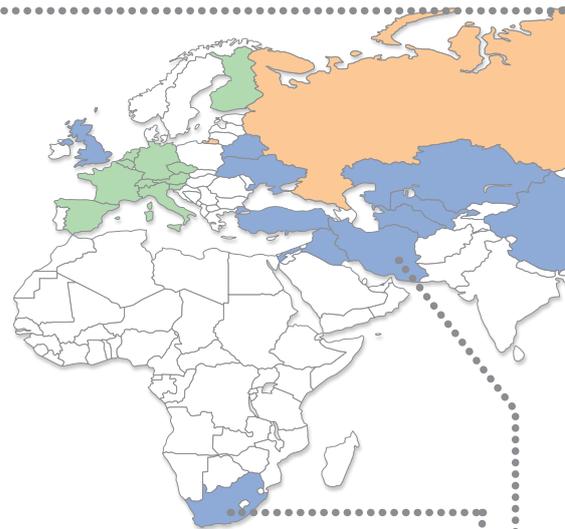
Italy	Servizi Assicurativi Del Commercio Estero (SACE)	2002
Netherlands	NCM*1	2002
Belgium	Ducreire / Delcredere (ONDD) *5	2002
Germany	Hermes Kreditversicherungs-Aktiengesellschaft (HERMES)*2	2003
Austria	Oesterreichische Kontrollbank Aktiengesellschaft (OeKB)	2003
Finland	FINNVERA PLC (Finnvera)	2004
Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	2005
Switzerland	Swiss Export Risk Insurance (SERV)	2007
France	Banque Publique d'Investissement (BPifrance)	2016
Czech Republic	Export Guarantee and Insurance Corporation (EGAP)	2017

Short-term Reinsurance Agreements

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

Cooperative Agreements

France	DREE	1995
	Banque Publique d'Investissement (BPifrance)	2016
UK	Export Credits Guarantee Department (ECGD) *4	1995
Germany	HERMES*2 / C&L	1996
	KfW Bankengruppe (KfW)	2011



Africa

Cooperative Agreements

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

Cooperative Agreements

Turkey	Export Credit Bank of Turkey (TURK EXIMBANK)	1996
Israel	Israel Foreign Trade Risks Insurance Corporation (IFTRIC)	1997
Abu Dhabi	Mubadala Development Company PJSC (MDC)	2008
Iraq	Ministry of Finance of Iraq	2011
Iraq	Trade Bank of Iraq (TBI)	2011
Iran	Ministry of Economic Affairs and Finance of the Islamic Republic of Iran	2016

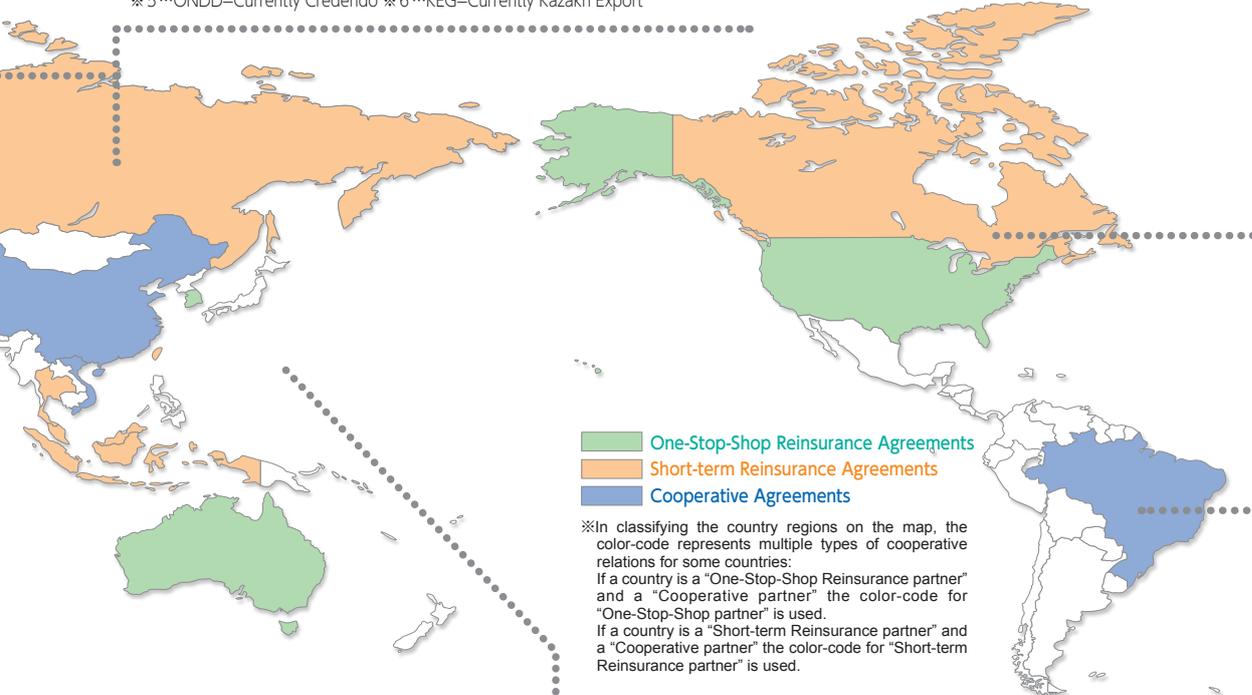
Reinsurance Agreements with European and U.S. private-sector insurers

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



Austria	Oesterreichische Kontrollbank Aktiengesellschaft (OeKB)	1996
Italy	Servizi Assicurativi Del Commercio Estero (SACE)	1996
Finland	Finnish Guarantee Board (FGB)* ³	1996
Netherlands	NCM* ¹	1996
Belgium	Ducroire / Delcredere (ONDD)* ⁵	1997
Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	2000
Uzbekistan	Uzbekinvest National Export Import Insurance Company (UZBEKINVEST)	2007
Ukraine	The State Export-Import Bank of Ukraine (UKREXIMBANK)	2009
Russia	Bank for Development and Foreign Economic Affairs (VEB)	2009
Belarus	Belarusbank	2009
Russia	Export Insurance Agency of Russia (EXIAR)	2013
Turkmenistan	The State Bank of Foreign Economic Affairs of Turkmenistan (TFEB)	2015
Czech Republic	Export Guarantee and Insurance Corporation (EGAP)	2015
Kazakhstan	State Insurance Corporation for the Insurance of Export Credit and Investment (KEG)* ⁶	2006

※Currently the names of the institutions below have been changed as follows:
 ※ 1...NCM=Currently ATRADIUS ※ 2...HERMES=Currently EULER HERMES GERMANY
 ※ 3...FGB=Currently FINNVERA ※ 4...ECGD=Currently UKEF
 ※ 5...ONDD=Currently Credendo ※ 6...KEG=Currently Kazakh Export



■ One-Stop-Shop Reinsurance Agreements
■ Short-term Reinsurance Agreements
■ Cooperative Agreements

※In classifying the country regions on the map, the color-code represents multiple types of cooperative relations for some countries:
 If a country is a "One-Stop-Shop Reinsurance partner" and a "Cooperative partner" the color-code for "One-Stop-Shop partner" is used.
 If a country is a "Short-term Reinsurance partner" and a "Cooperative partner" the color-code for "Short-term Reinsurance partner" is used.

North America

One-Stop-Shop Reinsurance Agreements

USA	Export-Import Bank of the United States (US EXIMBANK)	2004
-----	---	------

Short-term Reinsurance Agreements

Canada	Export Development Canada (EDC)	2012
--------	---------------------------------	------

Cooperative Agreements

USA	Export-Import Bank of the United States (US EXIMBANK)	1991
Canada	Export Development Canada (EDC)	1997
USA	The United States Department of Energy (DOE)	2009

South America

Cooperative Agreements

Brazil	Companhia Vale do Rio Doce (VALE)	2008
Brazil	Petroleo Brasileiro S.A. (PETROBRAS)	2008
Brazil	Banco Nacional de Desenvolvimento Economico e Social (BNDES)	2009

Asia/Oceania

One-Stop-Shop Reinsurance Agreements

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

Short-term Reinsurance Agreements

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

Cooperative Agreements

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

※ 7...KEIC=Currently KSURE

International Organization

Cooperative Agreements

The European Bank for Reconstruction and Development (EBRD)	1997
Export Credit Agencies and Export Financing Institutions of APEC (12 countries and 15 organizations)	1997

Multilateral Investment Guarantee Agency (MIGA)	1999
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	2008



TOPICS ②



Organization for Economic Co-operation and Development(OECD)

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

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

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

2 Arrangement on Officially Supported Export Credits

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

3 Approaches to Environmental Issues

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

4 Anti-bribery Measures

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

FY2016 Review of Performance

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*FY2016 Review of Performance is a review on performance of Nippon Export and Investment Insurance as Incorporated Administrative Agency.

FY2016 Performance Highlights

Export Trends

Japanese exports in FY2016 declined for the second consecutive year to approximately JPY 71.5 trillion (down by 3.5% compared to the previous fiscal year) mainly due to a decrease in steel and car exports. By region and country, exports to Asia declined by 2% to approximately JPY 38.4 trillion, of which exports to China accounted for approximately JPY 12.8 trillion (down by 1.3% compared to the previous fiscal year). Exports to the U.S. and EU also declined, to approximately JPY 14.1 trillion (down by 6.5%) and approximately JPY 8 trillion (down by 1.5%) respectively.

Japan's exports

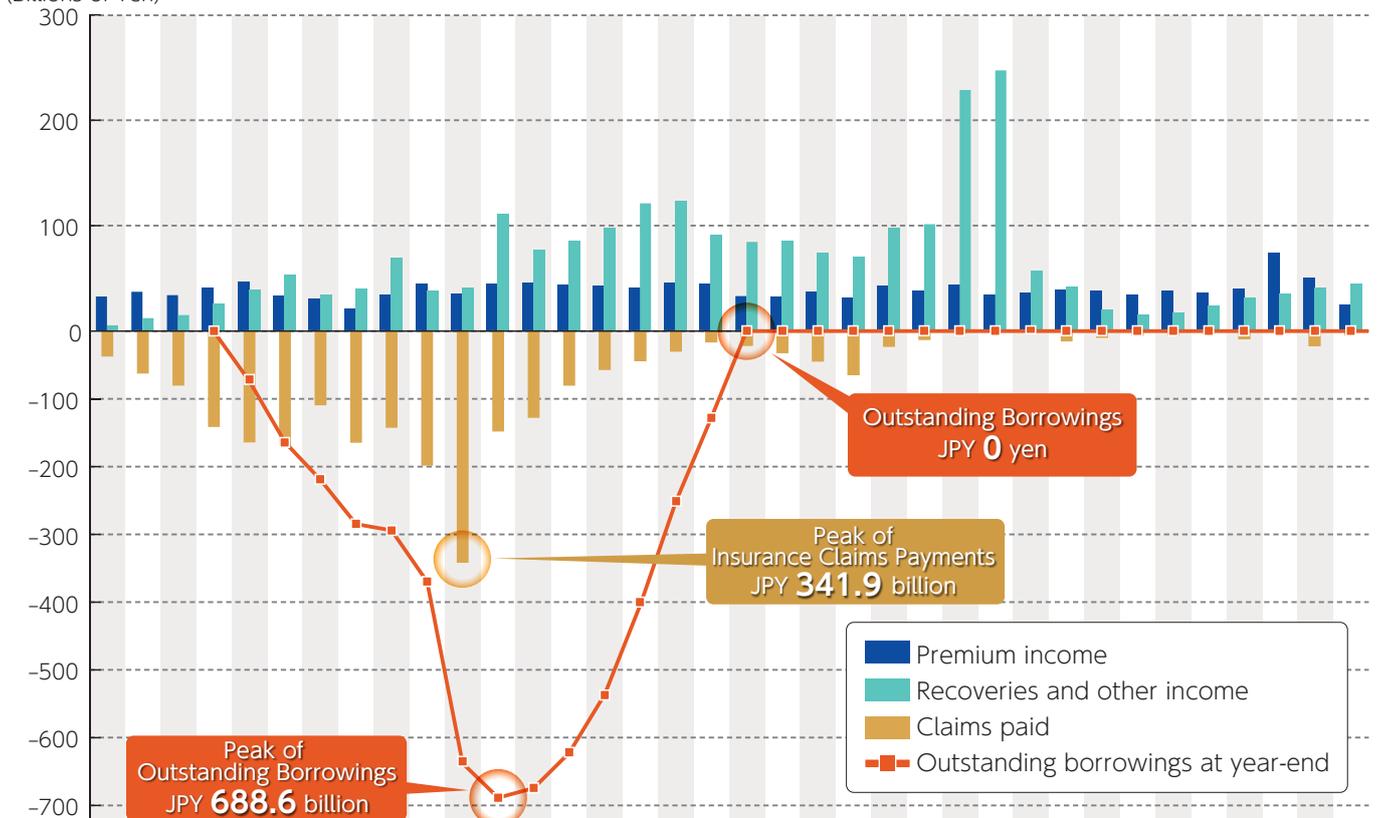
(Millions of Yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Total Exports	65,288,487	63,939,981	70,856,464	74,667,048	74,115,132	71,525,306
Year-on-Year Change (%)	(3.7)	(2.1)	10.8	5.4	(0.7)	(3.5)

(Source: Trade Statistics, Ministry of Finance)

Trends of the Trade and Investment Insurance Program

(Billions of Yen)



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

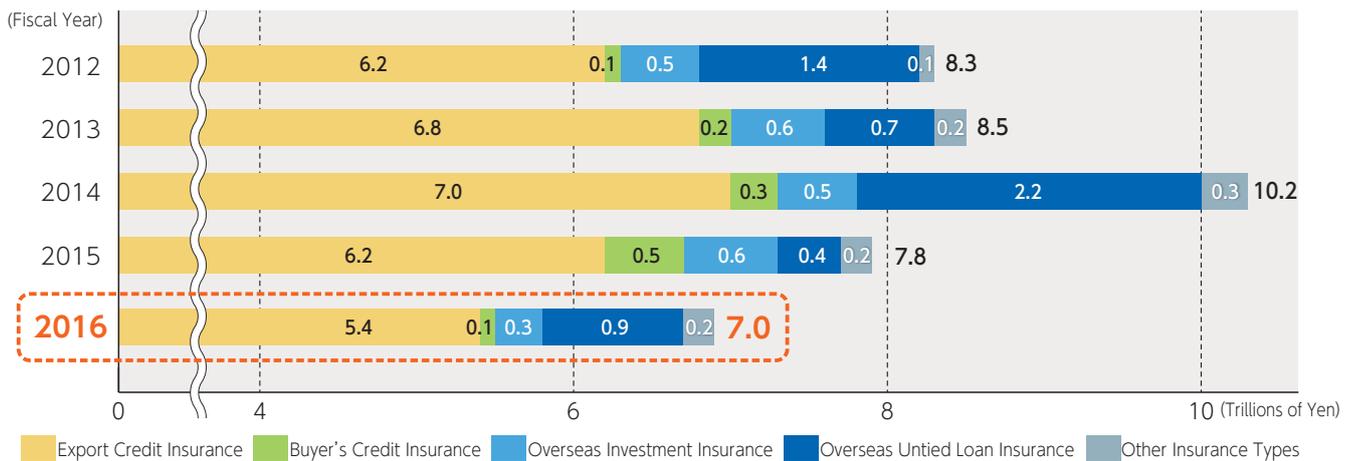
Note: The amount is based on cash.

(Billions of Yen)

Underwritten Amount

Underwritten Amount by Insurance Type

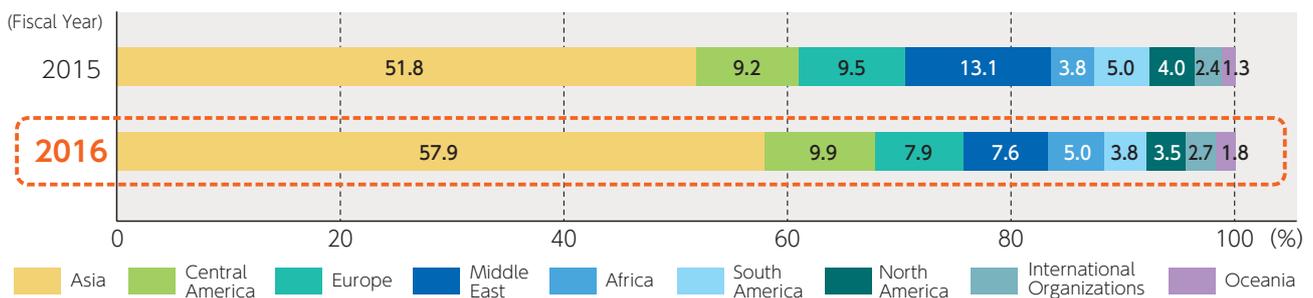
The total underwritten amount in FY2016 was approximately JPY 7 trillion, down by 11.2% compared to the previous fiscal year. Export Credit Insurance declined to approximately JPY 5.4 trillion (down by 11.8% compared to the previous fiscal year) due to declining steel and car transactions underwritten during the fiscal year, while Overseas Untied Loan Insurance increased to approximately JPY 0.9 trillion (up by 108.1%) as a result of underwriting of large-scale projects.



*Other Insurance Types = Export Bill Insurance, Prepayment Import Insurance, Trade Insurance for Standing Orders from Specific Buyer, Export Credit Insurance for SMEs and AFF Sector, Comprehensive Export Insurance with Simplified Procedure, Reinsurance

Underwritten Amount by Region

Asia continued to be the largest in this fiscal year too, with 57.9% (approximately JPY 4.3 trillion) of the total amount, followed by Central America with 9.9% (approximately JPY 0.7 trillion). The Middle East declined significantly by 48.9% compared to the previous fiscal year to JPY 0.6 trillion in reaction to underwriting of a large-scale project in the previous fiscal year.



Top Ten Countries and Regions for Underwritten Amount in FY2016

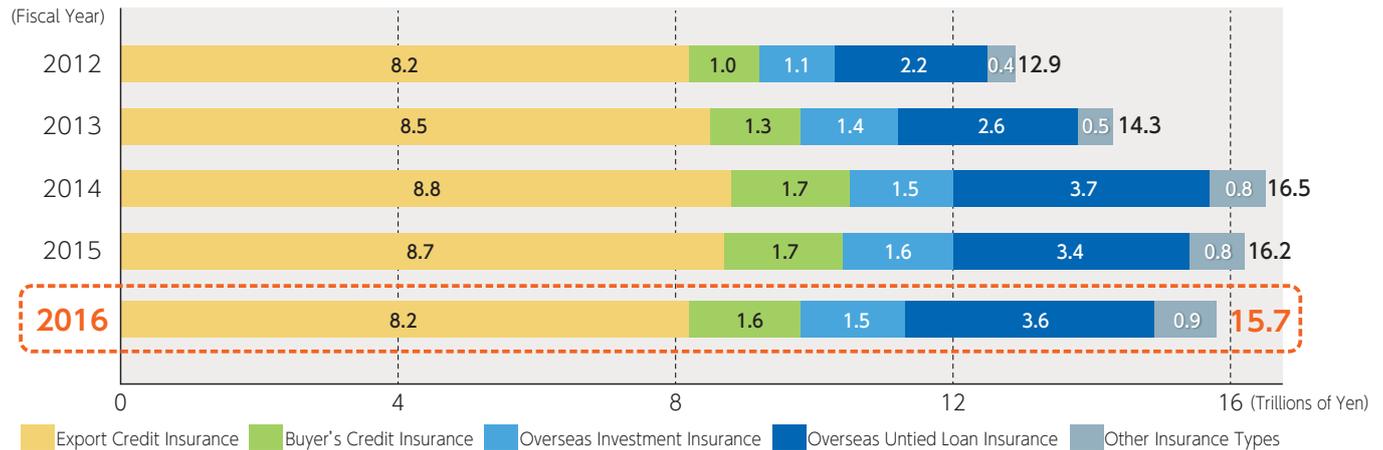
				(Millions of Yen)			
	Country/Region	Underwritten amount	Composition		Country/Region	Underwritten amount	Composition
1	Indonesia	1,484,402	20.0%	6	Belgium	236,895	3.2%
2	China	558,417	7.5%	7	U.S.A.	235,349	3.2%
3	Thailand	456,426	6.1%	8	Singapore	211,331	2.8%
4	Panama (flag of convenience vessel)	397,598	5.3%	9	Taiwan	194,103	2.6%
5	Korea	298,154	4.0%	10	Hong Kong	164,286	2.2%

FY2016 Performance Highlights

Outstanding Commitment

Outstanding Commitment by Insurance Type

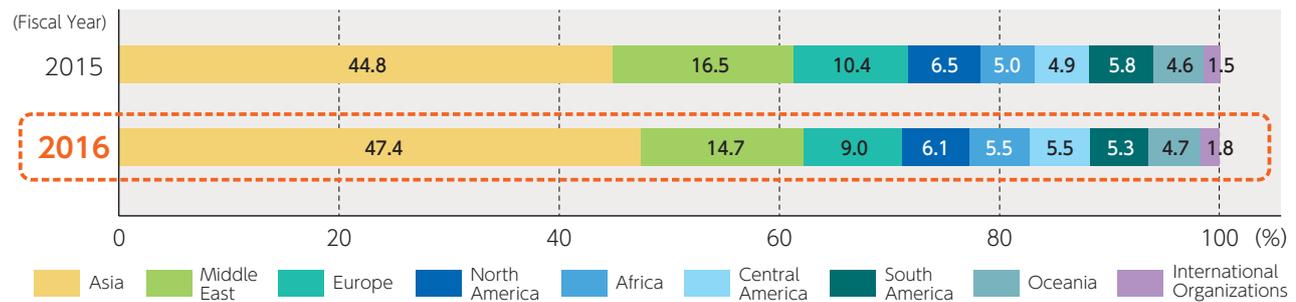
The total outstanding commitment at the end of FY2016 declined by 2.7% to approximately JPY 15.7 trillion compared to the previous fiscal year.



※Other Insurance Types = Export Bill Insurance, Prepayment Import Insurance, Trade Insurance for Standing Orders from Specific Buyer, Export Credit Insurance for SMEs and AFF Sector, Comprehensive Export Insurance with Simplified Procedure, Reinsurance

Outstanding Commitment by Region

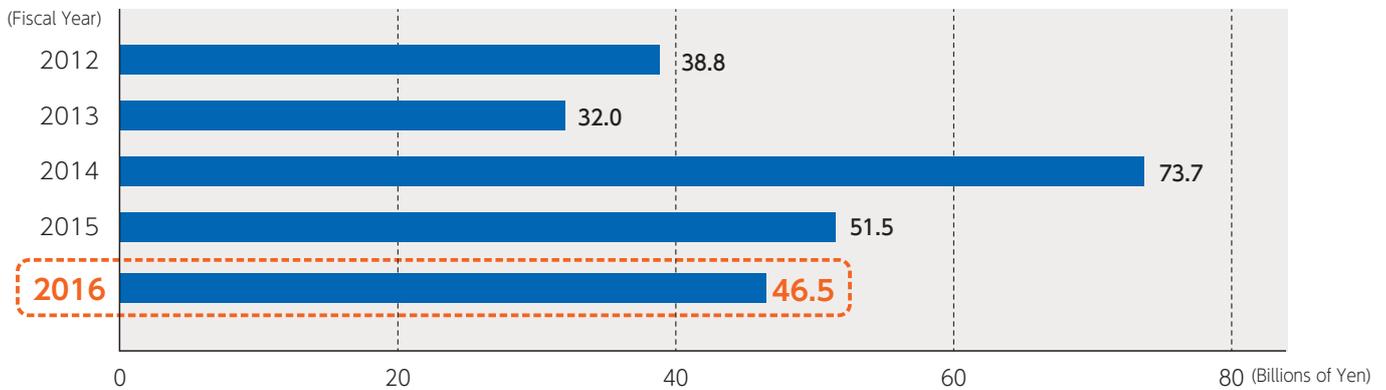
The outstanding commitment for Asia continued to be the largest at approximately JPY 7.6 trillion (47.4% of the total amount), followed by the Middle East at approximately JPY 2.4 trillion or 14.7%.





Premium Income

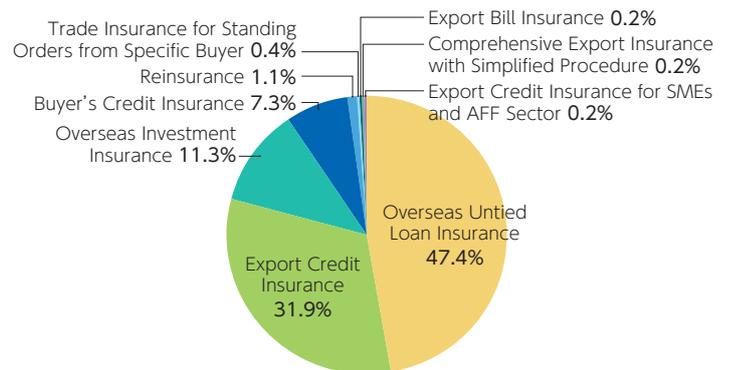
Premium income in FY2016 declined by 9.6% compared to the previous fiscal year to approximately JPY 46.5 billion.



(Note) For details please see page 38.

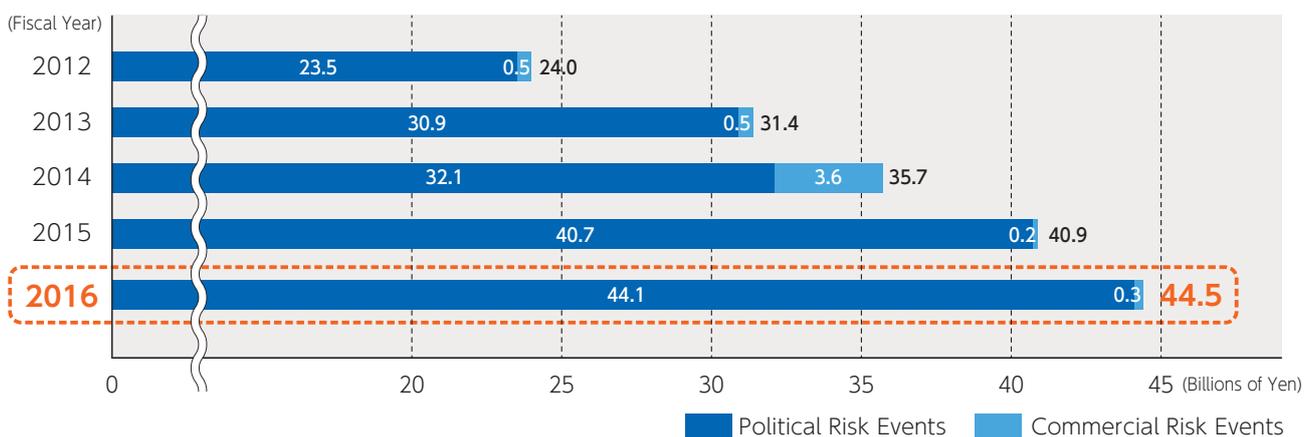
Premium Income by Insurance Type

Overseas Untied Loan Insurance earned the largest premium income of JPY 22.0 billion (47.4% of the total amount) in FY2016, followed by Export Credit Insurance with approximately JPY 14.8 billion (31.9%) and Overseas Investment Insurance with approximately JPY 5.3 billion (11.3%).



Recoveries

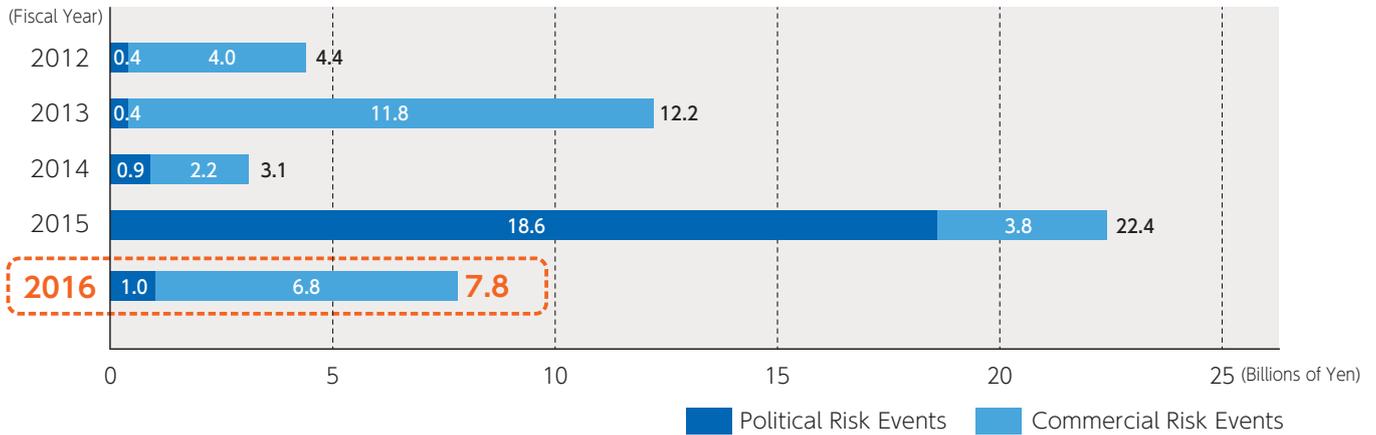
The amount of recoveries in FY2016 was approximately JPY 44.5 billion, up by 8.8% compared to the previous fiscal year. Recoveries of claims associated with political risk events, including debt rescheduling, accounted for 99.3% of the total recoveries. The remaining 0.7% was associated with commercial risk events.



FY2016 Performance Highlights

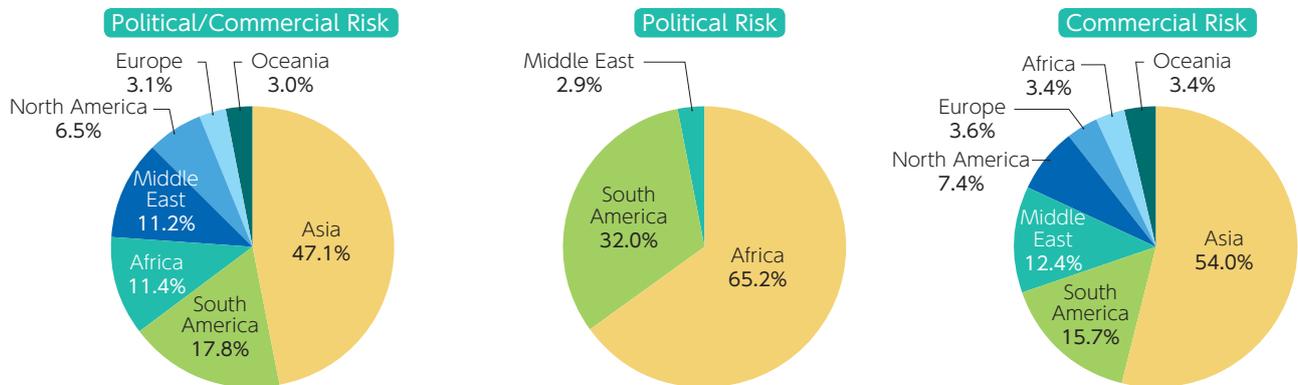
Claims Paid

Claims paid in FY2016 declined by 65.3% to approximately JPY 7.8 billion compared to the previous fiscal year, in reaction to claims paid in the previous fiscal year to indemnify a large-scale political risk event.



Insurance Claims Paid (by Region)

In terms of region, the amount of claims paid for Asia was the largest at approximately JPY 3.7 billion (47.1% of the total amount).



Top Five Countries/Regions with the Largest Insurance Claims Paid

(Millions of Yen)

	Country/Region	Total	Political Risk	Commercial Risk
1	Vietnam	2,037	0	2,037
2	Chile	1,060	0	1,060
3	Singapore	905	0	905
4	United Arab Emirates	843	0	843
5	Nigeria	824	651	173

Insured Events in FY2016

(Based on the data as of May 15, 2017)

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

The reported occurrences of risk events totaled JPY 33.5 billion. Reported political risk events remained more or less unchanged compared to the previous fiscal year, as fewer risk events were reported in Africa while a large-scale risk event was reported in South America. Reported commercial risk events increased due to substantial amount of payment arrears resulting from public buyers' procedural delays.

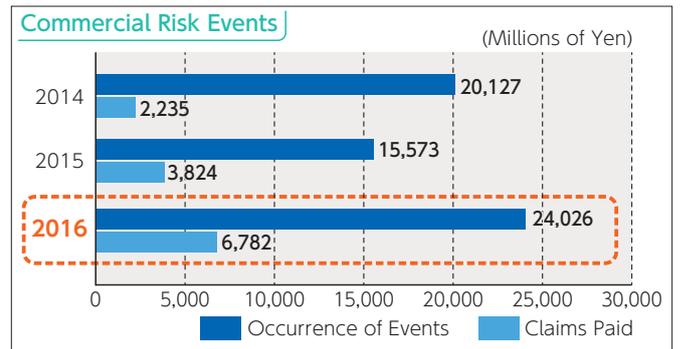
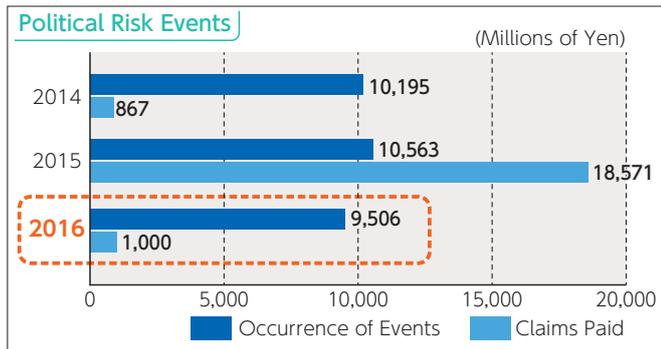
Claims paid for political risk events declined compared to the previous fiscal year as no large-scale claims were made during this fiscal year. On the other hand, claims paid for commercial risk events increased due to delay in performance of obligations.

(Millions of Yen)

	Type of Risk	FY2014	FY2015	FY2016	Year-on-Year Change (%)
Occurrence of Events	Political Risk Events	10,195	10,563	9,506	(10.0)
	Commercial Risk Events	20,127	15,573	24,026	54.3
	Amount Total	30,322	26,136	33,532	28.3
Claims Paid	Political Risk Events	867	18,571	1,000	(94.6)
	Commercial Risk Events	2,235	3,824	6,782	77.4
	Amount Total	3,102	22,395	7,782	(65.3)

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

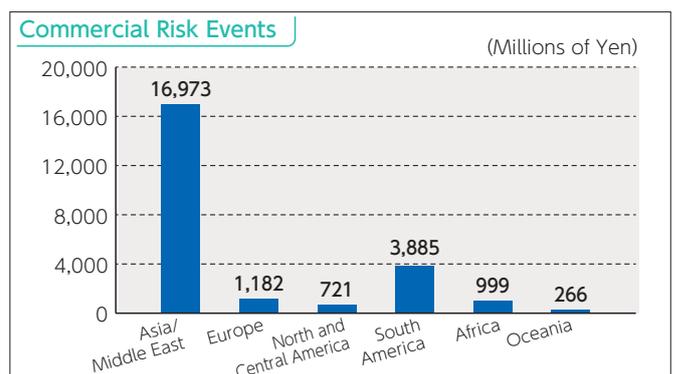
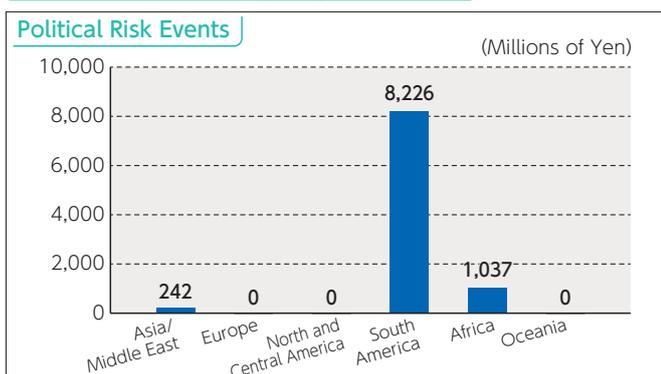
Occurrence of Events and Claims Paid (FY2014 - FY2016)



Occurrence of Events by Region

Approximately 90% of political risk events in FY2016 occurred in South America as large-scale risk events. The remaining 10% occurred in Africa and Asia (including the Middle East). Risk events in South America included events associated with natural disasters (earthquake, red tide, etc.).

Occurrence of Events by Region (FY2016)



FY2016 Review of Performance

Underwritten Amount

Underwritten Amount by Insurance Type

(Millions of Yen)

Type of Insurance	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change(%)
Export Credit Insurance	6,151,894	6,849,345	6,965,265	6,169,724	5,444,109	78.3	(11.8)
One year or less	3,451,195	3,855,361	3,855,510	3,217,940	2,754,179	39.6	(14.4)
More than one year	2,700,699	2,993,984	3,109,755	2,951,783	2,689,930	38.7	(8.9)
Buyer's Credit Insurance	123,290	193,845	286,390	489,827	113,597	1.6	(76.8)
Export Bill Insurance	12,295	14,153	12,008	13,795	11,614	0.2	(15.8)
Prepayment Import Insurance	1	5	84	454	99	0.0	(78.2)
Overseas Investment Insurance	530,106	611,679	471,487	571,993	323,045	4.6	(43.5)
Overseas Untied Loan Insurance	1,369,370	706,030	2,173,094	437,326	910,078	13.1	108.1
Trade Insurance for Standing Orders from Specific Buyer	9,331	7,420	8,134	5,383	5,384	0.1	0.0
Export Credit Insurance for SMEs and AFF Sector	1,304	2,740	4,332	9,223	9,516	0.1	3.2
Comprehensive Export Insurance with Simplified Procedure	19,162	23,589	37,173	40,754	48,121	0.7	18.1
Reinsurance	83,311	108,365	207,007	94,008	89,198	1.3	(5.1)
Total	8,300,064	8,517,171	10,164,974	7,832,488	6,954,763	100.0	(11.2)

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

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

(Note 3) The floating interest coverage option in Buyer's Credit Insurance and Overseas Untied Loan Insurance is evaluated with an amount calculated using the maximum rate (20% per annum). (The same applies to the table below.)

Underwritten Amount by Region

(Millions of Yen)

Region	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change(%)
Asia	4,003,749	4,694,526	4,550,431	4,355,905	4,301,688	57.9	(1.2)
Middle East	591,102	926,125	1,294,219	1,102,195	563,277	7.6	(48.9)
Europe	795,756	1,029,919	1,040,255	796,639	583,667	7.9	(26.7)
North America	293,729	332,822	1,563,728	337,919	258,849	3.5	(23.4)
Central America	903,421	733,386	714,656	776,265	737,377	9.9	(5.0)
South America	883,707	569,857	762,599	419,867	281,225	3.8	(33.0)
Africa	447,219	494,062	588,410	316,201	372,290	5.0	17.7
Oceania	833,730	259,023	107,481	113,280	134,017	1.8	18.3
International Organizations	167,972	155,064	266,871	198,002	202,747	2.7	2.4

(Note 1) 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 2) 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 3) The amount is classified under International Organizations instead of regions when guaranteed by an international organization.

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

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

Outstanding Commitment (As of fiscal year end)

Outstanding Commitment by Insurance Type

(Millions of Yen)

Type of Insurance	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change (%)
Export Credit Insurance	8,167,551	8,495,228	8,787,636	8,668,299	8,228,003	52.3	(5.1)
One year or less	3,097,421	3,569,810	3,750,003	3,333,628	2,919,982	18.6	(12.4)
More than one year	5,070,130	4,925,418	5,037,633	5,334,671	5,308,021	33.7	(0.5)
Buyer's Credit Insurance	1,032,720	1,320,215	1,652,424	1,707,182	1,572,559	10.0	(7.9)
Export Bill Insurance	3,336	3,810	3,628	4,274	4,083	0.0	(4.5)
Prepayment Import Insurance	0	0	82	301	2	0.0	(99.4)
Overseas Investment Insurance	1,117,154	1,399,630	1,532,427	1,629,657	1,505,887	9.6	(7.6)
Overseas Untied Loan Insurance	2,241,104	2,600,398	3,706,172	3,372,761	3,568,782	22.7	5.8
Trade Insurance for Standing Orders from Specific Buyer	15,340	12,172	10,718	9,483	7,335	0.0	(22.7)
Export Credit Insurance for SMEs and AFF Sector	499	978	1,638	3,287	3,046	0.0	(7.3)
Comprehensive Export Insurance with Simplified Procedure	5,959	8,671	15,283	13,772	16,136	0.1	17.2
Reinsurance	330,785	481,361	753,112	748,522	821,880	5.2	9.8
Total	12,914,446	14,322,464	16,463,122	16,157,539	15,727,713	100.0	(2.7)

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

(Note 2) The floating interest coverage option of Buyer's Credit Insurance is evaluated with an amount calculated using the maximum rate (20% per annum). (The same applies to the table below.)

Outstanding Commitment by Region

(Millions of Yen)

Region	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change (%)
Asia	5,591,707	6,603,603	7,522,859	7,408,459	7,632,828	47.4	3.0
Middle East	1,852,988	1,889,077	2,322,733	2,717,377	2,366,263	14.7	(12.9)
Europe	1,778,936	1,869,743	1,978,460	1,723,385	1,447,178	9.0	(16.0)
North America	375,726	474,068	1,102,231	1,068,542	984,374	6.1	(7.9)
Central America	620,925	642,637	710,345	814,936	877,224	5.5	7.6
South America	1,050,016	1,059,399	1,215,882	955,999	859,829	5.3	(10.1)
Africa	788,076	815,499	969,552	828,640	884,574	5.5	6.8
Oceania	1,092,066	1,198,756	834,769	756,155	750,154	4.7	(0.8)
International Organizations	202,893	246,227	247,975	247,502	285,255	1.8	15.3

(Note 1) 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 2) 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 3) The amount is classified under International Organizations instead of regions when guaranteed by an international organization.

※As the FY2015 Outstanding Commitment indicated in this FY2016 Annual Report reflects corrections made after the publication of FY2015 Annual Report, part of the figures are different from the ones in the FY2015 Annual Report.

FY2016 Review of Performance

Premium Income

Premium Income by Insurance Type

(Millions of Yen)

Type of Insurance	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change (%)
Export Credit Insurance	11,943	13,315	15,188	13,858	14,838	31.9	7.1
One year or less	5,025	5,612	6,247	5,081	5,240	11.3	3.1
More than one year	6,918	7,703	8,941	8,777	9,598	20.6	9.4
Buyer's Credit Insurance	1,524	3,899	6,586	13,030	3,378	7.3	(74.1)
Export Bill Insurance	111	132	111	131	109	0.2	(16.9)
Prepayment Import Insurance	0	0	0	3	0	0.0	(86.5)
Overseas Investment Insurance	3,718	4,471	5,035	5,802	5,264	11.3	(9.3)
Overseas Untied Loan Insurance	17,924	6,078	38,514	15,231	22,044	47.4	44.7
Trade Insurance for Standing Orders from Specific Buyer	321	263	281	194	166	0.4	(14.7)
Export Credit Insurance for SMEs and AFF Sector	12	24	39	83	85	0.2	2.5
Comprehensive Export Insurance with Simplified Procedure	38	43	85	99	105	0.2	6.2
Reinsurance	3,207	3,771	7,840	3,038	526	1.1	(82.7)
Total	38,797	31,994	73,679	51,469	46,516	100.0	(9.6)

(Note 1) Unlike the underwritten amount that is based on the insurance contract date, the premium income is recorded at the start of the insurer's obligation period. The premium income and underwritten amount may be recorded in different fiscal years.

Insurance Claims Paid

Insurance Claims Paid (by Insurance Type and by Risk)

(Millions of Yen)

Type of Insurance	FY2012		FY2013		FY2014		FY2015		FY2016								
	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Composition (%)	Year-on-Year change (%)					
Export Credit Insurance	3,079	424	2,655	9,675	0	9,675	2,709	582	2,127	21,926	18,571	3,355	3,499	1,000	2,499	45.0	(84.0)
Buyer's Credit Insurance	1,165	0	1,165	1,723	0	1,723	0	0	0	0	0	0	114	0	114	1.5	-
Export Bill Insurance	3	0	3	14	0	14	0	0	0	0	0	0	31	0	31	0.4	-
Prepayment Import Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	-
Overseas Investment Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	-
Overseas Untied Loan Insurance	0	0	0	0	0	0	0	0	0	0	0	0	1,047	0	1,047	13.5	-
Trade Insurance for Standing Orders from Specific Buyer	168	0	168	368	0	368	99	0	99	221	0	221	0	0	0	0.0	(100.0)
Export Credit Insurance for SMEs and AFF Sector	2	0	2	0	0	0	1	0	1	2	0	2	136	0	136	1.7	5,687.2
Comprehensive Export Insurance with Simplified Procedure	0	0	0	17	0	17	8	0	8	0	0	0	13	0	13	0.2	3,518.9
Reinsurance	0	0	0	436	436	0	285	285	0	245	0	245	2,943	0	2,943	37.8	1,099.6
Total	4,416	424	3,993	12,234	436	11,798	3,102	867	2,235	22,395	18,571	3,824	7,782	1,000	6,782	100.0	(65.3)

Insurance Claims Paid (by Region)

(Millions of Yen)

Region	FY2012		FY2013		FY2014		FY2015		FY2016								
	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Political	Commercial	Composition (%)	Year-on-Year change (%)					
Asia	121	0	121	841	0	841	1,334	0	1,334	1,059	0	1,059	3,662	0	3,662	47.1	245.8
Middle East	6	6	0	9,532	436	9,096	459	459	0	1,472	0	1,472	872	29	843	11.2	(40.8)
Europe	1,560	0	1,560	1,777	0	1,777	869	0	869	24	20	4	245	0	245	3.1	920.8
North America	2	0	2	7	0	7	0	0	0	0	0	0	503	0	503	6.5	-
Central America	0	0	0	72	0	72	0	0	0	980	0	980	0	0	0	0.0	(100.0)
South America	430	418	12	5	0	5	440	408	31	18,584	18,551	33	1,384	320	1,064	17.8	(92.6)
Africa	2,297	0	2,297	0	0	0	0	0	0	276	0	276	884	652	233	11.4	220.3
Oceania	0	0	0	0	0	0	0	0	0	0	0	0	232	0	232	3.0	-
Total	4,416	424	3,993	12,234	436	11,798	3,102	867	2,235	22,395	18,571	3,824	7,782	1,000	6,782	100.0	(65.3)

Recoveries

Recoveries by Risk

(Millions of Yen)

Type of Risks	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change (%)
Political Risk	14,327	17,330	23,531	30,865	32,137	40,667	44,141	99.3	8.5
Commercial Risk	1,313	338	486	509	3,572	201	327	0.7	62.7
Total	15,640	17,668	24,017	31,375	35,708	40,867	44,468	100.0	8.8

Recoveries by Region

(Millions of Yen)

Region	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Composition (%)	Year-on-Year change (%)
Asia	5,523	5,673	6,298	7,278	8,979	9,039	5,895	13.3	(34.8)
Middle East	1,357	3,510	8,172	11,173	11,227	11,528	11,953	26.9	3.7
Europe	1,028	814	1,154	1,512	2,860	572	594	1.3	3.8
North America	778	1	30	0	1	1	4	0.0	196.3
Central America	193	510	241	3,246	3,015	1,519	1,534	3.4	1.0
South America	1,155	1,176	1,536	1,558	2,361	10,771	20,337	45.7	88.8
Africa	5,608	5,970	6,587	6,608	7,266	7,437	4,152	9.3	(44.2)
Oceania	0	14	0	0	0	0	0	0.0	-
Total	15,640	17,668	24,017	31,375	35,708	40,867	44,468	100.0	8.8



Recoveries in FY2016

Recoveries by Risk

The recovery amount in FY2016 increased by 8.8% (approximately JPY 3.6 billion) to approximately JPY 44.5 billion compared to the previous fiscal year's approximately JPY 40.9 billion.

Recovery amount relating to political risk events such as Paris Club rescheduling amounted to approximately JPY 44.1 billion (up by 8.5% compared to the previous fiscal year) while recovery amount relating to commercial risk events was approximately JPY 0.3 billion, up by 62.7% from the previous fiscal year.

Recoveries by Region and Country

With regard to recoveries by region, recovery value in South America was approximately JPY 20.3 billion which accounted for about half of the total recoveries (45.7%). The amount includes approximately JPY 19.7 billion in Argentina (including non-Paris Club debt recoveries of approximately JPY 8.6 billion caused by a political risk event) and approximately JPY 0.5 billion in debts of Ecuador.

Recovery value in the Middle East accounted for the second largest share next to South America, at 26.9% or approximately JPY 11.9 billion. The amount includes approximately JPY 9.7 billion in debts of Iraq and approximately JPY 1.6 billion in debts of Jordan.

The recovery amount in Asia was approximately JPY 5.8 billion, accounting for 13.3% of the total recoveries. It includes approximately JPY 5.1 billion in Indonesia and approximately JPY 0.4 billion in Myanmar.

In other regions, approximately JPY 4.1 billion were recovered in Africa (including Egypt's approximately JPY 4.0 billion), approximately JPY 1.5 billion in Central America (including Cuba's approximately JPY 1.1 billion and the Dominican Republic's approximately JPY 0.3 billion), and approximately JPY 0.5 billion in Europe (including approximately JPY 0.4 billion in Serbia and approximately JPY 0.1 billion in Bosnia and Herzegovina).

FY2016 Business Overview

Enhancing Capability to Implement the “Partnership for Quality Infrastructure” and “Initiative to Expand Export”

Responding to the “Partnership for Quality Infrastructure” and “Initiative to Expand Export of Quality Infrastructure” announced by Prime Minister Shinzo Abe in May 2015 and May 2016, NEXI implemented seven improvements: longer-term investment insurance coverage, 100% political risk coverage in loan insurance and investment insurance, creation of new insurance to cover sub-sovereign risk, operational improvement in local buyer’s credit insurance, introduction of interest swap insurance special clause, and increased coverage for mezzanine finance (subordinated loan, preference shares). Also, following the stipulation under the “Initiative to Expand Export of Quality Infrastructure” which ensured NEXI’s sufficient financial base for more aggressive insurance activity, a JPY 65 billion direct investment into NEXI was approved in the FY2016 second supplementary budget.

Supporting the Strategic Priority Sectors

◆ Support for Overseas Infrastructure Development

Based on the “Infrastructure Systems Export Strategy” (determined at the Meeting of the Management Council for Infrastructure Strategy in May 2013. Revised in May 2017), the Government of Japan is targeting to receive orders for infrastructure systems with approximately 30 trillion yen in amount during 2020. In fiscal year 2016, NEXI has provided export insurance for projects such as the Doha Metro construction and maintenance project in Qatar, as well as insurance to cover project finance for geothermal power generation projects in the Republic of Indonesia which takes on the risks associated with underground geothermal resource for the first time. NEXI will continue to actively support infrastructure exports.



(Photograph courtesy of Qatar Railways Company)

◆ Contributing to Stable Supply of Natural Resources and Energy

For Japan, a stable mineral and energy resource supply is an important policy concern. NEXI supports projects that contribute to this Japanese policy via energy stake acquisition by Japanese firms, energy production, and sale to Japanese buyers. In FY2016, for example, NEXI provided loan insurance for Tangguh LNG expansion project of Republic of Indonesia in which about a 46% energy resource stake is held by a Japanese company and part of the produced LNG is sold to Japanese corporations.

◆ Support for the Agriculture Sector

NEXI is strengthening support to encourage financing and investment in overseas agriculture and agricultural exports to assure Japan’s food security. During the first half of FY2016, NEXI provided insurance to support loans for Asociacion de Cooperativas Argentinas C.L. of Argentine Republic, the country’s largest agricultural cooperative. In the second half, NEXI also provided loan insurance for the country’s major independent oilseed crushing company Vicentin S.A.I.C.

NEXI supported these two agricultural projects contributing to stable food supply to Japan following the support to Amaggi, the major grain company in the Federative Republic of Brazil in FY2014 and CAGSA of the Republic of Argentina in FY2014.

◆ Support for the Aircraft and Ship Sectors

For the aircraft sector, NEXI is ready to support export of the Mitsubishi Regional Jet (MRJ), a Japanese regional jet developed by Mitsubishi Aircraft Corporation. NEXI is also continuing to support export of Japanese aircraft components via reinsurance provided for Boeing’s aircraft cooperative project that has been joined by Japanese heavy industrial companies.

In the ship sector, ship orders that had declined following the 2008 financial crisis continued to show a recovery due to the yen’s depreciation, which led to an improved competitive environment, and higher replacement demand for fuel-efficient



(Photograph courtesy of Mitsubishi Aircraft Corporation)

ships. The demand is especially high for high value-added ships in which Japanese shipbuilders have competitive advantage, and NEXI has received a number of inquiries about insurance for ship export financing.

NEXI will continue to promote ship exports and projects that contribute to the development of Japan's aircraft industry.

Tokyo International Conference on African Development (TICAD)

TICAD and NEXI

In August 2016, the 6th Tokyo International Conference on African Development (TICAD VI) was held in Republic of Kenya, for the first time outside of Japan. Starting in 1993 to promote high-level policy dialogue between African leaders and development partners, TICAD had been held every five years in Japan. From the sixth conference, it is held every three years alternately in Africa and Japan.

More than 11,000 representatives participated in the conference and side events, including Japanese representatives from 77 companies and education institutions, and representatives of international and regional institutions from 53 African countries. NEXI made a presentation about its roles and supports in African projects at JETRO's Japan-Africa Business Conference.

Export Credit Line for PTA Bank

At the TICAD VI conference, NEXI signed an agreement to set up an export credit line of USD 40 million (NEXI portion) for Eastern and Southern African Trade and Development Bank (PTA Bank).

The credit line to PTA Bank is in the form of co-financing of up to USD 80 million offered by Sumitomo Mitsui Banking Corporation (SMBC) and Japan Bank for International Cooperation (JBIC). NEXI provided Buyer's Credit Insurance for the financing extended by SMBC.

Loans provided via PTA Bank based on the credit line are mainly used by buyers in Sub-Saharan African countries when they purchase Japanese machinery and equipment. By using PTA Bank's customer network, loans can become available to buyers in broader trans-border region and can be provided more quickly. Financing based on this credit line is expected to become a useful financing tool for Japanese companies considering African business.



(Japan-Africa Business Conference MOU Signing Ceremony)

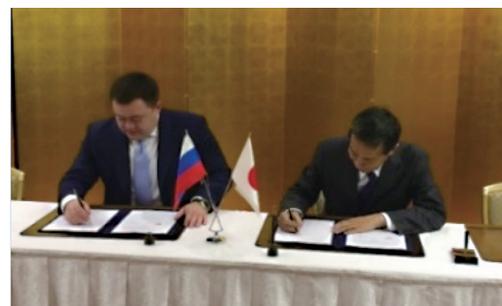
Supporting Russian Business

In December 2016, Russian Federation President Vladimir Putin visited Japan as Russia's President for the first time in eleven years, and talked with Japanese Prime Minister Shinzo Abe in Nagato, Yamaguchi Prefecture, and Tokyo. During Mr. Putin's visit, NEXI made two achievements which would help expand Japanese business opportunities in Russia and further strengthen the bilateral partnership.

One of them is a reinsurance agreement with the Russian ECA EXIAR. Based on the agreement, NEXI is now able to start considering a support framework through reinsurance for exports to third countries by Japanese companies locating in Russia. NEXI and EXIAR agreed to support exports by Japanese companies in Russia.

The other achievement is the signing of two MOUs for creation of credit line for Alfa-Bank, Russia's major private-sector bank. NEXI is now under discussion with Russia on the creation of credit line.

Through these efforts, NEXI would like to contribute to business expansion of Japanese companies in Russia and deeper relationships between the two countries.



(Reinsurance Agreement Signing Ceremony)

FY2016 Business Overview

Supporting Cuban Projects

◆ Debt Relief Measures for Cuba

Following Paris Club's agreement in December 2015 on debt relief measures for Republic of Cuba to support its return to the international community, the government of Japan and the government of Cuba concluded an exchange of notes (E/N) in September 2016 concerning relief measures for Cuba's trade insurance debt owed to NEXI which had been in arrears for 30 years since 1986.

Under the E/N, the Cuban government agreed that they pay NEXI about JPY 36.2 billion of a total of about JPY 61.5 billion (principal and interests) in 18 years, and also they credit the fund account established within Cuba with the remaining JPY 25.3 billion in five-year installments. The fund is used by project companies in Cuba to pay projects' local costs in Cuba. Later the equivalent amount is paid by project companies to NEXI.

Late interests of about JPY 119.7 billion will be cancelled in accordance with payment progress of principals and interest in arrears.



(After the signing of E/N)

◆ Resumption of Overseas Investment Insurance for Cuban Projects

In November 2016, NEXI restarted its overseas investment insurance for Cuban projects after about six years' absence.

After suspension of the entire insurance service for Cuba in August 2010, NEXI had eased its export cover conditions gradually in July 2013 and January 2016 to continue to support Japanese export to Cuba.

In September 2016, with the expected improvement in business environment following the debt restructuring agreement, NEXI restarted support for Cuban investment by resuming investment insurance on a case-by-case basis covering "war and force majeure" risk (excluding transfer risk) and "expropriation and rights infringement" risk.

◆ Japan-Cuba Public and Private Joint Conference

On November 28, 2016, during the Japan-Cuba Public and Private Joint Conference II held in Tokyo, the Minister of Foreign Trade and Foreign Investment of Cuba visited NEXI.

The conference was established based on the bilateral agreement signed at the visit of Japanese Minister for Foreign Affairs Kishida to Cuba in May 2015. The first round of the conference was held in Havana in November 2015. At the second round, Minister of Foreign Trade and Foreign Investment Mr. Malmierca and Ambassador of Cuba H.E. Mr. Pereira participated. Japanese participants were State Minister for Foreign Affairs of Japan Mr. Sonoura (head) and representatives from governmental organizations including METI, AFF, JICA, JOGMEC, and NEXI, as well as many participants from private firms.

At the conference, NEXI and METI outlined the bilateral agreement on debt restructuring and NEXI's resumption of investment insurance. Mr. Malmierca expressed a strong expectation for NEXI's insurance. Though it is true that there is still a significant hurdle the two countries need to overcome before resuming a medium- to long-term insurance coverage, NEXI would like to continue to consider supporting business between Japan and Cuba.



Expanding Reinsurance Operational Bases

NEXI signed a reinsurance agreement in May 2016 with Mitsui Sumitomo Insurance Company (Europe), Limited, a London-based subsidiary of Mitsui Sumitomo Insurance Company, Limited, to sell NEXI's trade credit insurance to Japanese companies operating in the U.K. via Mitsui Sumitomo Insurance Company (Europe). It underwrites insurance as a primary insurer and NEXI underwrites reinsurance (Fronting Scheme).

NEXI had already been offering its insurance via the Fronting Scheme in Singapore, Hong Kong and Thailand. The reinsurance agreement with the European insurer has enabled NEXI to meet the insurance needs of Japanese companies operating in the U.K.

In November 2016, NEXI also signed a reinsurance agreement with Tokio Marine HCC (HCC Insurance Holdings, Inc.) which is operating in the U.S. and Europe. Under the agreement, Tokio Marine HCC underwrites trade credit insurance in the U.S. and Europe as a primary insurer and NEXI provides reinsurance. The reinsurance agreement has enabled stable provision of trade credit insurance service to Japanese companies operating in the U.S. and Europe through the combination of the broad-based underwriting structure and ability of HCC and stable underwriting capacity of NEXI.

Through this reinsurance scheme, NEXI will continue to support the growing overseas activities of Japanese companies.

Enhancing Ties with Overseas Organizations

◆ MOU with KazExportGarant (KEG)

In November 2016, NEXI signed an MOU with KazExportGarant (KEG), the export credit and investment agency of Republic of Kazakhstan, on cooperation to promote trade and investment between Japan and Kazakhstan.

The purpose of the MOU is to materialize projects between the two countries through a NEXI-KEG cooperative framework for supporting and promoting bilateral trade and investment. The MOU will help enhance Japanese business opportunities in Kazakhstan and promote friendship and partnership between the two countries.



(At the signing ceremony; photograph courtesy of Japan Association for Trade with Russia & NIS)

◆ Berne Union Meetings

The Berne Union (International Union of Credit and Investment Insurers) is a forum in which ECAs, international organizations and private insurers from around the world discuss common issues related to export credit insurance and investment insurance from a technical perspective. Since the first meeting in 1934 in Berne, Swiss Confederation, its membership has grown to a total of 84 as of April 2017.

The 2016 spring meeting took place in May in Warsaw, and the fall meeting was held in October in Lisbon. NEXI attended the respective meetings to compare notes with other members regarding export credit.

◆ Bilateral Meetings

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

◆ G12 Meeting

The G12 meeting was held in Chennai, India in February 2017. Participants were government officials and ECA representatives of the 12 nations (Italian Republic, India, U.K., Canada, People's Republic of China, Federal Republic of Germany, Federative Republic of Brazil, French Republic, U.S.A., Japan, Russian Federation and Republic of Korea). They shared information of business performance and discussed the global economic situation and each organization's issues and activities. As there are limited opportunities for each nation's ECA and governmental representatives to gather for discussion, discussions and information shared at the G12 meetings are very fruitful.

FY2016 Business Overview

Supporting Mid-Sized Enterprises and Small Businesses (SMEs) and AFF Sectors to Expand Business

◆ Creation of Export Credit Insurance for SMEs and AFF Sector

In July 2016, NEXI started sale of Export Credit Insurance for SMEs and AFF Sector by improving the insurance product formerly called Export Credit Insurance for SMEs. The revised product is now available not only to SMEs but also to agriculture, forestry and fisheries sectors such as agricultural cooperatives, forestry cooperatives, fishermen's unions and agricultural producers' co-operative corporations.

During this fiscal year, NEXI promoted itself and its insurance at a number of seminars and forums including a meeting on AFF export competitiveness enhancement strategy, a forum on the sixth industrialization through agriculture, commerce and industry cooperation, and a cooperative symposium of agriculture, commerce and industry, hosted by each regional agricultural administration office.

◆ Reinforcing Support for SMEs

The support network for SMEs' overseas business was launched in FY2011 initially in conjunction with 11 regional banks with the aim of widely spreading and promoting the use of NEXI's insurance. In FY2016, another 9 financial institutions joined the network, expanding the total number of partner financial institutions to 114, which now covers all 47 prefectures in Japan.

The network conference held in February 2017, which was joined by other official organizations, provided an opportunity to hear the voices of trade insurance users, and also a venue for sharing information and opinions among the various organizations that work to support the business of SMEs. In response to the participants' request, the FY2016 network conference was held both in Tokyo and Osaka for the first time in six years. At the conference, useful information was also provided by the Ministry of Agriculture, Forestry and Fisheries which is promoting the primary industry's export enhancement strategy, the Financial Services Agency which is helping financial institutions to strengthen support for their customers' overseas business, and the Public Security Intelligence Agency which is providing information of national security such as terrorism.

◆ Promoting Trade Insurance

Following the last fiscal year, NEXI added another animated film and brochure that provide specific examples of NEXI insurance use for AFF produce and food exporters.



(Video "NEXI Insurance: We Can Be a Big Help!" (Examples of use))

NEXI also hosted a seminar for the first time (May 2016) for SMEs that were considering export. At the seminar, a wide variety of speakers gave useful information and know-how for SMEs, such as basic knowledge of overseas business, Asian business environment, and risk mitigation and insurance.

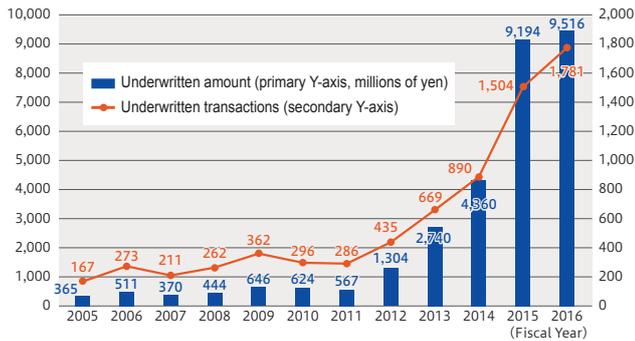


(NEXI seminar for SMEs)

NEXI also participated in "FOODEX JAPAN 2017" (Makuhari Messe, March 2017) as an exhibitor for the first time. It is one of the largest exhibitions of food and beverage in Asia with more than 80 thousand visitors in four days. NEXI distributed pamphlets and provided consultation of the insurance use to a lot of exhibitors and visitors at its booth located in the overseas business consultation zone.

◆ Improving Convenience

During the fiscal year, the application deadline of Export Credit Insurance (Specific) and Export Credit Insurance for SMEs and AFF Sector was extended to five business days from shipment. Also, web application service hours start at 8:00 a.m., earlier than before.



(Export Credit Insurance for SMEs and AFF Sector Amount and Number Underwritten)

With the mission of bringing higher feasibility to SMEs and AFF business owners in expanding their overseas businesses in mind, NEXI will continue to improve its products and services, as well as strengthen its customer support and publicity.

Improving Web Services

◆ Enterprise Comprehensive Insurance Procedure on the Web

In FY2016, NEXI improved the web services introduced last fiscal year.

In February 2017, NEXI expanded its web registration and application placement services to applicants of a supplementary contract of Enterprise Comprehensive Insurance. Now NEXI's web application service can deal with most of its short-term insurance applications, including user and buyer registrations.

We are always willing to improve our services by using feedback collected directly from our customers or questionnaires.

NEXI will continue to try to reduce users' procedural burdens and offer more convenient web services.

In Pursuit of a Sustainable Society

◆ Guidelines on Environmental and Social Considerations



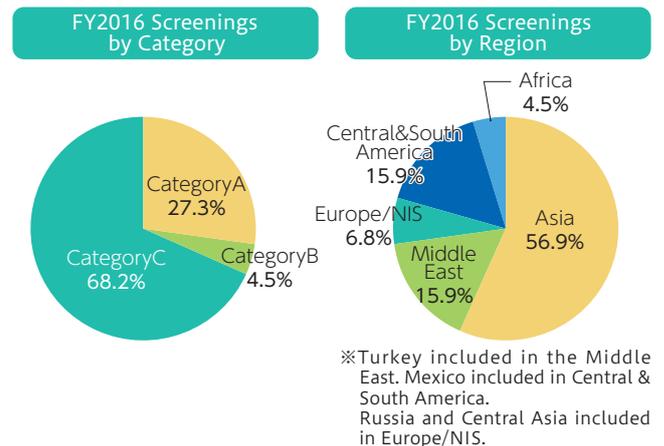
(On-site visit to a project site)

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

In FY2016, NEXI conducted screenings and made assessments for 44 projects, including site visits. In the assessments, projects are classified into three categories (A, B, or C) based on their potential environmental impacts in accordance with Screening Forms submitted by applicants for NEXI insurance. For example, a site visit will be conducted as a general rule if a project is categorized as Category A, which indicates the highest level of impact.

Also, Objection Procedures on the Guidelines ensure NEXI's compliance with the Guidelines, for which an independent "Examiner" is assigned under the direct control of the Chairman.

NEXI will continue to take proper steps based on its Guidelines for appropriate confirmation.



FY2016 Underwritten Projects

Power

Supporting Electric Power Development Projects in Indonesia

To meet the rapidly increasing demand for electricity arising from the country's economic growth, the Republic of Indonesia is in the course of promoting the 2016 – 2025 Electricity Supply Business Plan (RUPTL) which is an electricity development plan to construct new power generation of 38.5GW by year 2024, out of which 35GW is planned to be constructed during the 4 years between 2015 and 2019. NEXI has provided insurance coverage for the following three projects which are positioned as a part of the RUPTL.

1 Expansion of Tanjung Jati B Ultra-supercritical Coal Fired Power Plant Project

Sumitomo Corporation (Sumitomo) and Kansai Electric Power Co. Inc. (Kansai Electric) are developing a project to construct a new 2,000MW (1,000MW x 2 units) ultra-supercritical coal fired power plant adjacent to existing power plant units owned by Sumitomo in central Java, Indonesia. The project will be implemented in conjunction with a local entity, PT. United Tractors Tbk, and once the plant is in operation, the generated electricity will be sold to PT. PLN (Persero), Indonesia's national electricity power company, for a term extending to 25 years.

The project company, PT Bhumi Jati Power has made fund procurement through project financing in which seven Japanese financial institutions namely Mizuho Bank, Ltd., the Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, the Norinchukin Bank, and Oversea-Chinese Banking Corporation Limited Tokyo Branch, are taking part as lenders. NEXI has provided insurance to cover the loan portion provided by these financial institutions, which in total amount to USD 1,678 million.

This power plant, which will utilize coal produced in Indonesia, is sure to contribute to the economic development of this country through stable and environment-friendly power supply

by using ultra-supercritical technology. With Sumitomo's strong experience in plant construction and operation obtained through its development of adjacent plants and Kansai Electric's abundant success in the operation of ultra-supercritical power plants, this project is truly a compilation of Japanese support in the form of advanced technology, project development and management capabilities, and financial contributions.

- This insurance contract was entered into in February 2017.



(Photograph courtesy of Sumitomo Corporation)



2 Muara Laboh Geothermal IPP Project

PT. Supreme Energy Muara Laboh (owned 35% by Sumitomo Corporation (Sumitomo), 35% by Electrabel S.A. and 30% by PT. Supreme Energy) has taken up a project to construct a geothermal power plant (80MW) in West Sumatra Province of Indonesia and to sell the generated electricity to PT. PLN (Persero), Indonesia's national electricity power company, for a term of 30 years.

Sumitomo was awarded with the EPC contract for this project jointly with PT. ReKayasa Industri, a local company. West Japan Engineering Consultants, Inc., a subsidiary of Kyushu Electric Power Company Inc., will be working with them to support the project company as their technical service advisor throughout the loan period.

Financing for the project is made through loans provided by Japan Bank for International Cooperation, the Asian Development Bank, Mizuho Bank, Ltd., the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation, and NEXI's insurance supports the loans made by the three Japanese financial institutions. This is the first time NEXI has supported geothermal IPP project financing with risks associated with geothermal resource capacity.

NEXI's financial support for this project is expected not only to expand the opportunity for Japanese companies to take part in

geothermal development projects but also to help them maintain and strengthen international competitiveness in the energy development market including renewable energy.

- This insurance contract was entered into in February 2017.



(Photograph courtesy of Sumitomo Corporation)

3 Jawa2 Gas Combined Cycle Power Plant Project

PT. PLN (Persero), Indonesia's national electricity power company, is constructing a Gas Combined Cycle Power Plant (800MW) on the site of Tanjung Priok Power Plant located in the harbor area in Jakarta, the capital of Indonesia. Mitsubishi Corporation, as a consortium with Indonesia's PT. Wasa Mitra Engineering, a local procurement company, was awarded the EPC contract for this project, and will supply units of equipment and machinery such as gas turbines, steam turbines, and heat recovery steam generators manufactured by Mitsubishi Hitachi Power Systems, Ltd. and a whole unit of gas combined cycle power generating facility, including a generator, manufactured by Mitsubishi Electric Corporation.

PLN obtained the funds to purchase such equipment and machinery through loans made by Japan Bank for International Cooperation, Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank and Australia and New Zealand Banking Group Tokyo Branch. NEXI provided insurance cover for the loans made by the three Japanese financial institutions. (Total loan amount is JPY 12.7 billion plus USD 18 million)

By providing financial support for export of Japanese equipment used in this project, NEXI expects not only to expand

business opportunities in Indonesia for Japanese companies but also to help them maintain and strengthen their international competitiveness.

- This insurance contract was entered into in October 2016.



(Photograph courtesy of Mitsubishi Corporation)

FY2016 Underwritten Projects

Oil & Gas

Indonesia / Tangguh LNG Expansion Project

Located in Papua Barat province in the Republic of Indonesia, the Tangguh Expansion Project will add a third train to the existing Tangguh LNG (Liquefied Natural Gas) facilities of two trains, which are currently producing 7.6 million tons of LNG per annum. The Tangguh Expansion Project will add 3.8 million tons of annual production capacity by constructing a third LNG process train. Approximately 46% interest in the project is held by LNG Japan and other Japanese partners. Also, about 25% of LNG produced yearly from the new train will be purchased by the Kansai Electric Power Co., Inc.

LNG Japan is providing a guarantee on the loan portion mainly made by Japanese financial institutions to finance the project, and NEXI is providing cover for losses suffered by LNG Japan on its guarantee. In November 2007, NEXI also provided insurance for LNG Japan's guarantee for commercial bank loans provided to finance the construction of the first two trains of the Tangguh LNG facilities.

About 75% of the LNG produced by this project will be purchased by PT. PLN (Persero), the electric power company owned by the Indonesian government, and will be supporting the nation's energy supply to meet the still growing demand. This

project is of high significance to Japan as Japanese companies will retain interests in the project, and also important in terms of ensuring a stable supply of energy to Japan, as 25% of the LNG production will be purchased by a Japanese corporation.

- This insurance contract was entered into in November 2016.



(Photograph courtesy of LNG Japan)

Ships

Spain / Export of LNG Carrier Chartered by Gas Natural

San Isidro LNG I B.V. (San Isidro), established in the Netherlands by Imabari Shipbuilding Co., Ltd. (Imabari Shipbuilding) and Mitsubishi Corporation (Mitsubishi), is working for a project in which an LNG carrier will be on charter to Gas Natural Group, the largest gas and power operator in Spain and South America.

The carrier, purchased by San Isidro and then chartered by Gas Natural Group, is a state-of-the-art LNG vessel constructed and exported by Imabari Shipbuilding. With the largest tank capacity that the shipbuilder can offer, the LNG carrier will realize significant improvement in fuel consumption performance by the introduction of a highly fuel efficient propulsion system. For San Isidro's purchase of the LNG carrier, Japan Bank for International Cooperation and Mizuho Bank, Ltd. agreed to provide loans, and NEXI provided insurance for the loans extended by Mizuho.

NEXI's insurance support for the loans is expected to lead to further exports of vessels constructed by Japanese shipbuilders and more business opportunities for Japanese companies.

- This insurance contract was entered into in January 2017.



(Photograph courtesy of Imabari Shipbuilding Co., Ltd. (LNG carrier under construction))

Infrastructure

Cambodia / Techno Park Project

Techno Park Poi Pet Pvt. Co. Ltd. (Techno Park), wholly owned by Toyota Tsusho Corporation (Toyota Tsusho), started operation of the techno park built in Poipet City, Cambodia. Techno Park provides Japanese companies operating in Cambodia with a variety of services including rental factories, employee meals, accounting, subcontracted processing, human resources and export/import service to enable Japanese companies in Cambodia to focus on manufacturing.

NEXI has provided its investment insurance to support Toyota Tsusho's investment in Techno Park, and loan insurance to support the Japanese company's guarantee on loans extended to finance Techno Park's equipment purchases and working capital. This is the first time that NEXI has provided loan insurance for a Cambodian project.

With abundant young labor force and Poipet City's good location (located in a strategic point of the Southern Economic

Corridor near the Thailand-Cambodia border), the techno park is expected to contribute to further strengthening of the supply chain for Japanese companies operating in the Mekong Region.

- This insurance contract was entered into in November 2016.



(Photograph courtesy of Toyota Tsusho Corporation)

Thailand / Bangkok Red Line Mass Transit System Project

The Red Line Mass Transit System is a fully elevated train system project which will construct a 26.4 kilometer line running to the north and a 14.6 kilometer line to the west from Bang Sue Station in Bangkok. For this project, a consortium comprised of three Japanese companies (Mitsubishi Heavy Industries, Ltd., Hitachi, Ltd. and Sumitomo Corporation) was awarded a full turnkey contract to design and build the railway system including signaling system and rolling stocks. The Red Line Project is part of the Mass Transit System Project promoted by the Thai government. The north line will be financed by yen loans extended by the Japanese government while the west line will be funded by the Thai government. The north line is scheduled to be completed in 2020.

NEXI's Export Credit Insurance has been provided to the consortium to cover Thailand's political risk and credit risk of the State Railway of Thailand, the consortium's counterparty.

To solve the deteriorating traffic congestion and environmental problem in the Bangkok Metropolitan Region, the Thai government set out a Mass Transit Investment Plan to develop seven railway lines between 2005 and 2012. The construction of three lines including the Red Line was approved by the Cabinet in August 2006. Bang Sue Station, the Red Line starting station adjacent to a long-distance bus terminal, is expected to act as a hub station of the Bangkok Mass Transit System, connecting to the Blue Line (2004).

NEXI's support in this project will help boost the competitiveness

and profile of Japanese rolling stocks and railway systems as well as overseas activities of Japanese companies.

- This insurance contract was entered into in August 2016.



(Image courtesy of Hitachi, Ltd. (rendering image))

FY2016 Underwritten Projects

Qatar / Support for Doha Metro Construction and Maintenance Project — Qatar's First Subway System —

The Doha Metro Project is part of a national project called “Qatar National Vision 2030” announced by the government of Qatar in October 2008 which implements a number of large-scale national projects such as airport and port constructions. Under the Metro Project, a consortium including four Japanese companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, Hitachi, Ltd., and The Kinki Sharyo Co., Ltd.) was awarded a contract to supply rolling stock and train system. NEXI has provided insurance for Doha Metro Project.

Infrastructure development is one of the priority projects for Qatar, as the country is going to host the 2022 FIFA World Cup. Qatar's first metro system is expected to create a positive economic impact by realizing efficient transportation, offering more efficient social infrastructure based on the railway system, and creating jobs. The project is also expected to help Japanese rolling stock and railway system manufacturers to raise their profile in the Middle East market.

- This insurance contract was entered into in April 2016.



(Photograph courtesy of Qatar Railways Company)

Uganda / Export of Construction Machinery

Sumitomo Corporation (Sumitomo) signed a sales contract with Ministry of Works & Transport of Republic of Uganda in which Sumitomo would deliver construction machinery and vehicles manufactured by Japanese companies including Komatsu Ltd., Sakai Heavy Industries, Ltd., Tadano Ltd., Mitsubishi Fuso Truck and Bus Corporation and Kyokuto Kaihatsu Kogyo Co., Ltd.

For the purchase of these Japanese products, Japan Bank for International Cooperation (JBIC) and Sumitomo Mitsui Banking Corporation (SMBC) agreed to provide loans totaling approx. JPY 15.1 billion to Uganda Ministry of Finance, Planning and Economic Development, and NEXI has provided insurance to support SMBC's loan (approx. JPY 7.6 billion).

As an agricultural country, Uganda is planning to improve regional road conditions to facilitate farm produce distribution to the market. The Japanese machinery and vehicles exported to Uganda are used in several road construction sites in Uganda, contributing to the country's economic development. NEXI's export support for Japanese high-tech construction machinery is expected to lead to further Japanese business opportunities in Uganda.

- This insurance contract was entered into in November 2016.



(Photograph courtesy of Sumitomo Corporation)

Supporting Argentina's Agricultural Projects

NEXI has provided insurance to the following two projects related to agriculture, major industrial sector in Argentine Republic. Both projects are made to implement the "Infrastructure Systems Export Strategy" (adopted in May 2013 at the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation, and revised in May 2017) which lists as one of its objective to "strengthen efforts in grain procurement from South America." Further, this financing is expected to contribute to the security of Japan's food procurement because the loan is contingent on Vicentin S.A.I.C. to export a certain amount of grain to Japan over the life of the loan, and also to make maximum consideration to export food grain to Japan in case of an emergency.

1 Argentine Republic / ACA Long-term Financing Transaction

ACA (Asociacion de Cooperativas Argentinas CL), the largest agricultural cooperative in Argentina, has signed loan agreements of a maximum of USD 100 million with terms of 5 years and 8 years with ING Bank N.V., Tokyo Branch and The Bank of Tokyo-Mitsubishi UFJ, Ltd. for the procurement of their long-term working capital. NEXI has provided insurance cover to support these lenders.

The loans are for financing ACA's working capital needed to collect grain from domestic agricultural cooperatives and farmers and sell to overseas buyers. ACA and the National Federation of Agricultural Cooperatives (Zen-Noh) of Japan have an established business relationship of over 50 years and it is expected that their strengthened relationship will further enhance ties between Japan and Argentina in agricultural sector.

- This insurance contract was entered into in July 2016.



(Photograph courtesy of ACA)

2 Argentine Republic / Vicentin S.A.I.C. Long-term Financing Transaction

Vicentin S.A.I.C., Argentina's leading crusher of oil seed, has entered into an MOU on grain sales of 400,000 tons a year with Mitsui & Co., Ltd. In connection with this MOU, ING Bank N.V. Tokyo Branch, The Bank of Tokyo-Mitsubishi, Ltd. and Sumitomo Mitsui Banking Corporation executed a 5-year tenor loan agreement for a maximum amount of USD 115 million which will be used as long-term working capital by Vicentin S.A.I.C. NEXI provided insurance to support this loan.

Vicentin S.A.I.C. crushes soybeans, etc., which are important grains to Japan in terms of food security, and exports soybean meal used for animal feed and soybean cooking oil. Vicentin S.A.I.C. is one of the world's largest soybean product exporters. The company now surpasses foreign grain majors as the world's largest soybean oil exporter and second largest soybean meal exporter in 2016.

- This insurance contract was entered into in March 2017.



(Photograph courtesy of Vicentin S.A.I.C.)

FY2016 Underwritten Projects

SMEs related

NEXI actively supports SMEs in their development of overseas business. In July 2016, we made a product upgrade to the former Export Credit Insurance for SMEs to Export Credit Insurance for SMEs and AFF Sector, which now offers an expanded target scope of export credit insurance users including those engaged in the agriculture, forestry and fishery industry.

Asia

Export of Automobile related Jigs and Tools

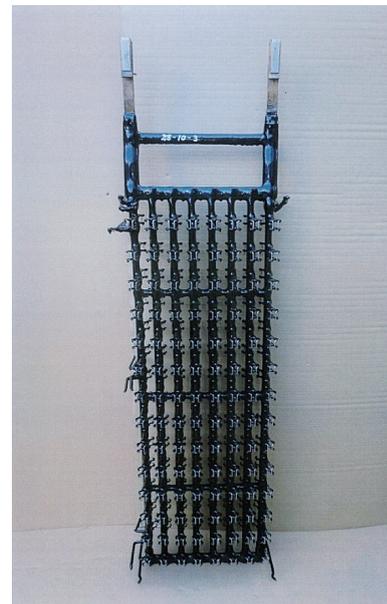
NEXI provided insurance cover to Yamanouchi Mfg. Co., Ltd. (Yamanouchi Mfg.) for their export of jigs and tools used in automobiles to the Islamic Republic of Pakistan with the Export Credit Insurance for SMEs and AFF Sector.

Support for this transaction was provided through cooperation between NEXI and Tokyo Higashi Shinkin Bank, the main bank for Yamanouchi Mfg.

Yamanouchi Manufacturing is a maker of jigs and tools in fields such as coating, plating and deposition. They develop and manufacture original products on their own to fit complicatedly shaped items such as mobile phones, cameras, automobiles, and fishing tools.

Through the development of active export transactions made to Asian countries such as the Kingdom of Thailand, Yamanouchi Mfg recently started business with Pakistan. However, after they experienced a payment delay in a sample shipment made to a Pakistani company, they decided to use NEXI's insurance through Tokyo Higashi Shinkin Bank, so as to mitigate their concerns.

- Annual Insured Amount : Approx. JPY 4.4 million
- This insurance contract was entered into in February 2017.



(Photograph courtesy of Yamanouchi Mfg. Co., Ltd.)

Export of Awamori (alcoholic beverage)

NEXI provided insurance cover to HIGASYUZOU LLC (HIGASYUZOU) for exporting Ryukyu Awamori to Hong Kong which the Export Credit Insurance for SMEs and AFF Sector.

HIGASYUZOU was considering export of their main product "Zampa" (which won the Three-Star Superior Taste Award from the International Taste & Quality Institute for three consecutive years) to Hong Kong when they attended a seminar on trade insurance which was held in Okinawa Prefecture by the Okinawa General Bureau, Cabinet Office in June 2016. At the seminar, they learned of NEXI's trade insurance products, and decided to use the Export Credit Insurance for SMEs and AFF Sector.

Being a hub for international distribution, Okinawa is now supporting overseas business development and expansion. This export transaction is one made possible through the support of such a network.

With the support of NEXI's insurance, HIGASYUZOU intends to

continue their expansion in overseas export.

- Annual Insured Amount : Approx. JPY 1.74 million
- This insurance contract was entered into in October 2016.



(Photograph courtesy of HIGASYUZOU LLC)



Export of Japanese Icefish

NEXI provided insurance to Lake Ogawara Fisheries Cooperative Association (Ogawarako Gyokyou) for their export of Japanese Icefish to Hong Kong Special Administrative Region of the People's Republic of China with the Export Credit Insurance for SMEs and AFF Sector.

This insurance was provided through the Aomori Bank, a regional bank in Aomori Prefecture that works with NEXI as a partner in promoting the use of trade insurance.

Ogawarako Gyokyou decided to use trade insurance to obtain assurance in this transaction, as it was their first business with the buyer.

This was also the first overseas transaction for Ogawarako Gyokyou, and through repeated discussions on risk coverage, they decided on the use of trade insurance which turned out to be very effective for them both in terms of convenience and cost.

Aomori Prefecture is in the course of improving their logistics environment in conjunction with Yamato Transport Co., Ltd., and has developed a system to export perishable items without losing freshness under a service named "A! Premium," and they utilized this newly developed system to export icefish.

- Annual Insured Amount : Approx. JPY 220,000
- This insurance contract was entered into in December 2016.



(Photograph courtesy of Lake Ogawara Fisheries Cooperative Association)

Export of Health Food Supplements

NEXI provided insurance to Kanehide Bio Co., Ltd. (Kanehide Bio) for their export of health food to the Socialist Republic of Vietnam with the Export Credit Insurance for SMEs and AFF Sector.

Kanehide Bio, established in 1988 as Okinawa Hakko Kagaku Co., Ltd. (Okinawa Fermentation Science) for the purpose of promoting the use of bagasse, a residue left after the extraction of juice from sugar cane, key crop of Okinawa Prefecture. The company also aims to build-up the economy in Okinawa.

The company produces health food, supplements, and drinks from Okinawa-grown ingredients such as mozuku seaweed, goya (bitter melon), noni fruit, and shii-ku-wa-saa (hirami lemon) and distributes original products both domestically and overseas.

The Bank of Okinawa introduced our trade insurance product to the company as a tool for risk hedging in transactions with large-sum document collection.

- Annual Insured Amount : Approx. JPY 9 million
- This insurance contract was entered into in January 2017.



(Photograph courtesy of Kanehide Bio Co., Ltd.)

FY2016 Underwritten Projects

SMEs related

Japanese Cypress (Hinoki) Export from Ehime Prefecture

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Ehime Forest Association to support exports of locally grown Japanese cypress (Hinoki) to lumber processors in Southeast Asia.

This is the first successful insurance contract based on the cooperation agreement made between NEXI and the Ehime Bank, Ltd. in October 2015. Also, Ehime Forest Association is the first forest association that has been supported by this insurance since its launch in July 2016.

Ehime Prefecture is one of the major wood producers in Japan. About 70 percent of the prefecture is covered by forests, and it is especially rich in Japanese cedar and cypress forests. Ehime Forest Association is expanding its overseas activities including export of cedar and cypress lumber to China and Southeast Asian countries.

- Export amount to be covered by insurance: Approx. JPY 3.3 million
- This insurance contract was entered into in January 2017.



(Photograph courtesy of Ehime Forest Association)

Export of Bedding and Bed Linens

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Maru Home Textile Co., Ltd. (Maru Home Textile) to support its export of bedding and bed linens to People's Republic of China. Maru Home Textile is a manufacturer and distributor of bedding and bed linens with more than 70 years in business. It is handling a wide variety of bedclothes products from fabrics for down bedding, wool bedding and Japanese futon (calico) to fabrics for other uses.

Maru Home Textile started to use NEXI insurance to reduce a non-payment risk in a direct deal with a new buyer in China as the buyer demanded payment after delivery.

Maru Home Textiles is planning to increase exports while protecting against non-payment risk by using NEXI insurance.

- The initial insurance contract was entered into in July 2016.



(Photograph courtesy of Maru Home Textile Co., Ltd.)

Export of Akita Komachi Rice

NEXI provided insurance cover to Akita Obako Japan Agricultural Cooperative (JA Akita Obako) for exporting Akita Komachi brand rice to the Russian Federation with the Export Credit Insurance for SMEs and AFF Sector.

NEXI provided cover for this transaction through Japan External Trade Organization (JETRO), and this is the first time NEXI has supported an agricultural cooperative with the Export Credit Insurance for SMEs and AFF Sector.

JA Akita started transactions with Russia in 2015, focusing on exporting their brand rice.

When JA Akita Obako was requested from Russian buyers to change the settlement terms from the initial prepayment to deferred payment after bill of lading date, they decided to use

export credit insurance to cover the risk of non-payment after shipment.

- Annual Insured Amount : Approx. JPY 2.45 million
- This insurance contract was entered into in August 2016.



(Photograph courtesy of Akita Obako Japan Agricultural Cooperative)

Export of Household Sundries

NEXI has provided Export Credit Insurance to Aisen Industrial Co., Ltd. (Aisen Industrial) to support its export of household sundries to Republic of Italy.

Aisen Industrial is an overseas business subsidiary spun off in 1984 from Aisen Co., LTD., a well-regarded manufacturer of kitchen and cleaning articles. Aisen Industrial decided to use NEXI's insurance for a new export (OEM) contract, then under negotiation with an Italian buyer, to reduce concerns over the buyer's bankruptcy or non-payment risks that could arise during the production process.

With a wide range of competitive products such as patented micro-fiber Torepika and highly popular stick-on sponge, Aisen Industrial is planning to increase its overseas business by using

NEXI insurance.

- Export amount to be covered by insurance: Approx. JPY 9 million
- This insurance contract was entered into in March 2017.



(Photograph courtesy of Aisen Industrial Co., Ltd.)

Export of Eyewear Frames

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Fukui Megane Industry Co., Ltd (Fukui Megane) to support the export of eyewear frames to Grand Duchy of Luxembourg. The insurance has been provided in cooperation with the Fukui Bank, Ltd., one of Fukui Megane's main banks and a partner bank of NEXI.

Fukui Megane's eyewear frames are 100% made in Japan under its fully integrated manufacturing and marketing system from designing, manufacturing to marketing. Fukui Megane decided to use NEXI's insurance to reduce risk associated with export when it started to do business with a first-time buyer in Luxembourg.

Fukui Megane is willing to expand its international business by using NEXI's insurance for export contracts with deferred payment terms.

- Export amount expected to be covered by insurance: Approx. JPY 4 million
- This insurance contract was entered into in October 2016.



(Photograph courtesy of Fukui Megane Industry Co., Ltd)

FY2016 Underwritten Projects

SMEs related

North America

Export of Dental Medical Equipment

NEXI provided insurance cover to MICRON Corporation (MICRON) for their export of dental medical equipment to U.S.A. with the Export Credit Insurance for SMEs and AFF Sector.

As a manufacturer of medical products MICRON is required to ensure the safety and reliability of their products. Their high-quality products with originality are widely distributed in dental markets both domestic and overseas.

As the company was trying hard to expand their sales channels and sales in the U.S.A., they decided to use trade insurance to meet a wider range of requests from their buyers on their payment terms.

With the support of NEXI's insurance, MICRON's risk can be mitigated even with payment-on-delivery transactions, and will enable MICRON to engage in continuous business with their buyers free of worries.

In addition, with new buyers, MICRON is now able to negotiate business more aggressively to expand their sales channels based on the assumption that risks will be covered by trade insurance.

- Annual Insured Amount : Approx. JPY 3 million
- This insurance contract was entered into in February 2017.



(Photograph courtesy of MICRON Corporation)

Export of Apparel Products

NEXI provided Export Credit Insurance to Hana To Guitar Co., LTD (Hana To Guitar) for their export of apparel products to U.S.A.

Through introduction from the Japan External Trade Organization (JETRO) this insurance was provided within the framework of the New Export Nation Consortium in which supportive resources from various public institutions are made available in tandem to mid-sized companies and SMEs who are looking for opportunities to expand their business to overseas.

Hana To Guitar is an apparel brand selling their products both in domestic and foreign markets.

With the support of JETRO, they attended a matching event in search for an interested overseas buyer. They received an inquiry for order on a payment-after-delivery basis from a US buyer, and decided to use NEXI's insurance.

In addition, they used NEXI's credit check service which offers credit reports on prospective business-partners free-of-charge (up to 8 reports). Based on the report they received, they saw that the prospective buyer's business was large enough in size

to satisfy the requirements to receive NEXI's coverage on credit risk, too, and were able to start out their business transaction with confidence.

- Annual Insured Amount : Approx. JPY 4.5 million
- This insurance contract was entered into in January 2017.



(Photograph courtesy of Hana To Guitar Co., LTD)



Export of Electrical Insulation Material

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Emi Corporation (Emi) to support the export of electrical insulation material to the U.S.A. Emi was a first-time user of NEXI insurance who had found out about NEXI at an export support seminar held by Japan External Trade Organization (JETRO).

Emi is an export and import company handling electrical insulation and non-ferrous metal materials around the world. Emi used NEXI's insurance to cover the risk in the electrical insulation material sales contract with a U.S. buyer in which the payment terms were payment after delivery.

Emi is willing to expand its overseas business by using NEXI insurance for export contracts with first-time buyers who would pay after delivery.

- Export amount expected to be covered by insurance: Approx. JPY 33 million
- This insurance contract was entered into in August 2016.



(Photograph courtesy of Emi Corporation)

Export of Japanese Sake

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Kinokawa Co., Ltd. (Kinokawa) to support the brewery's export of Japanese sake to Canada. The insurance has been provided in collaboration with NEXI's partner bank, the Shinwa Bank, Ltd.

Kinokawa is a Japanese sake brewery established in 1839 in Isahaya City, Nagasaki Prefecture. The brewery's core brands include Chojiya and Birakuten that is being enjoyed by first-class passengers of a Japanese airlines.

Kinokawa decided to use NEXI insurance for trades with a Canadian buyer when the buyer proposed to change the terms of payment from advance payment to payment after delivery to respond to growing trade opportunities.

Kinokawa is willing to expand its overseas business by using NEXI insurance for sales contracts with payment terms of payment after delivery.

- Export amount to be covered by insurance: Approx. JPY 500,000
- This insurance contract was entered into in March 2017.



(Photograph courtesy of Kinokawa Co., Ltd.)

FY2016 Underwritten Projects

SMEs related

Africa

Export of Aluminum Paste

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Nihonboshitsu Co., Ltd. (Nihonboshitsu), an exporter of aluminum paste to Arab Republic of Egypt. The insurance has been provided in cooperation with the Senshu Ikeda Bank, Ltd., one of Nihonboshitsu's main banks and a partner bank of NEXI.

Nihonboshitsu decided to use NEXI insurance when it started to export its aluminum paste to a first-time buyer in Egypt. Nihonboshitsu is planning to expand its international business by using NEXI insurance for export contracts with deferred payment terms.

- Export amount expected to be covered by insurance: Approx. JPY 7.6 million
- This insurance contract was entered into in December 2016.



(Photograph courtesy of Nihonboshitsu Co., Ltd.)

Oceania

Export of Beer

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to ORION BREWERIES, LTD. (ORION) for exporting beer to Australia.

This insurance was provided the introduction from the Bank of Okinawa, Ltd., Okinawa's regional bank who works with NEXI as a partner to promote the use of export insurance.

ORION is the 5th largest brewer in Japan in terms of sales volume. Recently the company is very active in promoting their products in foreign markets with under the slogan "From OKINAWA to the world."

The company wanted to obtain more assurance in conducting business with Australia and decided to use trade insurance starting in November 2016.

ORION intends to further their expansion into foreign markets with continued use of trade insurance.

- Annual Insured Amount : Approx. JPY 1.5 million
- This insurance contract was entered into in November 2016.



(Photograph courtesy of ORION BREWERIES, LTD.)

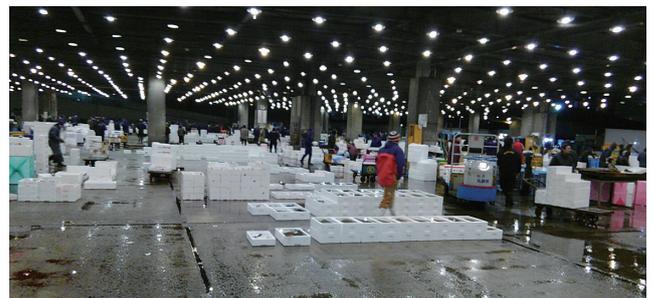
Export of Marine Products

NEXI has provided Export Credit Insurance for SMEs and AFF Sector to Daitoh Gyorui Co., Ltd. (Daitoh Ghyorui) to support the export of marine products to Oceania.

Daitoh Gyorui is a marine product wholesaler founded in 1950 and distributing at Nagoya City Central Wholesale Market.

Daitoh Gyorui found out about NEXI at the Meeting on Competitiveness Enhancement Strategy for Agriculture, Forestry and Fisheries hosted by the Ministry of Agriculture, Forestry and Fisheries. The wholesaler started to use NEXI insurance for an initial order from a new buyer who demanded deferred payment. Supported by NEXI insurance, it is now actively developing international markets.

- Export amount to be covered by insurance: Approx. JPY 10 million
- This insurance contract was entered into in July 2016.



(Photograph courtesy of Daitoh Gyorui Co., Ltd.)

FY2016 Financial Results

FY2016 Financial Review

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FY2016 Financial Results

Fiscal Year 2016 in Review

On June 15, 2017, NEXI submitted the financial statements and other financial information of Incorporated Administrative Agency Nippon Export and Investment Insurance for Fiscal Year 2016 ended March 31, 2017 (16th year in operation) to the Minister of Economy, Trade and Industry, and have received approval on the statements on June 26.

Overview of Financial Statements

Financial Highlights from FY2012 to FY2016 (FY end: March 31)

(Millions of Yen)

	12th	13th	14th	15th	16th
	(FY2012)	(FY2013)	(FY2014)	(FY2015)	(FY2016)
Ordinary profit (loss)	8,404	6,905	8,118	6,193	7,612
Ordinary income	16,866	14,241	23,364	19,355	17,261
(Underwriting income)	9,910	8,582	17,281	13,453	11,248
(Reference) Premium of original insurance written	35,590	28,224	65,839	48,431	45,990
Net premium written	9,908	8,153	17,240	12,461	11,231
Reversal of outstanding claims provision	–	351	–	975	–
(Investment income)	6,524	5,245	5,344	5,507	5,690
(Foreign exchange gain)	182	143	430	–	–
Ordinary expenses	8,462	7,336	15,246	13,162	9,649
(Underwriting expenses)	3,185	1,491	9,740	5,519	2,718
(Reference) Insurance claims paid	4,416	12,234	3,102	22,395	7,782
Net claims paid	388	1,201	287	2,239	778
Provision for outstanding claims reserves	342	–	1,035	–	414
Provision for outstanding commitments reserves	2,466	499	8,635	3,363	2,058
(Foreign exchange loss)	–	–	–	71	176
(Operating and administrative expenses)	5,261	5,597	5,399	7,386	6,586
Extraordinary profit (loss)	12,022	8,526	17,138	31,980	24,388
Net profit (loss)	20,426	15,432	25,256	38,173	31,999
Total assets	368,664	373,557	414,617	454,285	573,948
Net worth	321,002	336,433	361,690	399,863	497,438

(Note) Extraordinary profit (loss) includes valuation of profits or losses related to government-invested assets.

Profits and Losses

Due to Japan's stagnant export and other factors NEXI's total underwritten amount for FY2016 showed a year-on-year 11.2% decrease at JPY 7 trillion. The net premium written decreased by 9.9% from the previous year to JPY 11,231 million. As a result, despite the year-on-year 3.3% increase in investment income to JPY 5,690 million, ordinary income decreased by 10.8% from the previous fiscal year to JPY 17,261 million.

As for ordinary expenses, provision for outstanding claims reserves was recorded in this fiscal year, unlike the previous fiscal year in which gain from reversal of outstanding claims provision had been recorded. However, net claims paid showed a year-on-year decrease by 65.2% to JPY 778 million, and provision for outstanding commitments reserves showed a 38.8% decrease from the previous year at JPY 2,058 million due to a fall in underwriting for mid-to-long term transactions. As a result, ordinary expenses showed a 26.7% year-on-year decrease at JPY 9,649 million.

As a result, ordinary profit amounted to JPY 7,612 million, an increase by 22.9% from the previous year.

Extraordinary profit amounted to JPY 24,388 million, generated mainly from valuation gains and interest income from receivables acquired by subrogation that were recovered according to rescheduling agreements.

As a result, net profit for the fiscal year amounted to JPY 31,999 million.

Balance Sheet (As of March 31, 2017)

(Millions of Yen)

Account Title	Amount	Account Title	Amount
(Assets)		(Liabilities)	
Cash and cash equivalents	98,913	Outstanding claims reserves	1,797
Securities	372,933	Reserves for outstanding commitments	37,228
Receivables subrogated by paying claims	206,115	Amount due to the reinsurer	25,919
Accrued Income	2,573	Deposits received	5,064
Premiums receivable	25,648	Advance insurance premium	1,916
Reinsurance credit	453	Accrued amount payable	3,814
Buildings ^(Note2)	425	Accrued bonuses	107
Equipment and fixtures ^(Note3)	558	Reserves for retirement allowance	410
Accounts receivable	539	Other liabilities	255
Deposits	528	Total liabilities	76,511
Software	1,908	(Net worth)	
Other assets	127	Capital	
Allowances for uncollectible receivables	(136,772)	Government investment	169,352
		Capital surplus ^(Note4)	143,977
		Retained earnings	
		Third term period reserve fund carried forward	52,822
		Surplus reserves	99,287
		Unappropriated retained earnings	31,999
		(of which profit for the current year)	31,999
		Total retained earnings	184,108
		Total net worth	497,438
Total assets	573,948	Total liabilities and net worth	573,948

(Note 1) Amounts between JPY 1 million and JPY 0.5 million were rounded up to JPY 1 million. Amounts less than JPY 0.5 million were omitted.

(Note 2) Accumulated depreciation on buildings is JPY 198 million.

(Note 3) Accumulated depreciation on equipment and fixtures is JPY 174 million.

(Note 4) The breakdown of capital surplus is as follows.

(Millions of Yen)

Valuation difference of receivables subrogated by paying claims	45,386
Valuation difference of capitalized amount	98,591
(Total)	143,977



FY2016 Financial Results

Statement of Income (April 1, 2016 - March 31, 2017)

(Millions of Yen)

	Account Title	Amount
Ordinary profit (loss)	Ordinary income	17,261
	Underwriting income	11,248
	Net premium written ^(Note2)	11,231
	Interest income on receivables subrogated by paying claims	17
	Investment income	5,690
	Income from interest	1
	Interest on securities	5,690
	Other	323
	Other ordinary income	323
	Ordinary expenses	9,649
	Underwriting expenses	2,718
	Net claims paid ^(Note3)	778
	Provision for outstanding claims reserves	414
	Estimated amount of insurance claims recovery ^(Note4)	(532)
	Provision for outstanding commitments reserves	2,058
	Foreign exchange loss	176
	Operating and administrative expenses	6,586
	Other	170
	Claim recovery expenses	85
	Other ordinary expenses	85
	Ordinary Profit	7,612
Extraordinary profit (loss)	Extraordinary income	24,569
	Profit relating to in-kind contribution of receivables acquired by government subrogation ^(Note5)	19,315
	Reversal of provision for uncollectible receivables related to in-kind contribution of receivables acquired by government subrogation	5,220
	Other extraordinary loss	33
	Extraordinary loss	181
	Losses relating to in-kind contribution of receivables acquired by government subrogation ^(Note5)	48
	Other extraordinary loss	133
	Net Profit	31,999

(Note 1) Amounts between 1 and 0.5 million yen were rounded up to 1 million yen. Amounts less than 0.5 million yen were omitted.

(Note 2) Breakdown of net premium written (Millions of Yen)

Premium of original insurance written	45,990
Refund of premium paid for reinsurance	2,369
Premium received for reinsurance	526
Premium paid for reinsurance	(37,654)
(Net)	11,231

(Note 3) Breakdown of net claims paid (Millions of Yen)

Insurance claims paid	7,782
Reinsurance claims recovered	(7,004)
(Net)	778

(Note 4) Breakdown of the estimated amount of insurance claims recovery (Millions of Yen)

(1) Capitalized and evaluated amount of subrogated receivables in relation to rescheduling agreements	
① Reversal of provision for uncollectible receivables	(432)
(2) Capitalized and evaluated amount of subrogated receivables in relation to commercial risk claims paid	
① Commercial-risk subrogated receivables	(396)
② Difference of estimated value between the current year and the previous year concerning subrogated receivables capitalized in line with the outstanding claims provision	(28)
③ Bad debt loss	2
④ Provision for uncollectible receivables	322
(3) Subrogated receivables recovered (not capitalized)	(0)
(Net)	(532)

(Note 5) According to the ministerial ordinance concerning the finance and accounting of Incorporated administrative agency Nippon Export and Investment Insurance (March 29, 2001, Ministry of Economy, Trade and Investment, Ordinance No.104), the recording of profit and loss related to assets invested by the government is made under extraordinary income and loss.

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

(Millions of Yen)	
Interest income	19,315
(Net)	19,315

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

(Millions of Yen)	
Recovery expenses	2
Bad debt loss	0
Foreign exchange loss	46
(Net)	48

Statement of Cash Flows (April 1, 2016 - March 31, 2017)

(Millions of Yen)

I. Cash flows from operating activities	
Premiums received	24,524
Reinsurance premiums paid	(23,684)
Insurance claims paid	(7,744)
Reinsurance claims received	9,460
Income from recovery of receivables subrogated by paying claims	39,965
Payment of recovered receivables subrogated by paying claims	(12,524)
Income from recovery of receivables subrogated to the government	7,207
Payment of recovered receivables subrogated to the government	(7,207)
Personnel expenses	(1,538)
Other operating expenses	(4,907)
Other	295
Subtotal	23,847
Interests received	10,520
Net cash provided by (used in) operating activities	34,367
II. Cash flows from investing activities	
Purchase of securities	(34,818)
Redemption and sales of securities	15,000
Purchase of fixed assets	(1,362)
Reversal of security deposits	67
Payment of security deposits	(166)
Net cash provided by (used in) investing activities	(21,280)
III. Cash flows from financing activities	
Capital increase	65,000
Net cash provided by (used in) financing activities	65,000
IV. Foreign exchange difference related to cash and cash equivalents	(55)
V. Net increase (decrease) in cash and cash equivalents	78,033
VI. Cash and cash equivalents at the beginning of the current year	15,823
VII. Cash and cash equivalents at the end of the current year	93,855

(Note 1) Amounts rounded to the nearest million.

(Note 2) Cash at current year ending is broken down by line item on balance sheet

(Millions of Yen)	
Cash and cash equivalents	98,913
Other deposits*	(5,058)
Balance of cash at the end of the current year	Total 93,855

*Other deposits represent the Cuba Fund. Withdrawal from this fund is limited for use in peso only, and for domestic construction and development projects in Cuba subject to approval from both Japan and Cuba. In view of this nature of the fund, the amount is not included in the scope of our normal cash and cash equivalents.

Notes

I. Important Accounting Principles

1 Accounting procedures for depreciation

(1) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is calculated by adopting a straight-line depreciation method. Useful life and residual values are calculated based on the same methods and standards stipulated in the Corporation Tax Act.

(2) Amortization of intangible fixed assets

Amortization of trademark rights is calculated using a straight-line depreciation method where the residual value is set at ¥0, in accordance with the estimated useful life stipulated in the Corporation Tax Act. Amortization of computer software for in-house use is calculated by a straight-line depreciation method where the usability period (5 years) is used as the estimated useful life and where the residual value is set at ¥0.

2 Calculation of reserves for retirement allowances and estimates

To prepare for retirement allowance payments to board members and employees, a reserve is provided based on 100% of the amount of retirement allowances required by the rules for payment of retirement allowances to board members and by those that apply to employees, respectively. For the statement of administrative services costs, estimated increases in retirement allowances with no reserves set aside are computed by deducting "retirement allowance estimates at the end of the previous fiscal year for those who resigned" from the amount arrived at by deducting "the retirement allowance estimate at the end of the previous fiscal year" from the "retirement allowance estimate at the end of the current fiscal year" for all employees at the end of the current fiscal year.

3 Calculation 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 related to receivables subrogated by paying claims are dealt with by calculating the respective amounts in accordance with the following ordinance: "Concerning the calculation methods ordained by the Ministry 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). Uncollectible receivables other than receivables subrogated by paying claims are individually assessed for recoverability and the estimated amount of unrecoverable claims is included in the reserves.

4 Calculation of accrued bonuses

Accrued bonuses for board members and employees are provided based on the amount remaining in the fiscal year according to the rules for remuneration of board members and employees, respectively.

5 Valuation standards and methods for securities

- ① Held-to-maturity securities are valued at amortized cost (using a straight-line method.)
- ② Other securities without market value are stated at cost using the moving average cost method.

6 Valuation of foreign-currency receivables and payables

Foreign-currency receivables and payables are converted into Japanese yen at fiscal year-end exchange rates.

7 Calculation of opportunity costs in the statement of administrative services costs

Interest rate used for the calculation of opportunity costs relating to investments by the government : the yield of 10-year government bonds (0.065%).

8 Accounting procedure of consumption tax

Consumption tax accounting is based on the "tax included" method.

9 Decommissioning liabilities

Restoration liabilities under the office lease have not been recorded as decommissioning liabilities because it is impossible to make a fair and reasonable estimate of them due to the unspecified lease period and the absence of any plans to vacate the currently leased office.

10 Changes to accounting principles

No major changes to the accounting principles from the previous fiscal year.

II. Financial Instruments

1 Financial instruments

(1) Management of financial instruments held by NEXI

NEXI is engaged in the trade and investment insurance business. Recoveries of receivables subrogated by paying claims are invested in securities to strengthen NEXI's financial base. The securities held by NEXI include government, municipal, and government-backed bonds.

(2) Financial instruments and risk

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

(3) Financial instruments and risk management

① Country risk management

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

② Credit risk management

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

③ Market risk management

Market risk, such as interest rate and price fluctuation associated with investments in securities, is managed by the Fund Operation Meeting that discusses NEXI's investment policies and checks investment statuses. In addition, NEXI's Accounting Group, the secretariat of the Fund Operation Meeting, monitors the bond market and liquidity risks.

(4) Supplementary explanation regarding fair value of financial instruments

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

2 Fair value of financial instruments

The carrying amount on the balance sheet, fair value and differences as of the end of the fiscal year 2016 are as follows. However, financial instruments that are considered extremely difficult to calculate their fair market values are not included. (Ref. Note 2)
(Millions of Yen)

	Carrying Amount	Fair value	Difference
(1)Cash and cash equivalents	93,855	93,855	-
(2)Securities			
Held-to-maturity securities	372,933	422,325	49,392
(3)Receivables subrogated by paying claims			
Receivables subrogated by paying claims	206,115		
Allowance for uncollectible receivables* (Net)	(136,770)	69,345	-
(4)Premiums receivable	25,648	25,648	-
(5)Reinsurance credit	453	453	-
Assets	562,235	611,627	49,392
(6)Amount due to the reinsurer	25,919	25,919	-
(7)Deposits received	7	7	-
Liabilities	25,926	25,926	-

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

(Note 1) Items pertaining to calculation of fair value measurement of financial instruments and securities

(1) Cash and cash equivalents

For cash and cash equivalents, carrying amount is shown as fair value, as these are settled within short periods of time and the fair value is almost equal to the carrying amount.

(2) Securities

Fair value of securities is based on the quoted market value or value quoted by financial institutions. The differences between carrying amount and fair value by type of held-to-maturity securities (in accordance with the accounting standards for incorporated administrative agencies and notes) are as follows.

(Millions of Yen)

	Type of Securities	Carrying Amount	Fair value	Difference
Fair value > Carrying amount	Government and municipal bonds	326,367	377,826	51,459
Fair value ≤ Carrying amount	Government and municipal bonds	46,566	44,499	(2,067)
Total		372,933	422,325	49,392

There were no held-to-maturity securities sold during the fiscal year of 2016.

(3) Receivables subrogated by paying claims

Regarding receivables subrogated by paying claims, allowance for uncollectible receivables is recorded pursuant to the ordinance "Concerning the calculation methods specified by the Ministry 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).

① Allowance for uncollectible receivables associated with receivables subrogated by paying political risk claims is calculated using a ratio that is based on the valuation by the global financial market regarding repayment prospects of each debtor country, or by using a given ratio.

② Allowance for uncollectible receivables associated with receivables subrogated by paying commercial risk claims is calculated in two different ways. For receivables from debtors that are actually or nearly bankrupt, allowance is calculated by deducting foreclosure estimates and estimated amounts recoverable under a payment guarantee. For receivables from other debtors, allowance is obtained by calculating loss estimates based on the present value of estimated future cash flow or estimated amounts recoverable by foreclosure or under a payment guarantee.

Fair value of receivables subrogated by paying claims is equal to the carrying value at the fiscal year end less

allowance for uncollectible receivables, since it approximates this net carrying amount.

(4) Premiums receivable, (5) Reinsurance credit, (6) Amount due to the reinsurer, and (7) Deposits received

Carrying amount is shown as fair value for (4), (5), (6) and (7), as these are settled within short periods of time and the fair value is almost equal to the carrying amount.

(Note 2) Financial instruments considered difficult to calculate fair market values

Financial instruments considered extremely difficult to calculate their fair market values are as follows.

(Millions of Yen)

	Carrying Amount
(1)Cash and cash equivalents	5,058
(2)Deposits received	5,058

These items are not included in the amounts of "Assets (1) Cash and cash equivalents" nor in "Liabilities (7) Deposits received" as they do not have market value and it is considered extremely difficult to calculate their fair market value.

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

(Millions of Yen)

	1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 10 years	More than 10 years to 20 years	More than 20 years	Undetermined*
Securities Held-to Maturity Securities	10,000	16,500	-	72,700	266,000	-	-
Receivables subrogated by paying claims	20,040	50,718	19,449	50,342	49,502	-	16,064
Total	30,040	67,218	19,449	123,042	315,502	-	16,064

*Receivables subrogated by paying claims that are in arrears are classified as "Undetermined."

III. Notes on retirement benefit plans

1 Overview of retirement benefits

At NEXI an unfunded lump-sum retirement allowance plan is adopted for the payment of retirement allowances to its employees. Under the said plan, employees receive a lump-sum retirement allowance based on his/her salary and length of service, where the retirement allowance and retirement benefits are calculated using the simplified method.

2 Defined retirement benefit plans

(1) Reconciliation between beginning balance and ending balance in a plan using the simplified method

(Millions of Yen)

Beginning balance of reserve for retirement allowance	557
Retirement benefit expenses	(114)
Amount of retirement benefits paid	(33)
Ending balance of reserve for retirement allowance	410

(2) Profit and loss relating to retirement benefit plan

(Millions of Yen)

Retirement benefit expenses calculated under simplified method	(114)
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IV. Multi-year Obligations

No major multi-year obligations are present.

V. Subsequent Events

There were no significant subsequent events.

VI. Account Titles Used by NEXI

1 Balance sheet

Account title	Description
Receivables subrogated by paying claims	Total assets of receivables subrogated by NEXI's paying claims and the estimated amounts of potential subrogated receivables (recorded as assets with outstanding claims reserves being reported).
Accrued income	Total accrued interest on securities and receivables subrogated by paying claims (receivables subrogated by paying political risk claims) as of the end of the fiscal year. For receivables subrogated by paying political risk claims, accrued interest is included if the receivables are deemed collectible.
Premiums receivable	Premiums receivable associated with insurance applications.
Reinsurance credit	Amounts receivable from the government, such as reinsurance claims.
Outstanding claims reserves	Amounts considered necessary in the future under insurance contracts to cover incurred losses or losses recognized as having been incurred as of the end of the fiscal year, and recorded based on the ordinance "Concerning the calculation methods ordained by the Ministry 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)
Reserves for outstanding commitments	Amounts reserved to prepare for possible future claim payments under insurance and reinsurance contracts are recorded based on the ordinance "Concerning the calculation methods ordained by the Ministry 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)
Amount due to the reinsurer	Amounts payable to the government, such as reinsurance premiums.
Allowance for uncollectible receivables	Amount of receivables subrogated by paying claims after deduction of recoveries that should be paid to the insured.
Advance insurance premium	Insurance premium received with NEXI's obligation beginning from the next fiscal year or later.
Capital surplus	The valuation difference of an in-kind contribution of receivables acquired by government subrogation. <ul style="list-style-type: none"> ● Valuation difference of receivables subrogated by paying claims Valuation difference of receivables acquired by subrogation and contributed in-kind by the government (excluding accrued income) was included in capital surplus (for the fiscal years ending March 2003, 2004, and 2005), in accordance with an ordinance concerning a partial revision of the Ordinance of Finance and Accounting (Ministry of Economy, Trade, and Industry Ordinance No. 49 of March 31, 2003). ● Valuation difference associated with capitalization Since the fiscal year ending March 2006 (FY2005), receivables acquired by subrogation and contributed in-kind by the government that were capitalized and evaluated for the first time are included in the capital surplus, in accordance with an ordinance concerning a partial revision of the Ordinance of Finance and Accounting (Ministry of Economy, Trade, and Industry Ordinance No. 100 of October 28, 2005).

2 Statement of Income

Account title	Description
Net premium written	Amounts calculated by deducting paid reinsurance premiums from premiums written. Premiums written include premiums received from foreign ECAs.
Provision for outstanding claims reserves	Provision for outstanding claims reserves for the current fiscal year.
Net claims paid	Amounts calculated by deducting reinsurance claims recovered from paid insurance claims.
Estimated amount of insurance claims recovery	Valuation gains or losses of receivables subrogated by paying insurance claims.
Provision for outstanding commitments reserves	Provision for outstanding commitments reserves for the current fiscal year.
Extraordinary income	Interest income and reversal of provisions for uncollectible receivables relating to assets invested by the government (receivables subrogated by paying claims).
Extraordinary loss	Recovery and other expenses relating to government-invested assets (receivables subrogated by paying claims).

VII. Other Accounting Information Necessary for Proper Disclosure of the State of Incorporated Administrative Agencies

1 Establishment of "NEW" NEXI.

Under the partial enforcement of the "Act for Partial Revision of the Trade and Investment Insurance Act and the Act on Special Accounts" established on July 17, 2015, Incorporated Administrative Agency Nippon Export and Investment Insurance (hereafter referred to as "the Agency") was dissolved on April 1, 2017. On the same day Nippon Export and Investment Insurance was established based on capital contribution from both the government and the Agency, and all assets and liabilities of the Agency were succeeded to Nippon Export and Investment Insurance.

Special Account for Trade Reinsurance was abolished at the end of March 2017.

2 Fund at Banco Nacional de Cuba

With regards to Cuba's unpaid debt (political risk claims) of 25,289 million yen to NEXI (including the amount corresponding to the insured's no-coverage portion of the uncollectible receivables), the governments of Japan and Cuba came to an agreement on debt relief measures.

According to the agreement, the government of Cuba opened an account at Banco Nacional de Cuba under the name of "NEXI" (hereafter referred to as "the Fund") and will accumulate an equal amount to the Fund every year for five years from 2016 to 2020.

The initial payment of 5,058 million yen was deposited in the Fund in October, 2016 and this transaction was recorded as cash and cash equivalents on NEXI's balance sheet. An interest rate of 1.5% per annum has been added to the deposit since the end of the same month. The withdrawal from the Fund is restricted for use in Cuban Peso only and for the purpose of domestic development projects in Cuba approved by both Japan and Cuba. Users of the Fund are to repay NEXI the yen equivalent of the amount withdrawn from the Fund, which will be deemed as a partial collection of the political risk claims. Therefore, 5,058 million yen, which is the amount equivalent to the initial deposit made to the Fund, is posted as deposits received on the balance sheet.



NEXI

Nippon Export and Investment Insurance

Nippon Export and Investment Insurance

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

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