



Wise-Men Group for the Strategic Economic Partnership between Brazil and Japan

Progress Report on Priority Sectors

1. Oil and Gas

1.1 Logistics related to Pre-salt Development

As a solution for transportation in the Pre-salt area between coast and offshore platforms, Research Association J-DeEP, consisting of 10 key Japanese companies in the maritime and shipbuilding area, is proposing a "Logistic Hub System" for Petrobras as the "Japan Team".

1.2 Shipbuilding Industry in Brazil

The shipbuilding industry in Brazil has been revitalizing through developing the strategic shipyards for deep-sea oil exploration and production, supported by Japanese technical partners: Atlantico Sul by IHI, JGC and JMU, Enseada by KHI and Ecovix-Engevix by MHI, Imabari Shipbuilding, Namura Shipbuilding, Oshima Shipbuilding and Mitsubishi Corporation.

A win-win relation is being formed through increasing quality levels based on Japan's past practical experiences to develop the Brazilian shipbuilding industry.

1.3 FPSO Charter Business

In December 2013, Mitsui, MODEC, Mitsui OSK and Marubeni agreed to invest in long-term FPSO chartering project for use in pre-salt oil field currently under development by Petrobras. It will be the 9th FPSO chartering project by Mitsui for Petrobras. Continuous contribution by Japan to the oil field development in Brazil is expected.

1.4 Financial Cooperation

JBIC and the private financial institutions in Japan have been supporting Japanese companies' supply of logistics, equipment and services to the oil and gas business for Pre-salt development, etc. by extending (1) project finances of more than US\$ 5 billion in aggregate total for a long-term FPSO chartering services system (in total 5 services) in a Pre-salt oil field developed by Petrobras, (2) credit lines of US\$ 1.5 billion in aggregate total to Petrobras for its purchase of equipment and services from Japanese companies.

2. Automotive Sector and Renewable Energy

2.1 Growth of Brazilian Auto Industry and collaboration with Japanese Auto Industry

Brazilian automotive market is continuing to grow and Japanese Auto-industry has been expanding its investment in Brazil. Recent new investments by Japanese companies since last August include:

- Toyobo announced further development of the Engineering Plastics Business for Automotive Parts in Brazil (1 Billion Yen) 【August 2013】
- Honda to Build New Automobile Production Plant in Brazil (annual production capacity of 120,000) (43 Billion Yen) 【August 2013】
- Bridgestone announced more tires and jobs for Brazil (Deliver additional 2,800 tires daily raising capacity to 10,100) (6.5 Billion Yen) 【December 2013】
- Nissan inaugurated Automotive Complex in Brazil (Annual production of 200,000 automobiles, and 200,000 engines) (120 Billion Yen) 【April 2014】
- Yorozu (JV with Mitsui & Co., Ltd.) to build New Automobile Suspension Plant (7 Billion Yen) 【Starts operation in 2014】

(Toyota to operate its first engine Plant from 2016 (200,000 annual production)) (42 Billion Yen) 【August 2012】

While the Japanese automotive industry is committed to grow together with the Brazilian automotive industry, continuous initiative by Brazilian government to enhance international competitiveness of automobile industry in Brazil, including innovation, tax reform, infrastructure development, human resources development, strategic development of supporting industry and policy to enhance export will be indispensable for further development.

2.2 Renewable Energy

JBIC and the private financial institutions in Japan have been supporting renewable energy projects including wind and biomass power generation in Brazil by extending GREEN finances of US\$ 1.6 billion in aggregate total to BNDES and Petrobras. BNDES and JBIC are planning to enhance Japanese small and medium companies' investments in Brazil within the scope of supporting industry development.

In January 2014, Mitsui invested in a power generation project in the Brazilian Power Market for the first time as a Japanese company, with a 20% share of Jirau Hydropower Plant which will be the 4th largest hydropower plant in Brazil. The Jirau Project is financed by BNDES and has been registered as one of the PAC (Acceleration Growth Program of the Brazilian Government) projects and as the world's largest Clean Development Mechanism (CDM) project approved by the UN.

3. Investment in Infrastructure and Logistics

3.1 Reduction of logistics costs in Brazil

This requires public/private cooperation and Japan is already engaged in the expansion of integrated logistics business.

3.2 Expansion of integrated logistics

In April 2014, Mitsui acquired 20% of VLI which is an integrated logistics service company for general cargo. VLI provides logistics services for cargoes such as grains, fertilizers and steel products etc. utilizing its railway network of more than 10,000km and port terminal capacity. VLI aims to double its cargo handling volume by investing approximately R\$9 billion in the coming 5 years. Mitsui will continue its efforts to contribute to the development of an efficient logistics infrastructure and optimization of railway transportation in order to reduce logistics costs and environmental load.

3.3 Improvement of urban transportation

The Ministry of Land, Infrastructure, Transport and Tourism of Japan (MLIT) and the Ministry of Transportation of the state of Rio de Janeiro are considering collaborating for the improvement of the urban railway network in Rio de Janeiro for the safe and reliable transportation of passengers.

4. Technology and Innovation

4.1 Joint Study of Use of Space Technology in Natural Disaster Management in Brazil

In April 2013, it was confirmed during the meeting between both countries' space authorities that the use of Japanese satellite technologies for natural disaster management in Brazil is mutually beneficial. The principal factor in causing natural disasters in Brazil is heavy rains. To mitigate the damage, it is very useful to integrate satellite based observation data, mainly collected from the Japanese government's advanced satellites, with ground based observation data, and hence develop highly accurate rainfall prediction systems using a unified method for a wide area. The launch of a joint study is under coordination between working-level government officials of both countries, with the aim of being of practical use in the future through Japan-Brazil industry-academia-government cooperation.

4.2 Proposal for space technologies in various areas

At the annual technology forum, IHI introduces technologies such as shipbuilding, marine, energy, new transportation systems, exploration and satellite information services for agriculture. With regard to the remote sensing satellite, IHI is now developing an application by collecting real field data. Earth observation satellite "Daichi No. 2" was successfully launched in May, 2014, and is expected to play a similar role to its predecessor, "Daichi", which contributed to the repression of illegal deforestation in the Amazon area. Other than Daichi

No.2, under discussion between Japan and Brazil are small Brazilian satellites to be put into orbit from Japanese Experiment Module of International Space Station.

5. Human Resource Development

5.1 Science without Borders

Japanese industry is cooperating toward the "Science without Borders Program", initiated by the Brazilian government, (development of leaders in the field of technical development through the internships).

5.2 Human resource development in the shipbuilding sector

To increase the numbers of skilled workers in the shipbuilding sector, IHI together with MHI and KHI, are cooperating in the JICA and SENAI Human Resource Project training program. IHI is supporting the establishment of the shipbuilding and offshore course at the Federal University of Pernambuco by continually providing experts as lecturers. At the same time IHI will receive the Brazilian students from the shipbuilding course at the University of Pernambuco as interns.

6. Cooperation in Third Countries

Support of Tropical Agriculture in Mozambique

The Governments of Japan and Mozambique are jointly promoting a "Pro-Savanna Program" for improvement of the livelihood of the local residents through the development of sustainable agriculture and contributing to the economic development of the region. The Nacala corridor region has high potential for agricultural development. The "Pro-Savanna Program" will contribute to reducing poverty among small farmers. EMBRAPA's know-how of agriculture development in the Brazilian Cerrado, a savanna-type region, will be extremely valuable.

The Nacala Corridor railroad, along which the Nacala Corridor agricultural region is being developed, is part of Vale's integrated mining project in Mozambique, and as well as coal will allow the transportation of agricultural production and also passengers.

7. EPA between Brazil and Japan

CNI and KEIDANREN exploring the possibility of promoting bilateral EPA

As the negotiation of a Free Trade Agreement between MERCOSUL and the EU has been delayed, it will likely take time to start the discussion about the possibility of promoting a bilateral Economic Partnership Agreement. It is expected that the discussion regarding the early start of negotiations for a bilateral EPA will continue.