

Integrated Report 2021

Main part

Mission

Design the Future with Financial Expertise

Continue to expand financial frontiers;
Provide the best solutions for customers and society;
Pursue sustainable development for Japan and the world.

A Long-term Perspective

Impartiality

Public-mindedness

Reliability

The realization of the DBJ Group's mission can be traced to its four core corporate values of "long-term perspective," "impartiality," "public-mindedness," and "reliability," which were created and passed down through the generations via the sharing and pursuit of DBJ's corporate philosophy. Moreover, the core corporate values underpin our business activities, representing a strength of the DBJ group.

Editorial Policy

Environmental Report for a Sustainable Society (published in fiscal 2003) was the DBJ Group's first report dedicated to increasing such communication with our stakeholders. Our latest *Integrated Report 2021* is intended to provide financial and non-financial information to explain the DBJ Group's business activities and initiatives in sustainable value creation to its broad spectrum of stakeholders. The report's content is decided upon by the Executive Committee.

Period Covered and Scope

- Period: Fiscal 2020 (April 1, 2020–March 31, 2021) (Some information from outside this period is also included.)
- Scope: In principle, the report covers DBJ and its 13 main subsidiaries.

Guidelines and Entities Referenced

- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company–Investor Dialogues for Collaborative Value Creation
- Date of Publication: October 2021



Disclaimer

Integrated Report 2021 contains forward-looking statements. Forward-looking statements are based on information available at the time of writing and hypotheses or judgments regarding uncertain factors. Accordingly, actual results may differ materially if conditions change.



<https://www.dbj.jp/en/>

The latest news; detailed information on DBJ's financial services; case studies regarding its investments and loans; various reports; and information for investors can be found on the Company's website. Details about CSR initiatives are also posted on the DBJ website.

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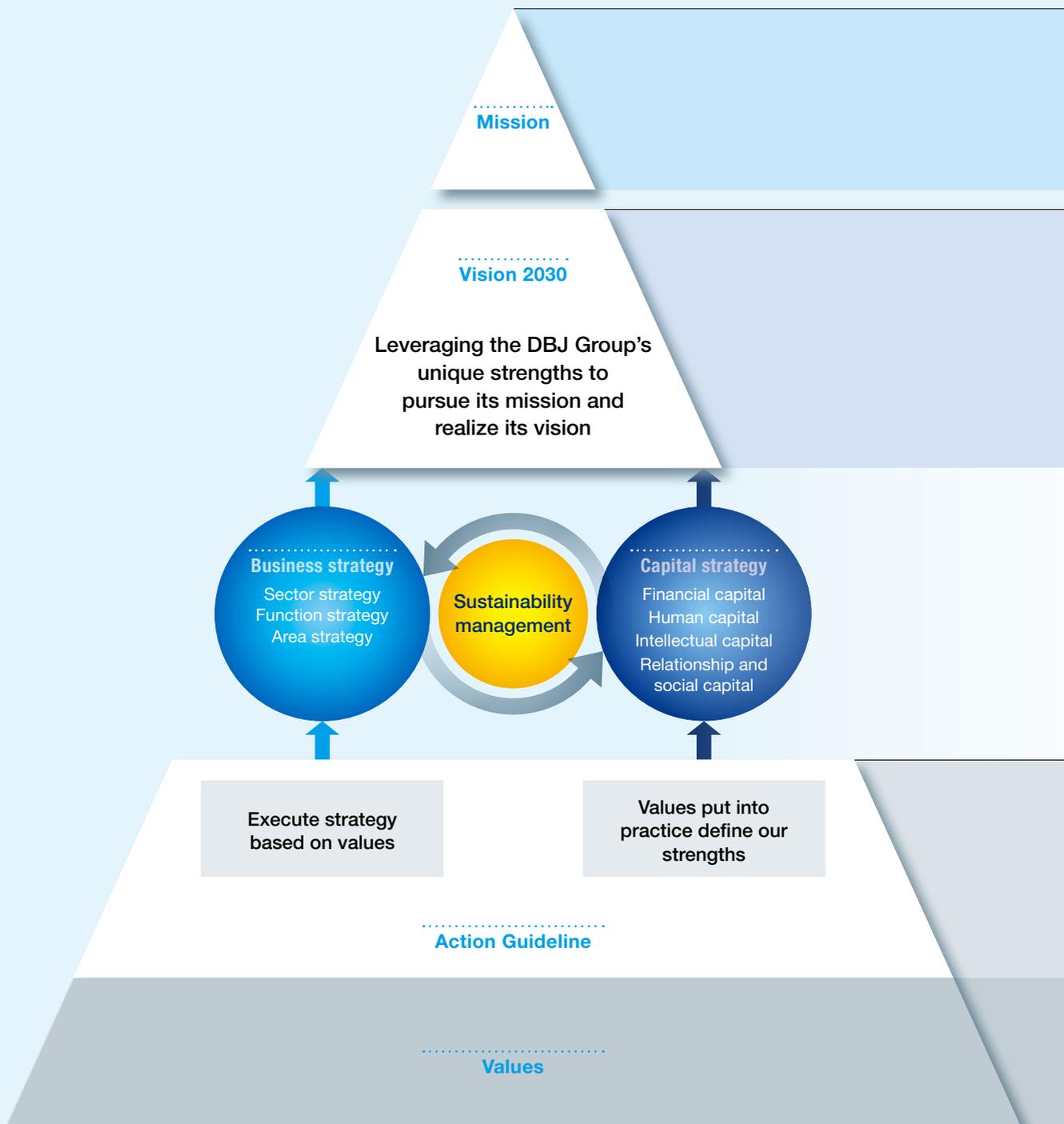
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The DBJ Group's Corporate Philosophy

Design the Future with Financial Expertise

With due consideration paid to progress it has made thus far, projected changes in the business environment, and outstanding social issues, the DBJ Group has formulated a mission to relentlessly pursue, core values to share, and its long-term vision, Vision 2030, to follow as a guide into the future.

In connection with these elements of its corporate philosophy, the DBJ Group has identified four core corporate values—long-term perspective, impartiality, public-mindedness, and reliability—that also embody its strengths and long-term vision, areas of differentiation.



Sharing Our Corporate Philosophy

Further propagating and applying our corporate philosophy will improve awareness of our social responsibility, enhance the sense of unity in the DBJ Group, lower communication costs, and motivate our employees to grow with intention and a sense of mission.

Our unwavering purpose and our incessant determination to shape the future

Design the Future with Financial Expertise

Continue to expand financial frontiers;
Provide the best solutions for customers and society;
Pursue sustainable development for Japan and the world.

Our vision for 2030, embodied in our mission and strategies

As industry and infrastructure professionals skilled in handling all types of risk, we will play a unique role in the economy and society of 2030—leading new business and market creation while responding to crises and other social needs.

Our strategy to reach our vision for 2030

Medium-Term Management Plan

The DBJ Group's unique strengths assist with strategy execution

Core corporate values A long-term perspective, impartiality, public-mindedness, and reliability

Our guidelines for taking specific actions that express our values

- ▶ Responsibility to future generations • We fulfill our responsibility to the future by pursuing both economic and social value.
- ▶ The customer's perspective • We devote unequalled thought to each possibility—from the customer's point of view.
- ▶ Outstanding service • We review and enhance our services while improving productivity.
- ▶ Commitment and cooperation • We work tirelessly to broaden frontiers and achieve best results.
• We respect diversity and work together for greater shared value.

Our unwavering values shared by management and employees (base component)

- ▶ Initiative
- ▶ Integrity

Our History of Value Creation

The DBJ Group has provided solutions in tune with the times, contributed to the sustainable development of society, and, while changing itself, stayed true to its values—initiative and integrity—amid dramatic changes in the economy, the fabric of society, and social issues.

Redevelopment of major industries

Kawasaki Steel Corporation (currently JFE Steel Corporation):
Construction of Chiba Steelworks (Chiba Prefecture)
Modernization of steelmaking through construction of the first postwar blast furnace



1951

The Japan Development Bank established

1956

The Hokkaido Development Finance Public

Roles played by DBJ

Economic recovery

Rapid growth

Reconstruction and self-reliance of the economy

After World War II, DBJ began to provide financing for the rationalization, modernization and growth of key industries that would become the foundation of economic and industrial development.

High-growth infrastructure development

Japan Development Bank (JDB) expanded and reinforced the energy and transportation capabilities underpinning its industrial infrastructure, and provided loans to develop and modernize chemical fiber, machine tool, automobile, and other new industries, which steered economic growth.



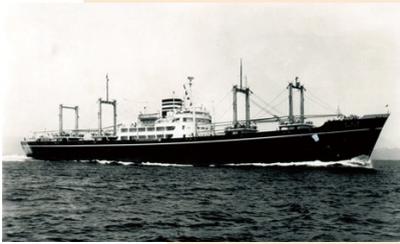
<https://www.dbj.jp/en/co/info/history/>

Please refer to DBJ's website for more details on our history and timeline.



Expansion and reinforcement of industrial bases

Nippon Yusen Kabushiki Kaisha:
Liner *Sanuki Maru*
Rebuilding Japan's merchant shipping fleet with finance under the government's shipbuilding program



Collections of NYK Maritime Museum

Development of domestic technologies

Sony Corporation:
Trinitron color television factory
Promotion of homegrown technologies through the commercial application of new technologies



Development of innovative financial products focused on sources of corporate value



Corporation established

Stable growth

Economic bubble

Post-bubble economy

Strengthening of international competitiveness

Aiming to enhance international competitiveness in accordance with the transition to an open economic system, JDB focused on support for industrial system improvements and the development of domestic technologies.

Improvements to quality of life

In the 1970s, JDB engaged in anti-pollution measures, regional and urban development, and other social development efforts addressing quality of life and regional inequality issues in tune with economic growth.

Seamless transformation of industrial structure

From the mid-1980s, pressing needs arose for increased domestic demand and an industrial structural shift against a background of aggravating trade friction with other countries. JDB focused on support for social capital improvement, creative technological development, and industrial transformation and other issues.

Creation of an affluent society

JDB focused on ongoing improvements to social capital and environmental measures as areas of priority and the support of new businesses (venture businesses). It swiftly implemented reconstruction loans in the wake of the Great Hanshin-Awaji Earthquake and loans to stabilize the financial system.

Promotion of antipollution measures

Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation): Conversion of manufacturing method for caustic soda (Yamaguchi Prefecture)
Promotion of conversion to non-polluting manufacturing method for chemical industry



Demonstration of safety net function (Reconstruction from the Great Hanshin-Awaji Earthquake)

Hankyu Corporation: Earthquake reconstruction work (Hyogo Prefecture)
Recovery work on traffic infrastructure damaged by the earthquake



Financial solutions that support communities, the environment, and technology

PASMO Co., Ltd.:
Development of the PASMO IC card that transformed public transport convenience
Note: PASMO is a registered trademark of PASMO Co., Ltd.



Stronger response to innovation

Japan H₂ Mobility, LLC (JHyM):
Financial support for realization of a hydrogen-based society



Photo provided by ENEOS Corporation

Space One Co., Ltd.
Support for development of the domestic space industry by commercializing a new generation of small rockets



2008
Development Bank of Japan established

2015 2020
Amendments to the Development Bank of Japan Inc. Act

Structural reform

**The global financial crisis
The Great East Japan Earthquake**

The COVID-19 pandemic

Regional revitalization

Through a united effort with regional financial institutions, JDB focused on providing long-term solutions to such issues as economic growth, the establishment of social infrastructure, and development of a wide business network, toward enriching the lifestyles of local communities.

Business regeneration

Amid issues concerning uncollectible loans arising from an increasing number of bankruptcies and unfavorable performances among businesses as well as the instability of financial systems since the late 1990s, JDB invested in a business restructuring fund to support the recovery of businesses toward the revitalization of the Japanese economy.

**Financial crisis response,
post-earthquake
reconstruction**

The financial crisis in 2008 triggered a deterioration of corporate cash flows and DBJ swiftly addressed the situation through Financial Crisis Response Operations. In regard to the Great East Japan Earthquake in 2011, DBJ teamed up with other financial institutions to engage in Earthquake Disaster Crisis Response Operations and to provide risk capital through its Great East Japan Earthquake Reconstruction Fund.

**Provision of
risk capital**

DBJ established its Special Investment Operations to provide the growth capital needed to promote the competitiveness of Japanese enterprises and regional revitalization. Moreover, DBJ supported new businesses with their commercialization efforts and contributions to society by engaging in projects with diverse players over the long term.

**Response to
the 2008 Global Financial Crisis**

The financial crisis in the autumn of 2008 precipitated a global financial crisis. As this situation impaired the functioning of the bond markets, corporate cash flows worsened. DBJ responded promptly with Financial Crisis Response Operations.

**Great East Japan Earthquake disaster
and crisis response**

Joban Kosan Co., Ltd.:
Spa Resort Hawaiians (Fukushima Prefecture)
Support for a theme park that became a symbol of reconstruction after the Great East Japan Earthquake



**Crisis response to impact of
COVID-19**

Through the designation of the COVID-19 pandemic as a crisis by the Japanese government, DBJ, as a designated financial institution, responded to the issues surrounding COVID-19 by conducting Crisis Response Operations in a timely and optimal manner through the cooperation of private financial institutions.

Vision 2030

As industry and infrastructure professionals skilled in handling all types of risk, we will play a unique role in the economy and society of 2030—leading new business and market creation while responding to crises and other social needs.

Future Changes in the External Environment

We have identified changes in the external environment that could have a major impact on the DBJ Group's stakeholders in the future. These sync with the United Nations Sustainable Development Goals (SDGs) and we aim to contribute to realizing those goals.

Population problems

Climate change, natural resources, and energy

Globalization

AI, fintech, and other technological innovations

Government budgets, finances, and regulations

Realizing a sustainable society

Our Three Priority Areas

The DBJ Group has established infrastructure, industry, and the regions as its three priority areas based on the roles it has played and the functions it has undertaken to date, the social value it has realized, and future changes in the external environment. Leveraging its professional strengths, the Group is assessing long-term changes in the external environment to provide creative solutions to issues confronting clients in infrastructure, industry, and the regions and thereby play a part in creating a sustainable society.



Rebuilding and Reinforcement of Infrastructure

Rebuilding of energy systems, more advanced transportation networks, creation of attractive communities

Rebuild energy and transportation infrastructure, upgrade public infrastructure

Promote urban growth



Creation, Conversion, and Growth in Industry

Commercialization of new technologies, business restructuring to improve productivity and hone competitiveness, business development in global markets

New technologies and businesses (promote innovation)

Reorganization

Overseas expansion



Self-Reliance and Revitalization of Local Economies

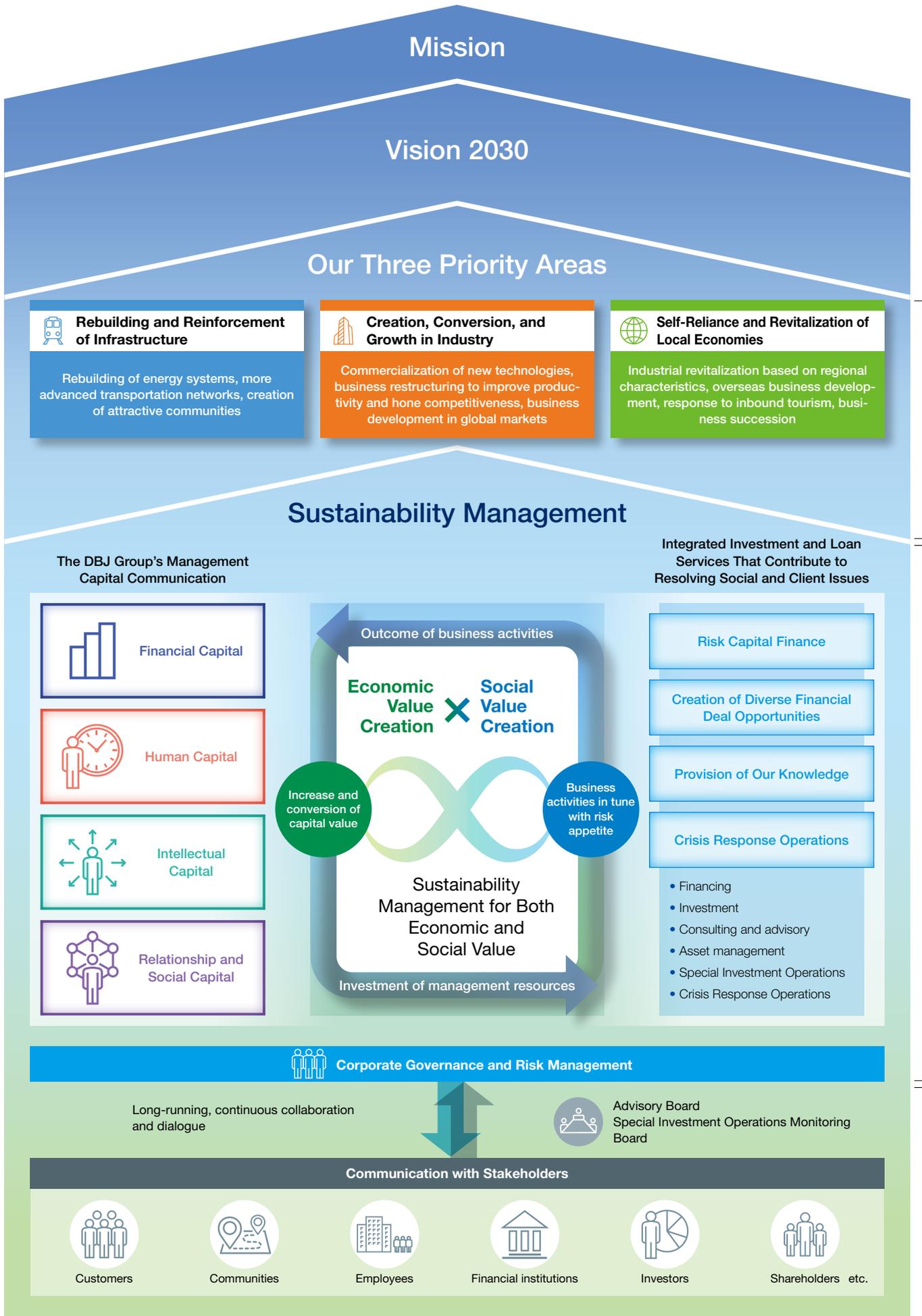
Industrial revitalization based on regional characteristics, overseas business development, response to inbound tourism, business succession

Solve issues specific to each region

Play a role connecting regions to Tokyo, regions to regions, and regions to the world

Sustainability Management

Value Creation Process



As a leader in sustainability management, the DBJ Group seeks to promote sustainable development in Japan and worldwide by offering solutions to issues facing clients and society as a whole.

The sustainability management targeted by the DBJ Group consists of a business model that leverages Group capabilities in fields including integrated investments and loans and consulting and advisory services. Our business model is designed to raise economic and social value simultaneously in the pursuit of a sustainable society. We work constantly to improve our value creation process through collaboration and dialogue with stakeholders, seeking to refine our sustainability management and enhance the value we create.

Solving Challenges in Priority Areas through Sustainability Management

For customers in priority areas (infrastructure, industry, and the regions, which were decided in view of DBJ's functions to date and opinions received from stakeholders), the DBJ Group provides integrated investments and loans commensurate with risk appetite along with consulting and advisory services. For our investor clients, we offer syndication and asset management services. As financial professionals offering creative solutions for the different issues faced by its customers, DBJ contributes to the creation of a sustainable society aligned with the SDGs.

**SUSTAINABLE
DEVELOPMENT
GOALS**



Balancing Economic and Social Value

The DBJ Group works to promote industries and initiatives with the potential to serve as pillars for Japan's economy and society. We offer up solutions for current issues affecting industries and our customers and examine hypothetical and envisioned changes to both groups amid the rapid changes occurring in our society.

As mandated under the DBJ Act, we also rapidly and accurately undertake Crisis Response Operations as required by events such as major natural disasters and financial market instability. We contribute to the sustained growth of society

through Group measures to create new industries and support while responding to crisis events, always taking the needs of our customers and the community into consideration.

Implementing the DBJ Group's business model requires unique resources. While sound financial capital is a vital support, we also strive for the integrated expansion of financial and nonfinancial capital, using clear definitions for the human capital, intellectual capital, and relationship and social capital that impact on our financial value creation in the long term.

Building a Foundation for Sustainability Management through Communication with Stakeholders

Communication with our stakeholders helps us continuously improve our sustainability management, our unique value creation process. As part of this process, the Advisory Board, an advisory body to the Board of Directors, and the Special Investment Operations Monitoring Board, receive third-party advice from outside experts and outside members of the Board

of Directors. Through communication in its daily operations with stakeholders, including customers, regions, financial institutions, investors, and shareholders, the DBJ Group reaffirms its functions and examines how those functions should evolve in the years to come.

Message from the President

In tune with the changing needs of society and our customers, the DBJ Group helps realize a sustainable society by promoting sustainability management while balancing economic and social value.

Hajime Watanabe

President and CEO
Development Bank of Japan Inc.

▶ Our Response to the COVID-19 Crisis

COVID-19, having become a pandemic since its outbreak in December 2019, has had an enormous impact on economic activity in Japan, constricting the travel of people inside Japan and around the world. In response to the unprecedented crisis, the DBJ Group is leveraging the experience it has gained responding to other crises, such as the global financial crisis and the Great East Japan Earthquake. DBJ set up a consulting service desk in January 2020. Then in March 2020, the Japanese government declared the COVID-19 pandemic a crisis. As a designated financial institution, the DBJ Group concentrated all of its energy on rapidly and appropriately implementing Crisis Response Operations.

As of March 31, 2021, we have already extended 345 Crisis Response Operations worth ¥2,231.8 billion and, through the Regional Emergency Response Program, provided a total of

¥103.9 billion in financing to 64 cases. At the request of the government, we set up a special team in March 2021 to strengthen time-limited and concentrated support for businesses severely impacted by the ongoing pandemic, such as those in the hospitality sector. Through these and other measures, we are focusing on rapidly and properly implementing Crisis Response Operations while collaborating and coordinating with private financial institutions to address the needs of customers adversely affected by COVID-19.

In Special Investment Operations, we created the Growth Fund for Coronavirus Revival in May 2020 with the aim of backing our customers' initiatives to develop new businesses and collaborate across different industries in order to recover and grow from the impact of COVID-19.

▶ The Role of the DBJ Group and Our Achievements to Date

Since the days of its predecessors, Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation, the DBJ Group has worked to promote Japan's sustainable development. We have achieved this by responding flexibly to the issues of the day, through the periods of postwar reconstruction, high and stable growth, and the

bubble economy and its collapse. In more recent years, we have addressed the declining birth rate and aging population, and become a leader in the areas of globalization and growing environmental and disaster awareness. The past decade alone has seen dramatic change in the wake of the global financial crisis and such major events as the Great East Japan



Earthquake. Against this backdrop, the DBJ Group has developed new initiatives to address social expectations with an eye on the future, and the Group itself has undergone major changes. We have achieved this by responding flexibly to the issues of the day—for example, through the periods of postwar reconstruction, high and stable growth, and the bubble economy and its collapse. In more recent years, we have addressed the declining birth rate and aging population and become a leader in the areas of globalization and growing environmental and disaster awareness.

Specifically, the DBJ Group has firmly established a unique, integrated investment- and loan-based business model through the development of Crisis Response Operations to cope with extraordinary events such as earthquakes and global financial crises, and through measures to enhance the supply of risk capital for subsequent growth.

▶ Vision 2030 and Priority Areas

In 2015, with the aim of shaping our business vision around a longer-term outlook, we gave fresh thought to the role of DBJ in the years leading up to 2030. In the course of our debate, we identified a number of changes in the external environment with a significant impact on our stakeholders: Japan's declining

As we deal with the unprecedented, long-term impact of COVID-19, the future is sure to present further changes and challenges. While monitoring initiatives across all industries on the path to carbon neutrality by 2050, a global movement, and in keeping with our unwavering mission, we will take a flexible approach to issues faced by regions and our customers as a whole, staying true to our core values and being mindful of our action guidelines.

Our Mission: Design the future with financial expertise

Our Action Guidelines:

- Responsibility to future generations
- The customer's perspective
- Outstanding service
- Commitment and cooperation

Our Values: Initiative and Integrity

population and its climate and energy issues in the context of the global effort to build a sustainable society; intensifying global competition; and innovations in digital technologies such as AI and fintech. Based on the roles we have undertaken and the value we have realized over this time, we determined the

Message from the President

best areas in which to use our strengths over the longer term in the interests of a sustainable society. Vision 2030 was the result. Drawn up in 2017, this long-term vision sets infrastructure, industry, and regional economies as the three priority areas (materialities) for the DBJ Group's initiatives. Our contributions in these areas will be consistent with the Group's course so far, and we believe they will be in line with what society and stakeholders expect from us in the future.

To fulfill our mission, we will work as financial professionals to enhance the added value provided to regional communities

and our customers in industry and infrastructure, steadily implementing each initiative while respecting the views of stakeholders. We will take the lead in business and market creation by leveraging our ability to properly evaluate and address a broad range of risks. At the same time, as we respond to the COVID-19 crisis, take steps toward carbon neutrality and look forward to 2030, we will fulfill our unique role in the economy and society by taking action during times of crisis and otherwise responding to social demand.

▶ Sustainability Management at the DBJ Group

The DBJ Group practices sustainability management as a means of creating value with a focus on three priority areas. By sustainability management, we mean working to create economic and social value by providing the solutions needed to create new industries and value through innovation, by responding during times of crisis, and by making other contributions toward the building of a sustainable society, all while being guided by the needs of our customers and society as a whole.

To this end, we must accurately understand the current issues affecting industries and our customers, in addition to longer-term trends and issues in society and the impact they may have on our customers and specific sectors. Leveraging our knowledge to produce future visions through research and analysis, and sharing these visions with customers and regional communities while offering financial solutions such as risk

capital to deal with related issues, the DBJ Group will take the lead in creating industries and initiatives that can serve as pillars of Japan's economy and society in the years to come. At the same time, Crisis Response Operations will play an important role, undertaken with flexibility and precision as required by events such as major disasters and instability in financial markets.

As we move ahead with these services, we are also honing our strengths in relationship capital (as exemplified by robust networks in industry, government, and academia), sound financial capital, and human capital sharing a common set of core values. We believe in the importance of constantly improving our sustainability management processes through dialogue with external stakeholders, centering on the Advisory Board and the Special Investment Operations Monitoring Board of DBJ.

▶ Fiscal 2020 Results

In its results for fiscal 2020, DBJ generated net income of ¥45.2 billion, a decline of 10% from the previous fiscal year, due to owing to an increase in valuation allowance in light of the COVID-19 pandemic. We will continue to focus Crisis

Response Operations on issues related to the pandemic, while also helping our customers rebuild their finances and take measures to recover and grow from the pandemic.

▶ Fifth Medium-Term Management Plan

The DBJ Group has drawn up and implemented four medium-term management plans since it became a joint-stock company. While enhancing operations for supplying risk capital, DBJ is working to expand financial services that integrate investments and loans for customers in industrial fields and three infrastructure fields: energy, transportation, and urban development. In tandem with this effort, we are increasing the sophistication of our risk management capabilities.

With dramatic changes underway around the world amid increasing uncertainty due to the pandemic, DBJ drew up its Fifth Medium-Term Management Plan while backcasting from its long-term vision, Vision 2030. The Bank is also taking heed of four major social issues that are having a significant impact on economies and communities worldwide: the advancement of digitalization, the decline of working-age populations, internationalization, and sustainability. The idea of capitalism is being tested more than ever before by this pandemic. As social

issues become inseparable from the business challenges faced by our customers, we must work to solve issues from the customer's perspective. With this in mind, we unveiled our Fifth Medium-Term Management Plan for fiscal 2021 onward.

There are three key aspects to note in the Fifth Medium-Term Management Plan.

The first is that the most important tenet of the plan centers on the DBJ Group's corporate philosophy: the balancing of economic and social value.

As the second aspect, due to the pandemic the Group recognizes the need to accelerate its initiatives for digitalization and sustainability given the global movement to become carbon neutral by 2050, a crucial milestone on the path to realizing a sustainability society. To advance these programs, we must collaborate more with our customers and private-sector financial institutions, as collaboration across sectors has become even more important than before. With "connections"

Business Profit and Loss (Consolidated)

(¥ billion)	FY2019	FY2020	YoY change
Gross ordinary income	164.3	164.1	(0.1)
Loans	76.6	91.7	15.0
Investment	68.2	47.0	(21.2)
Fee and commission income	19.3	25.3	5.9
Operating expenses	(57.1)	(56.7)	0.4
Net ordinary income	107.1	107.3	0.2
Other extraordinary items	4.0	0.7	(3.3)
Gains on reversal of reserves, depreciation, etc., of written-off claims	(28.1)	(34.2)	(6.1)
Loans	4.5	(24.9)	(29.5)
Investment	(32.7)	(9.3)	23.3
Income before income taxes and minority interests	83.0	73.8	(9.2)
Total income taxes	(31.5)	(26.9)	4.5
Current net income	51.5	46.8	(4.7)
Net income attributable to non-controlling interests	1.0	1.5	0.5
Net income attributable to owners of the parent	50.4	45.2	(5.2)

Note: Business categories are those used in business management.

as a rallying cry, the DBJ Group will serve as a nodal point and catalyst across industries, customers, and generations.

The third aspect to note is the GRIT Strategy (see page 17), concrete initiatives created by the Group to enable it to fulfill

the abovementioned role. With the realization of a sustainable society as our ultimate goal, we will collaborate with customers and all other stakeholders on Green, Resilience & Recovery, Innovation, and Transition & Transformation initiatives.

▶ Special Investment Operations

The DBJ Group's Special Investment Operations are conducted as mandated in revisions made in 2015 to the Development Bank of Japan Inc. Act. Utilizing our experience in supplying risk capital, through these operations we have extended ¥931.5 billion in investments and loans to a total of 132 projects as of March 31, 2021. A total of ¥5,714 billion in private-sector investments and loans have been triggered by DBJ's investments and loans worth ¥893.2 billion. The DBJ Group will continue to supply growth capital in collaboration with private financial institutions. The Group also has an extensive track record in regional revitalization projects and is keen to engage in future initiatives with local financial institutions willing to help create distinctive regional communities.

In May 2020, DBJ established the Growth Fund for Coronavirus Revival to help customers recover and grow from the COVID-19 pandemic. In February 2021, DBJ created the Green Investment Fund to strongly support initiatives that help realize a greener society. In March of the same year, we also set up the DBJ Innovation and Life Sciences Fund for the purpose of supporting innovation and sharpening competitiveness in the life sciences industry. At meetings of the Special Investment Operations Monitoring Board, which convenes twice a year, the opinions of stakeholders are taken into consideration when conducting operations.

▶ Development of Human Resources Focused on Best Practices in Sustainability Management

Sustainability management, a key to the DBJ Group's value creation process, relies above all on personnel who share the core values of initiative and integrity and who display the four elements of our core corporate values in the pursuit of balancing economic and social value. Officers and employees of the

DBJ Group have inherited the core corporate values of long-term perspective, impartiality, public mindedness, and reliability, which have evolved over the years in the course of our business. Bolstered by these corporate values, the Group has consistently risen to meet the challenges of the times. We always

Message from the President



strive to enhance our skills in corporate and project assessment. Our know-how, capability, and developed networks reinforce the DBJ Group's core asset of expertise in long-term screening and assessment based on a comprehensive view of regional and current issues.

The employees embodying the Group's values should be able to pursue their activities creatively and in good health, and we are promoting workstyle reforms for this purpose. To bring more flexibility to working patterns, we have introduced

telecommuting and a flex-time work system, and we aim to enhance our paid parental and caregiving leave programs. As part of our response to COVID-19, we are encouraging employees to take a flexible approach to working at home or coming to work on staggered schedules, because the health and safety of our executives and employees are of paramount importance. We are also making every effort to update our systems so that Crisis Response Operations can be smoothly implemented.

▶ Improving Collaboration with Stakeholders

The situation around the world and in Japan, including the impact of the pandemic, looks increasingly uncertain as major changes continue to occur. Over the next decade in particular, given the aging and declining population in Japan, we expect the advancement of digitalization to accelerate after the pandemic ends, resulting in sweeping changes in the economy and society as initiatives across industries for achieving carbon neutrality by 2050 gain momentum. We also expect to see the intensification of global competition, new collaborations and cooperation across sectors and companies in the business community, changes in business models, and the emergence of new ecosystems. Based on its Fifth Medium-Term Management Plan, the DBJ Group will continue to supply risk capital through integrated investments and loans with the intention of leading the way toward a sustainable society in the future, while taking on challenges for new initiatives together with its customers.

Furthermore, DBJ will continue with efforts to build a more sustainable society in line with this global movement. Recently, the public and private sectors have come together to engage

in more efforts to contribute to SDGs, a global agenda for 2030. On financial markets, interest in the flow of funds is growing from an ESG perspective. To date, the DBJ Group has, through its certification programs and other means, advanced initiatives toward a sustainable society by proactively evaluating intangible assets not shown on the financial statements based on dialogues with customers. Engaging in dialogue with stakeholders will remain a crucial endeavor as we continue to fulfill our mission as a front-runner in sustainability management. It is our sincere hope that this integrated report will lead to greater dialogue with all of our stakeholders.

Hajime Watanabe

President and CEO
August 2021

Our Response to COVID-19

Implementation of Crisis Response Operations

In response to the damage caused by the COVID-19 outbreak, the DBJ Group opened consulting service counters at the end of January 2020 and moved forward with its unique Regional Emergency Response Program in February. On March 19, as a designated financial institution, DBJ concentrated on Crisis Response Operations once the Japanese government designated the COVID-19 pandemic a crisis.

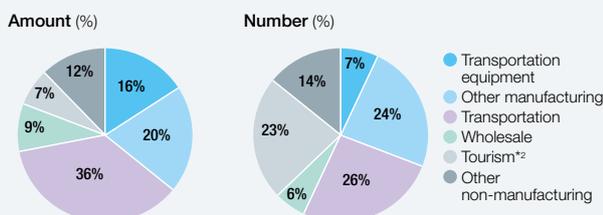
Led by the Coronavirus Response Headquarters, DBJ has moved to rapidly and precisely implement Crisis Response

Operations as a designated financial institution. DBJ will continue to collaborate and coordinate with private financial institutions to meet the needs of businesses that have been adversely affected by the COVID-19 outbreak. DBJ will enhance collaboration with regional financial institutions and ready its unique capital supply systems, including the Regional Emergency Response Program, while considering the nature of this crisis in terms of securing jobs and maintaining credit.

State of Initiatives for Crisis Response Operations

Timeline	2020	January:	Opened consulting service counters
		February:	Added this crisis to its unique Regional Emergency Response Program
		March:	Established Coronavirus Response Headquarters (headed by President and CEO Hajime Watanabe)
		March:	Started Crisis Response Operations upon the Japanese government's declaration of a state of emergency over this crisis
		April:	First supplementary budget passed by government
		May:	Growth Fund for Coronavirus Revival established
		June:	Second supplementary budget passed by government
	2021	January:	Third supplementary budget passed by government
		March:	DBJ increased support for restaurant and hotel businesses
	Agreements with Regional Financial Institutions to Coordinate Disaster Response Operations*1		
Status of Crisis Response Operations*1			<ul style="list-style-type: none"> Crisis Response Operations (total): 345 loans, ¥2,231.8 billion Regional Emergency Response Program loans (total): 64 loans, ¥103.9 billion

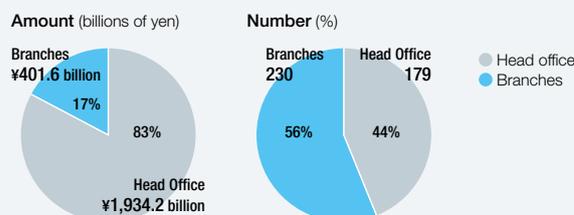
Breakdown of Financing by Sector*1



*1 As of March 31, 2021

*2 Total for hotels, retailers, and restaurants

Breakdown of Financing by Office Type*1



Increase in Support for Restaurants and Hotels

Well over a year into the pandemic, the business environment became even more difficult for companies operating restaurants and hotels, which have been major employers. At their request, the government stepped in to provide further assistance to these companies.

In response to this request, to offer more support to companies operating restaurants and hotels during these trying times, DBJ is implementing the following measures while fully utilizing Crisis Response Operations as a temporary scheme while the pandemic lasts.

- (1) Set up the Crisis Response Operations Special Response Office and establish the Restaurants and Hotels Team therein
- (2) Accelerate the screening of companies operating restaurants and hotels
- (3) Provide support unique to DBJ by temporarily suspending private sector collaborative financing rules in Crisis Response Operations
- (4) Reduce interest rate burdens by adjusting interest rates of subordinated capital loans provided to mid-tier companies and large enterprises in the restaurants and hotels sector
- (5) Establish a preferred stock underwriting fund targeting companies operating restaurants and hotels



https://www.dbj.jp/topics/dbj_news/2020/html/20210331_203199.html

Please refer to the DBJ website for more information about assistance for restaurant and hotel companies (Japanese only).

Fifth Medium-Term Management Plan:

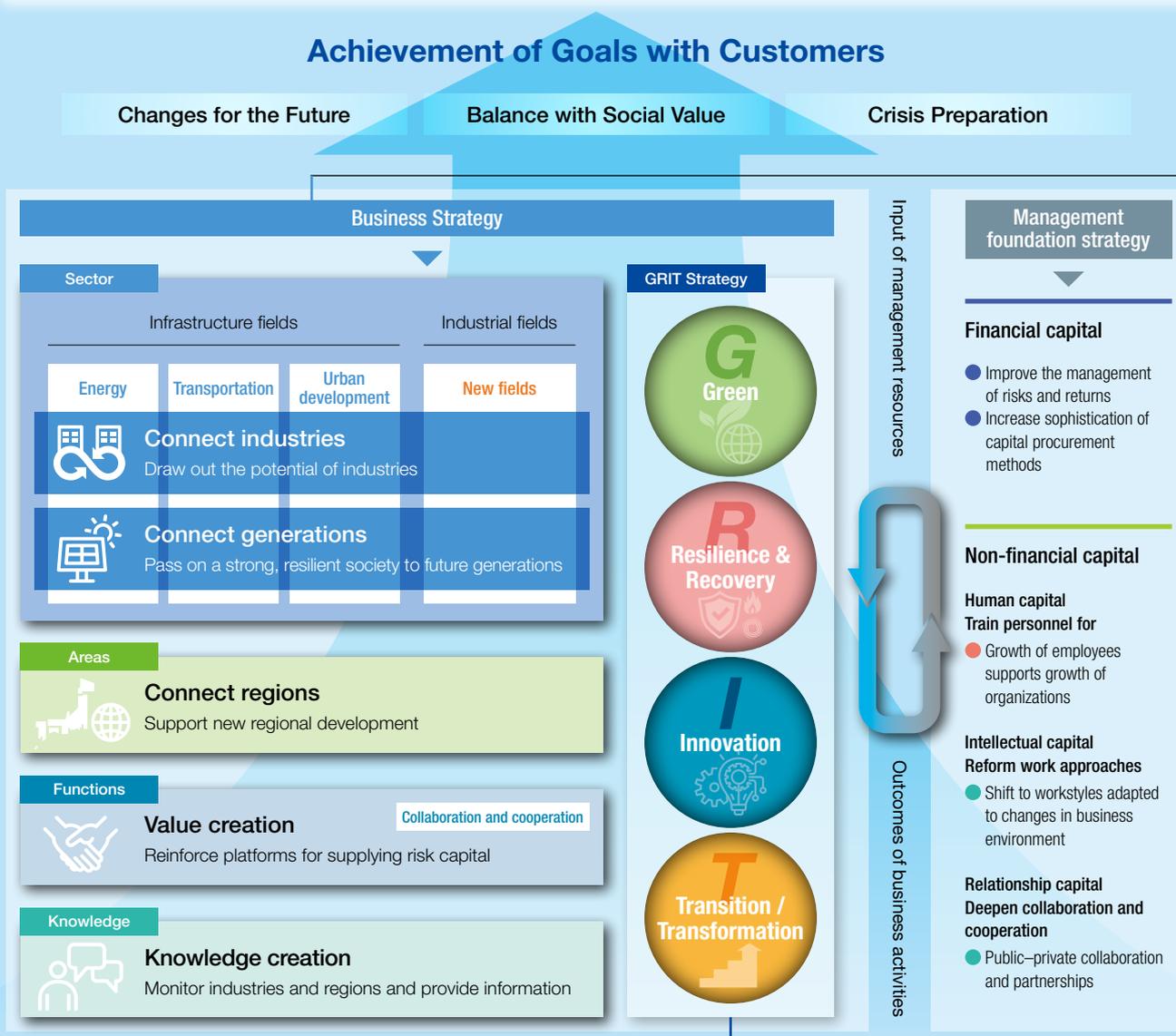
Innovation for Sustainability

Since becoming a joint-stock company in 2008, the DBJ Group has implemented Medium-Term Management Plans with the objectives of increasing the supply of risk capital for integrated investments and loans and of advancing risk management functions.

Recently, sweeping changes have occurred in demographics and social structures, and social issues have become inseparable from the business challenges faced by our customers. While collaborating and cooperating with private

financial institutions, the DBJ Group utilizes risk capital and its knowledge to help customers solve their issues and thereby contribute to sustainable growth. Against this backdrop, we formulated as an action plan our Fifth Medium-Term Management Plan: Innovation for Sustainability. Due to the still unpredictable impact the COVID-19 pandemic will have on the economy and society, the plan spans five years, longer than the three-year periods of previous plans.

Response to drastic changes in the economy and society



Financial Targets

DBJ plans to disclose financial targets for fiscal 2025 after revising them in May 2023.

Fiscal 2025 targets (consolidated)	Profitability	Financial soundness					
	Gross ordinary income*1	Net income attributable to owners of the parent	Cost ratio*2	Total assets	ROA*2	ROE*2	Capital adequacy ratio*3
	About ¥200 billion	About ¥85 billion	About 32%	About ¥21 trillion	About 1%	About 3%	About 14%

*1 Excludes credit costs

*2 Cost ratio and ROA versus gross ordinary income. ROE versus net income

*3 Common equity Tier 1 risk-weighted capital ratio (Fifth Medium-Term Management Plan estimates on a finalized Basel III basis)

Response to drastic changes in the economy and society

The DBJ Group uses D.A.I.S. to refer to four megatrends impacting the Japanese economy and society. “D” stands for digitalization (digital transformation of business), “A” means aging (the contraction in the working-age population due to a declining birth rate and aging), “I” stands for internationalization (overseas business development), and “S”

represents sustainability (contribution to a green and sustainable society).

The pandemic has accelerated the changes toward the abovementioned digitalization and sustainability megatrends, which are also business issues faced by our customers.

Connecting industries, regions, and generations to create value

Responding to changes in society caused by D.A.I.S. requires efforts that exceed traditional concepts, and in this regard it is important to collaborate and cooperate with customers and private-sector financial institutions. The DBJ Group aims to create value with its stakeholders by advancing initiatives to bring them together through nodes and

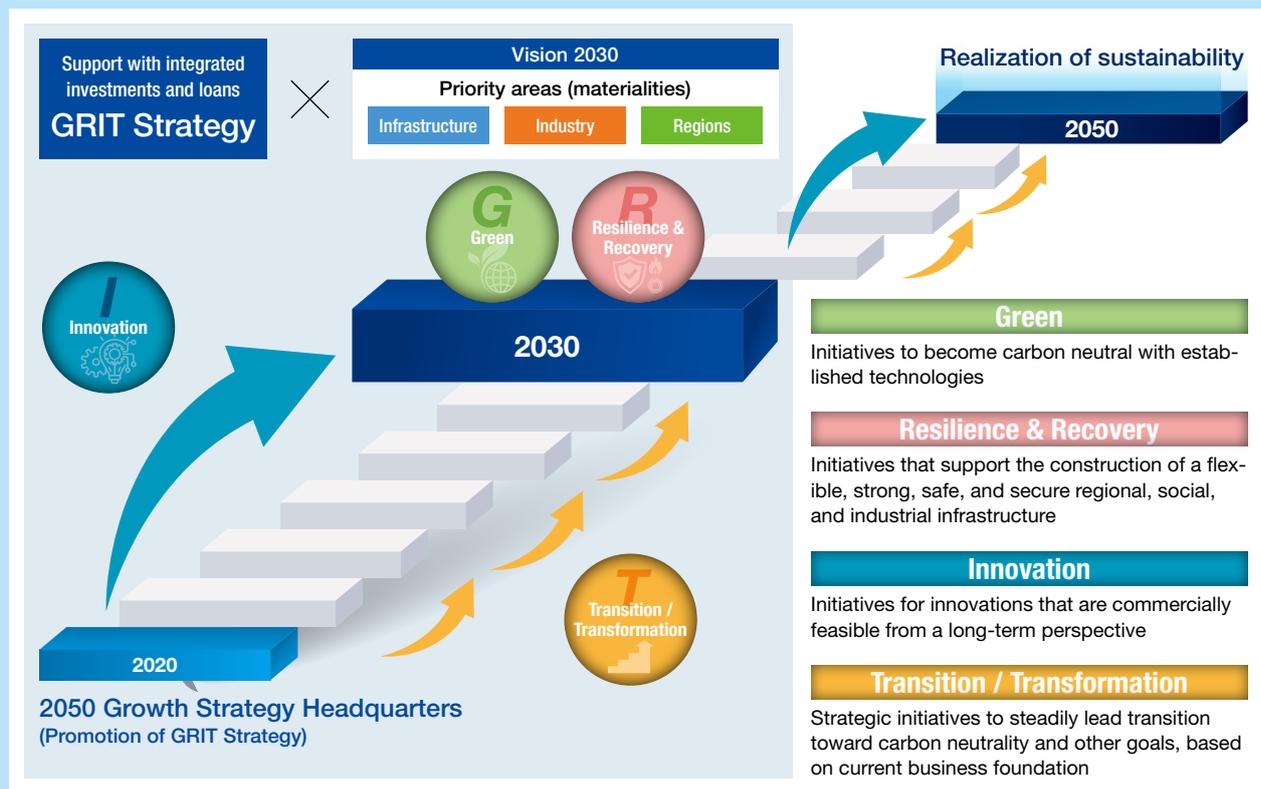
catalysts that facilitate the taking on of new challenges above and beyond the borders defining sectors and corporations.

The DBJ Group will take on these challenges without fearing change itself, using change near at hand as a catalyst.

GRIT Strategy

In line with its long-term vision, the DBJ Group devised the GRIT Strategy as a core action for 2030, with the aim of contributing to the realization of a sustainable society by 2050 through the advancement of initiatives to marshal resources. While starting with the specific needs of customers, the GRIT Strategy aims to build industry foundations as well as resilient, safe and worry-free regions and

communities, along with the realization of a green society. Toward this goal, the DBJ Group is engaged in initiatives at innovations that can be commercialized and objectively assessed, as well as strategic initiatives for the transition to a sustainable society on the basis of current business base. To advance the GRIT Strategy, DBJ set up the 2050 Growth Strategy Headquarters, directly led by the President.



<https://www.dbj.jp/en/co/info/plan.html>

Please refer to the DBJ website for more information about the Fifth Medium-Term Management Plan.

Key Initiatives toward Realizing Sustainability

At the DBJ Group, we engage in a variety of initiatives aimed at realizing a sustainable society through a business model built upon features such as integrated investments and loans and consulting and advisory services.

Policy on Sustainability

To realize its mission of pursuing sustainable development for Japan and the world, the DBJ Group strives to achieve both economic and social value through its unique business activities by embracing sustainability management. In 2017, we formulated our Policy on Sustainability as a part of our efforts to continue to proactively engage in dialogue with all stakeholders and to enhance our value creation process.

The DBJ Group's main initiatives based on this policy are outlined below.



<https://www.dbj.jp/en/sustainability/management/regular.html>

Please refer to the DBJ website for details on our Policy on Sustainability.

Main Initiatives

Advance the GRIT Strategy	DBJ will advance initiatives from the customer's perspective based on its GRIT Strategy under the Fifth Medium-Term Management Plan to realize a sustainable society.	➔ See page 16
Renewable Energy Measures	With the aim of promoting the use of renewable energy, DBJ has engaged in solar and wind power generation projects in Japan since their implementation and participated in advanced case studies overseas.	➔ See page 23
Signatory to Poseidon Principles	DBJ has become a signatory to the Poseidon Principles, a commitment to help address climate change in the marine transportation industry from a financial perspective.	➔ See page 25
Establishment of DBJ Green Building Certification	Established in 2011, DBJ Green Building Certification recognizes buildings with exceptional consideration for society and the environment and provides support to those who own and operate such real estate.	➔ See page 26
Creation of DBJ Sustainability Certification Programs and DBJ Sustainability Linked Loans with Engagement Dialogue	DBJ supports the efforts of its customers on the environmental, disaster prevention, and health management fronts through a menu of investments and loans that take into account the non-financial information of companies through its proprietary screening system. Moreover, it created DBJ Sustainability Linked Loans with Engagement Dialogue as a way to improve the visibility of customer initiatives on sustainability through dialogue.	➔ See page 30
Issuance of Sustainability Bonds	DBJ became the first issuer of green bonds in Japan (2014) and has also been issuing sustainability bonds each year since 2015.	➔ See page 43
Adoption of Equator Principles	In accordance with the Equator Principles, DBJ will identify the environmental and social risks associated with a project, assess their impact, and request that the project operator take the necessary measures to mitigate such risks and impact.	➔ See page 66
TCFD (the Task Force on Climate-related Financial Disclosures) Scenario Analysis	Upon identifying five technologies relevant to its business activities—carbon capture and storage (CCS), electric vehicles (EVs), biomass, hydrogen, and renewable energy—from those highly correlated to climate change, DBJ analyzed and assessed the growth opportunities for each sector through separate scenarios based on the development and proliferation of technologies.	➔ See page 66

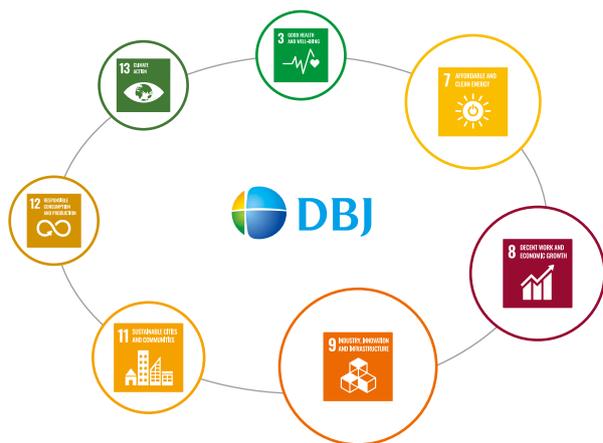
Corporate Governance Framework

Establishment of Sustainability Committee	DBJ established the Sustainability Committee to identify important social issues from ESG and other perspectives and to incorporate these matters into its financing, asset management, and other business activities.	➔ See page 54
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Increasing Visibility on Social Values: DBJ SDGs Mapping

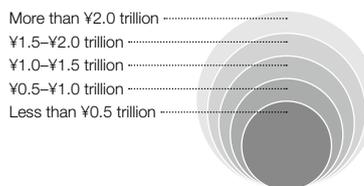
With the aim of engaging in more dialogue with its stakeholders, the DBJ Group began a trial of SDGs Mapping to increase visibility of the social value created through its investment and loans operations. To instill this awareness within DBJ, we are working to increase the literacy of all employees by creating an in-house portal and text summarizing related knowledge, while advancing discussions across the organization through the 2050 growth strategy meeting. While advancing our GRIT Strategy, we will come up with new ways to engage in additional dialogue.

Achievements in Fiscal 2020



Scope: Fiscal 2020 investments and loans
Total amount: ¥5,786.7 trillion
Calculation method: The following process was used by all DBJ employees.

- STEP 1** Select up to two SDGs categories for each person in charge to contribute to
- STEP 2** Check fairness of mapping (reviewed by a special department)
- STEP 3** Express monetary amounts (verified twice) in five stages



* Crisis countermeasure loans in fiscal 2020 (¥2,229.3 billion) are counted as initiatives that contribute to "SDG9: Industry, Innovation and Infrastructure" and treated as outlying figures

Comments from experts on SDGs Mapping

Takasaki City University of Economics
President

Takeshi Mizuguchi

It is interesting that DBJ is trying to associate SDGs with internal activities by scrutinizing the details of individual investment and loan projects and linking them to SDGs. As DBJ works to deepen contributions to SDGs, such as by conducting evaluations at multiple stages, I believe this will lead to changes in behavior and the management of targets, from the standpoint of increasing the true impact of activities.

United Nations Environment Programme
Finance Initiative (UNEP FI)
Special Advisor

Takejiro Sueyoshi

I think it is unique how DBJ uses the SDGs framework to get stakeholders to better understand the social value that DBJ provides. Changes must be made in the economic and social structure in order to achieve SDGs. To spur changes in the economy and society by 2030, it will be important for DBJ to convey its vision and values in the priority fields it targets.

Cre-en Inc.
Representative Director

Ayako Sonoda

I totally understand this effort at SDGs Mapping as it links individual projects down to the level of the 169 targets of the SDGs. I believe this effort will be useful in furthering dialogue with stakeholders by using the common language of SDGs to describe DBJ's value system and strategies, as staff discuss visions for the future and recognize social issues that need to be tackled.

Creation of Policy on Investments and Loans with Environmental and Social Considerations

DBJ aims to balance economic value and social value in its unique business activities based on sustainability management, with the objective of achieving its mission of sustainable development in Japan and the world. In 2017, DBJ formulated its Policy on Sustainability to continuously improve the value creation process and enhance dialogue with stakeholders.

DBJ has formulated and disclosed the following initiative and policies for businesses and sectors with a strong likelihood of having significant risks or negative impacts on the environment and society, in the interest of extending environmentally and socially sound investments and loans.

The policy was put into practice on October 1, 2021, and will be revised as deemed necessary in the future.

Businesses subject to this policy

1. Businesses prohibited from receiving investments and loans regardless of sector
2. Businesses that require additional due diligence for investments and loans regardless of sector
3. Policies for specific sectors
 - (1) Weapons
 - (2) Coal-fired thermal power generation
 - (3) Palm oil (4) Lumber
 - (5) Coal mining (6) Oil & gas
 - (7) Large-scale hydroelectric power



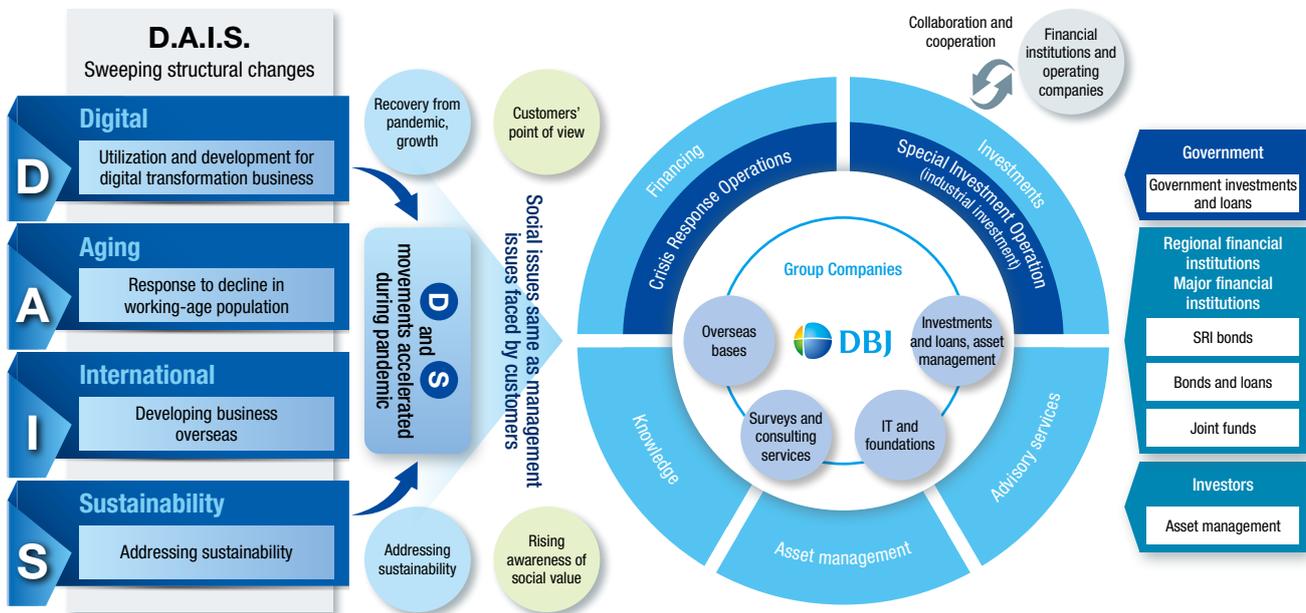
<https://www.dbj.jp/en/sustainability/>

Please refer to the DBJ website for more information about the policy on Investments and Loans with Environmental and Social Considerations.



Invigoration and Stabilization of Financial Markets through Partnerships and Collaboration

The DBJ Group provides unique solutions through optimal partnerships, emphasizing cooperation and collaboration with other financial institutions and non-financial companies.



Procurement and Management of Funds

DBJ receives funding in various formats, including the procurement and management of funds from institutional investors and financial institutions in Japan and abroad. We use these funds to supply risk capital to domestic and overseas customers in the industrial and infrastructure fields.

Provision of Knowledge

Backed by its experience and know-how in industrial and infrastructure fields as well as in risk analysis and structuring, the DBJ Group creates added value through the provision of knowledge in such forms as surveys and analyses.

Crisis Response Operations and Special Investment Operations

Crisis Response Operations and Special Investment Operations are mandated by the DBJ Act and are properly undertaken as operations backed by the unique strengths of the DBJ Group.

Supply of Risk Capital by the DBJ Group

DBJ's financing operations address diverse risks. These operations include investments (balance of ¥1.6 trillion) and loans (balance of approximately ¥15.6 trillion), ranging from crisis response loans for emergencies and risk-tailored project financing to hybrid and mezzanine financing. DBJ Asset Management Co., Ltd. (DBJAM) has ¥1.5 trillion in capital

entrusted by investors, regional financial institutions, and other customers desiring expert fund management. In its work in asset management, DBJAM focuses on assets that allow the DBJ Group to best apply its strengths. We will continue to enhance the supply of risk capital in order to better meet the diverse needs of our customers.



*1 Portions entrusted by DBJ are eliminated from DBJAM's assets under management (AUM).
*2 Overlapping portions for structured financing is eliminated from hybrid and mezzanine financing.

The DBJ Group's Strategy

A presentation of the DBJ Group's various sustainability management activities from the perspectives of its business and management foundation strategies

Business Strategy

P 22 Sector Strategy

- P 22 > Energy Sector
- P 24 > Transportation Sector
- P 26 > Urban Development Sector
- P 28 > Industrial Sectors
- P 30 Dialogue with Customers to Realize a Sustainable Society

P 32 Area Strategy

- P 32 > Regions
- P 35 > Overseas

P 36 Function Strategy

- P 36 > Special Investment Operations and Crisis Response Operations
- P 40 > Syndication, Advisory, and Consulting Services
- P 41 > Asset Management

Management Foundation Strategy

- P 42 > Financial Strategy
- P 44 > Human Resource Development
- P 46 > Knowledge and Collaboration
- P 49 > Taking the Initiatives to Spread PFS and SIB that Solve Social Issues

The DBJ Group

Working in unison, the DBJ Group provides diverse, high-value-added solutions for solving various issues faced by its customers and for solving issues throughout society.

Overseas locations

- DBJ Singapore Limited
- DBJ Europe Limited
- DBJ Investment Consulting (Beijing) Co., Ltd.
- DBJ Americas Inc.

Research / Consulting

- Japan Economic Research Institute Inc.
- Value Management Institute, Inc.

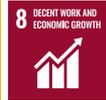
Investments / Securities / Asset management

- DBJ Capital Co., Ltd.
- DBJ Investment Advisory Co., Ltd.
- DBJ Securities Co., Ltd.
- DBJ Asset Management Co., Ltd.

Real estate management / IT services / Shared Service

- DBJ Real Estate Co., Ltd.
- Consist, Inc.
- DBJ Business Support Co., Ltd.

Rebuilding and Reinforcement of Infrastructure



Energy Sector

The DBJ Group will contribute to the realization of a decarbonized society worldwide and the globalization of Japanese energy companies by taking a leadership role in the financing of change in Japan's energy markets.

Main Business Fields

Provision of financing and advisory services to companies and projects in the following sectors

- Electricity
- Gas
- Oil

Balance of Loans in the Electricity, Gas, Oil Refinery, Heat, and Water Sectors

As of March 31, 2021

¥3.3 trillion

Identified Social Issues

In an external environment experiencing changes in demographics and other aspects of the macro structure, advances in energy conservation, and more frequent natural disasters, the government has set targets for reducing GHG emissions. To achieve these targets, it will be necessary to (1) make renewable energy a primary source of energy, (2) make entire industries carbon neutral in stages by using ammonia and hydrogen as fuels, and (3) commercialize novel initiatives in carbon dioxide capture and storage (CCS); carbon dioxide capture, utilization, and storage (CCUS); and direct air capture and storage (DACs).

With these undercurrents in motion, in order to maintain and expand safe and secure energy infrastructure, it is important to stabilize entire industries by drawing in more participants from a broad range of business fields, by having financial institutions supply a steady stream of capital.

Identified Risks and Opportunities

Regardless of the issue, it is essential to take medium- and long-term approaches to solving them as an industry, including updates to systems. More specifically, it will be necessary to focus on timelines for the commercialization of novel initiatives and reaching carbon neutrality in stages, while monitoring the impact on energy prices and the surrounding environment and scenery as renewable energy becomes a primary source of electricity.

The irreversible movement toward carbon neutrality will change the dynamics of the energy industry, while creating opportunities for innovation in terms of both software and hardware. We believe that the view that addressing global warming will constrain economic growth and increase costs will be debunked, instead holding that it will lead to further growth for Japan as more aggressive approaches are taken to addressing climate change.

Strategy

While maintaining strong relationships with customers, we will focus on reliably supplying capital, including capital funding.

In particular, we are cooperating with other financial institutions to address demand for investments in renewable energy and the staged transition toward carbon neutrality across entire industries.

DBJ contributes to the realization of a carbon-neutral society by supporting innovation in industry, while monitoring policy-making based on Japan's Sixth Strategic Energy Plan.

Internationally, DBJ supports the business development of Japanese firms overseas by bringing back home the know-how it gains from providing investments and loans in foreign markets.

Through asset management operations in the energy field, the DBJ Group also endeavors to nurture markets so that institutional investors are able to participate in the domestic energy market.



<https://www.dbj.jp/case/list/?field=energy>

Please refer to the DBJ website to see examples and case studies (Japanese only) in the energy sector.

Connect with DBJ

Project Spotlight

Establishment of Excelsior Energy Capital Fund I to Invest in Renewable Energy Power Plants in the U.S.

In August 2017, DBJ and U.S.-based Excelsior Energy Capital (EEC)—whose managing partner is Chris Moakley—jointly established the Excelsior Energy Capital Fund I to invest in renewable energy power plants in the U.S. EEC was established for the purpose of managing this fund. Its principal founders are former members of TerraForm Power, one of the largest holders of renewable energy assets in the U.S.

As the U.S. government shows greater support for renewable energy, investment opportunities, especially in solar and wind power, are expected to grow. The fund invests mainly in small and medium-sized renewable energy power plants, which are expected to be a growing source of renewable power. In December 2020, the fund raised more than \$500 million from Japanese investors and leading institutional investors in the U.S. and abroad.

With a high opinion of the fund's foresight and originality, DBJ has been involved as a founder and anchor investor. By supplying risk capital to renewable energy projects through the fund, DBJ will stay abreast of the latest industry trends and expertise in the advanced U.S. electric power market, facilitating further contributions to the development of Japan's energy industry and the realization of a carbon-neutral economy.

Staff Comment

The fund primarily invests in the manner described above in a bid to boost the proliferation of the distributed power sources necessary for realizing a society with net-zero emissions. Funds that invest in such projects are rare. The successful fundraising is an indication that financial investors proactive on the ESG front have given high marks for the fund's strategy.

Utilizing the latest knowledge in the U.S. energy and financial markets gained through its participation in the fund, DBJ will contribute to the advancement of ESG investment and the development of the energy industry in Japan.



GRIT Strategy Contribute to the Realization of a Sustainable Society

Initiatives in the Renewable Energy Field

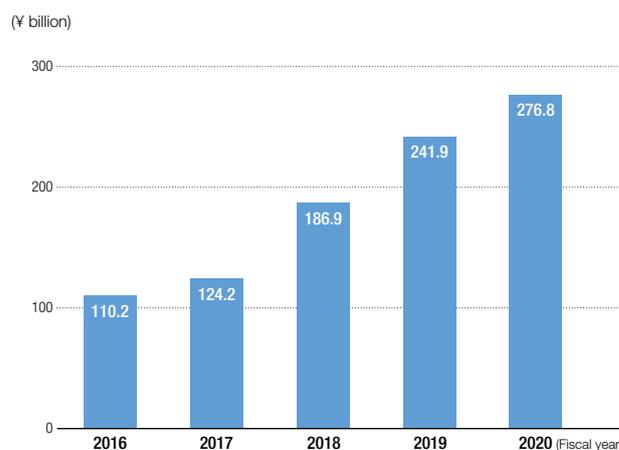
DBJ proactively supplies risk and other capital for projects to turn renewable energy into a primary source of electricity, and the balance of investments and loans in such projects stood at ¥276.8 billion as of the end of fiscal 2020.

DBJ gets involved from the initial stages of installation in solar and wind power generation projects in Japan. DBJ also offers financing for power transmission and distribution projects that upgrade the power grid to handle more renewable energy.

To bring the benefits of overseas initiatives back home to Japan, DBJ also provides financing to offshore wind power projects in Europe.

The Japanese government has set targets for the energy mix with the intention of achieving carbon neutrality by 2050. To achieve these targets, DBJ contributes on the financial side based on the special characteristics of each energy source, whether it be solar power, onshore or offshore wind power, biogas, or hydroelectric power.

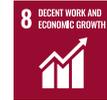
Renewable Energy* Investment and Loan Balance



* Renewable energy: Solar power, onshore wind power, offshore wind power, biomass, hydropower, and power grids.

To see details of the GRIT Strategy, please refer to pages 16–17.

Rebuilding and Reinforcement of Infrastructure



Transportation Sector

The DBJ Group aims to lead in a financial aspect the growth of the transportation sector and advancement of transportation networks in Japan. DBJ will also act as a bridge between Japan's financial market and the global transportation financing market.

Main Business Fields

Provision of financing to companies and for projects in the transportation sector

- Land transportation
- Marine transportation
- Air transportation

Balance of Loans in the Transportation Infrastructure (Transportation Industry) Sector

As of March 31, 2021

¥3.2 trillion

Identified Social Issues

In the transportation sector, which has been greatly impacted by the COVID-19 pandemic, the market has temporarily contracted, but over the medium and long term, the movement of people and goods will increase. Transportation infrastructure supporting this movement will need to be constantly upgraded. At the same time, it will be necessary to create new services in line with people's changing behavior, and to reduce environmental impacts. As the country adapts to a shrinking population and an aging society, safe and secure transportation infrastructure is a field where Japan can proudly lead the world to greater heights.

Identified Risks and Opportunities

A variety of issues need to be resolved in order to sustain growth in the transportation sector and to make transport networks more sophisticated. Proactively contributing to global-scale frameworks for decarbonization will be essential for the borderless movement of people and goods. The DBJ Group became a signatory to the Poseidon Principles to contribute financial resources for addressing climate change in the marine transportation sector, which will be key to achieving the International Maritime Organization's targets for reducing greenhouse gas emissions over the medium and long term. To truly understand the issues faced by its customers, DBJ will continue to offer financial solutions tailored to diverse needs and act as a bridge between the global transportation finance market and Japan's financial market.

Strategy

While maintaining relations with customers in the transportation sector, we will refine our ability to respond flexibly to changes in the external environment and society. More specifically, DBJ will further strengthen its optimal financial solutions for quality projects and assets in the land, marine, and air transportation fields, as well as supply risk capital to Japanese companies for sharpening their international competitiveness. Additionally, DBJ will provide financing opportunities to Japanese regional banks and other financial institutions and investors in the global transportation financing market through improved syndicated loans. DBJ will focus on providing a range of investment products based on transition financing and investment.



<https://www.dbj.jp/case/list/?field=transport>

Please refer to the DBJ website to see case studies (Japanese only) in the transportation sector.

Connect with DBJ

Project Spotlight

Upgrading LNG Bunkering Vessels in Tokyo Bay

Through its Special Investment Operations, DBJ has extended financing to Ecobunker Shipping Co., Ltd (EBS), which supplies LNG fuel to ships in Tokyo Bay.

In the marine transportation sector, environmental regulations concerning sulfur content in ship fuel were tightened in January 2020, making it impossible to use traditional heavy fuel oil (HFO) as in the past. The number of ships using LNG as an alternative fuel is expected to increase, as LNG has a lower environmental impact, with 100% less sulfur and 25% less CO₂ than HFO.

Against this backdrop, EBS was established by DBJ, Uyeno Transtech Ltd., Sumitomo Corporation, and Yokohama-Kawasaki International Port Corporation to deliver LNG fuel to ships in Tokyo Bay. DBJ supplied risk capital for the construction of LNG bunkering vessels and for long-term business financing.

This financing will facilitate the spread of LNG bunkering vessels with lower environmental impact. At the same time, it will also upgrade fuel supply infrastructure and enhance the attractiveness and international positioning of Tokyo Bay in Asia. Working in partnership with other shareholders in the venture, DBJ will help EBS take the marine transportation industry to the next level.



© Ecobunker Shipping Co., Ltd.

Staff Comment

Through financing of this project, as a financial institution that evaluates and analyzes businesses, and also as a shareholder, DBJ is able to get involved in negotiations with shipbuilders and new business development with customers. Through regular loan and investment operations, DBJ was able to gain the perspective of marine transportation companies that is otherwise difficult to obtain.

DBJ supports the launch and growth of this business through financial support and audit operations, while publishing reports about the ship fuel market, including LNG. The LNG bunkering project in Tokyo Bay is an unprecedented one with many uncertainties. Leveraging the unique knowledge and strengths of shareholders in this project, we aim to help reduce environmental impact and reinforce the Tokyo Bay's competitiveness as an international port.



Strategy Contribute to the Realization of a Sustainable Society

Signatory to the Poseidon Principles

DBJ became a signatory to the Poseidon Principles, a voluntary framework for financial institutions to contribute to initiatives in the marine transportation sector aimed at reducing emissions of greenhouse gases over the medium and long term. DBJ's participation is a first among government-affiliated financial institutions in Asia.

Since the end of the Second World War, DBJ has assisted domestic operators and shippers in rebuilding the Japanese merchant fleet through financing for shipbuilding. In recent years, the Poseidon Principles have become a global movement for financial institutions to assist with the decarbonization

of the maritime industry. DBJ decided to become a signatory to the Poseidon Principles, partly because they tie in with its GRIT Strategy.

Based on the Poseidon Principles, DBJ will disclose its contribution to reducing greenhouse gases emissions through ship financing. In addition, it will contribute to developing the marine transportation sector through steady assistance on multiple fronts, from addressing stricter environmental regulations in the marine transportation sector to providing financing for EBS, which was established to supply LNG fuel to ships in Tokyo Bay.

Rebuilding and Reinforcement of Infrastructure



Urban Development Sector

The DBJ Group's vision is to grow alongside cities by helping with the maintenance, renewal, and expansion of urban functions. The DBJ Group also aims to grow with the real estate financing market as a market-stabilizing mechanism.

Main Business Fields

Loans and investments in urban development projects undertaken by developers; special-purpose companies for owning real estate; loans and investments for real estate investment trusts (REITs); and management of DBJ Green Building Certification with the Japan Real Estate Institute

- Urban development business
- Real estate financing
- DBJ Green Building Certification

Balance of Loans in the Real Estate Sector

As of March 31, 2021

¥1.9 trillion

Identified Social Issues

Increasing the international competitiveness of cities in Japan is key to enhancing the country's overall competitiveness. Urban infrastructure, built up since 1945, is due for an upgrade. Seamlessly upgrading urban infrastructure is important from the standpoint of creating communities that take the environment and society into account. In Japan, however, the decline in the working-age population is having an impact on demand for real estate. Meanwhile, IT and AI, as well as improvements in market mechanisms, have increased the transparency of real estate transactions and the availability of information. Funding and capital strength are likely to become more influential in economic transactions.

Identified Risks and Opportunities

The field of urban development is large in business scale, and it has a major impact on society through investments, loans, and real estate management. While addressing the decline in the working-age population, the purpose and value provided by real estate will probably have to be redefined to align more closely with evolving social values, including changes in workstyles. The sustainable development of cities in the future will depend on how new communities are formed today, based on projected changes in society and the economy with due consideration paid to the impact of the COVID-19 pandemic. As ESG initiatives accelerate in the real estate industry, many new businesses are likely to be created. A slow response to these changes would pose the risk of falling behind the competition.

Strategy

DBJ will facilitate urban development through the supply of risk capital, including financing for developers and individual development projects. With diverse investors becoming involved in global real estate investment, DBJ will play the increasingly important role of connecting real estate, a local asset, to global financial markets. In the ESG field, DBJ and Japan Real Estate Institute (JREI) continue to jointly operate DBJ Green Building Certification, which was created in fiscal 2011 as a system to evaluate and certify real estate from an environmental and social perspective. We will also promote the use of a data platform for quantifying real estate management and ESG performance through an initiative at Arc Japan Inc., which was established in fiscal 2020.



<https://www.dbj.jp/case/list/?field=development>

Please refer to the DBJ website to see examples and case studies (Japanese only) in the urban development sector.



https://www.dbj.jp/en/service/program/g_building/

Please refer to the DBJ website to see more information about DBJ Green Building Certification.

Connect with DBJ Project Spotlight

Investment in Private Real Estate Fund Offered by JR West Japan Group

In March 2021, DBJ invested in the JR West Fund No. 1, a privately offered real estate fund established by West Japan Railway Company and JR West Real Estate & Development Company (hereinafter, the “JR West Japan Group”).

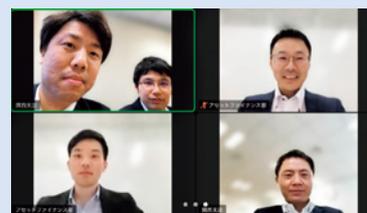
In its medium-term management plan, the JR West Japan Group calls for “enhancing coexistence with local communities and taking on the challenge of creating new value.” The creation of this privately offered real estate investment fund was in line with these values. The JR West Japan Group is also looking into establishing a private real estate investment trust (REIT) in a few years that will mainly invest in properties in areas along railway lines operated by JR West Japan. As part of these efforts, we are aiming to combine the JR West Japan Group’s cumulative expertise in integrated rail development with DBJ’s knowledge of real estate securitization to further enhance the value of areas along the railway lines by expanding opportunities for community development.

Through its Special Investment Operations, DBJ will support this project’s contribution to the revitalization of regional economies, supplying capital in conjunction with the creation of real estate securitization markets in areas along the railway lines and improving the attractiveness of these areas by advancing the development of railway lines. The project is also expected to enhance competitiveness by improving value along the railway lines and expanding the real estate business of the JR West Japan Group.

Staff Comment

In Japan, where the population is aging and declining, the maintenance and reinforcement of railways has become a serious social issue. Railways are key infrastructure in cities and regions and play a major role in strengthening the international competitiveness of cities and invigorating regional economies.

This initiative to support the acceleration of real estate development, which is necessary for railway companies to increase the value along their railway lines, is an example of how DBJ’s accumulated expertise in real estate asset financing can be applied to urban development in major cities, while contributing to regional revitalization and increasing the competitiveness of railways. We believe this initiative helps solve problems for both customers and society.



Online meeting between the Kansai Branch Office and Asset Finance Department

Strategy Contribute to the Realization of a Sustainable Society

Establishment of Arc Japan Inc.

Data platform business that supports the decarbonization of society by monitoring the environmental impact of real estate

DBJ jointly established Arc Japan, Inc. with Arc Skoru Inc. and Woonerf Inc.

Approximately 40% of the world’s indirect emissions of CO₂ are said to come from the construction of real estate, including homes. The real estate market is expected to step up its efforts to decarbonize by improving the comprehensive monitoring of environmental loads in real estate properties owned or used by a wide swath of businesses, in addition to buildings that have obtained real estate environmental certifications.

Arc is the name of Arc Japan’s data platform for standardizing the environmental performance of real estate. Users of the platform can compare similar types of real estate, including properties located overseas. The online system scores the environmental performance of buildings and spaces after users enter data on water usage and historical greenhouse gas and waste emissions.

Since establishing the DBJ Green Building Certification system in fiscal 2011, DBJ has promoted ESG in the real estate sector by working with several related parties. Through

the promotion of the Arc platform, DBJ and Arc Japan intend to provide a framework that links financing to efforts to visualize and improve the environmental performance of real estate, thus facilitating the transition to a carbon-free society and improving the sustainability of real estate in Japan.



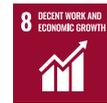
 To see details of the GRIT Strategy, please refer to pages 16–17.

Priority Areas

Sector Strategy

Commercialization of new technologies, business restructuring to improve productivity and hone competitiveness, business development in global markets

Creation, Conversion, and Growth in Industry



Industrial Sectors

In industrial fields seeing changes brought about by technological innovation, the creation of new businesses, and restructuring, the DBJ Group will take a direct approach to solving issues faced by customers and society while searching for growth opportunities for itself. As an incubator that creates new businesses and markets, the DBJ Group aims to play an essential role in strengthening the competitiveness of industries in Japan.

Main Business Fields

Provision of financing and advisory services for companies and projects in industrial sectors

- Manufacturing
- Communications, broadcasting, media
- Retail and foods
- Healthcare
- Hotels, Japanese-style inns, tourism, etc.

Identified Social Issues

While struggling to overcome the challenges presented during the COVID-19 pandemic, Japanese industry has accelerated efforts to solve issues it has long faced, such as ensuring workplace safety, reforming workstyles, innovating with AI/ML, and realizing manufacturing not dependent upon the skills and intuition of veteran workers. Moreover, the Japanese government declared the goal of becoming carbon neutral by 2050 amid the so-called green recovery, a global movement that has drawn much attention to new issues in sectors mainly responsible for generating CO₂ emissions.

The efforts of individual companies will not be enough to overcome these issues. With digital transformation and sustainability as new opportunities for change, we are likely to see unprecedented restructuring and collaboration across disparate industries, new businesses launched, and global production structures realigned. Industry in Japan, which has been called a global innovator, is in position both to take the lead on quickly finding solutions and rolling them out into society and to seize the opportunity to win back the global leadership position.

Identified Risks and Opportunities

Given the accommodative policies of central banks and the innovations in fintech and other financial technologies, the means of disbursing capital should continue to diversify in the future. To help customers solve their problems, as a financial institution, DBJ must add value and carve out solutions in unique ways.

Our customers are ready to reinforce their business foundations through industry realignment, tap into changing demand during the pandemic, and rebuild supply chains around the world. At the same time, they will probably pursue innovations and commercialize new technologies, in addition to developing business overseas again in search of growth opportunities. While staying abreast of these trends as a financial institution, DBJ must flexibly and organizationally stay in step with its customers pursuing digital transformation and changes across industry boundaries.

Strategy

Backed by our deep specialist knowledge of the industrial sectors we cover and of individual customers, we fully leverage our unique network rooted in various financing functions, knowledge, utility, and neutrality to support our customers and resolve issues in diverse fields. Such customer support encompasses assisting with growth, strengthening competition, rebuilding business portfolios, developing new businesses, creating business overseas, collaborating with other companies and sectors, optimizing capital policies, and cooperating with government industrial policy.

In 2020, DBJ established the Chief Industry Strategy Office over the Corporate Finance Department, Division 1, and Corporate Finance Department, Division 2, with the aim of creating new industries across sector boundaries. This office will tackle issues that are common among industries in order to connect disparate industries across existing boundaries related to innovation, sustainability, and business transition. DBJ is also enhancing teamwork within the Company through internal collaborations and by polishing the skills of individual executives and employees, with a focus on fostering among its employees the ability to present new ideas.



<https://www.dbj.jp/case/list/?field=industry>

Please refer to the DBJ website to see examples and case studies (Japanese only) in industrial sectors.

Connect with DBJ  Project Spotlight

Moving toward a Greener Society by Investing in FLOSFIA Inc., a Next-Generation Power Semiconductor Venture Firm

DBJ has extended financing to FLOSFIA Inc. as a part of its Society 5.0 Investment Program. FLOSFIA is a venture firm from Kyoto University that aims to be the first in the world to develop and produce next-generation power semiconductors using alpha gallium oxide (α -Ga₂O₃; hereinafter, GaO[®] power devices).

Power semiconductors are chips that convert and control electricity, key devices for the efficient use of electricity. As the world moves toward carbon neutrality and more devices are electrified in society, improving the performance of power semiconductors to reduce electrical conversion loss is garnering attention as a means of solving global environmental problems.

The GaO[®] power devices being developed and manufactured by FLOSFIA are expected to improve energy conservation by more than 10% compared with conventional products. In addition to common household electrical appliances, these power devices hold the promise of higher energy efficiency in a variety of fields that use electricity, such as transportation, telecommunications, and manufacturing. If uptake in electric vehicles goes as expected, they are likely to have a major impact on society as development of such issues focuses on increasing convenience, such as longer-distance driving. Through funding for FLOSFIA, DBJ contributes to strengthening the supply chain for power semiconductors in Japan, while also moving one step closer to a green and sustainable society.

Staff Comment

DBJ assists venture firms that are having an impact on society by solving social issues and creating new industries. In this case, DBJ provided financing to the company because its products could become key devices in realizing a green society.

We believe messaging and networking will be key to not only developing the product but also spreading it for the venture firm, with the aim of entrenching this groundbreaking product in society. In addition to financial support, DBJ helps with business planning and information disclosure to raise recognition and utilizes its broad customer base to create networks with downstream users and corporations, with the objective of enhancing the value of the subject company and realizing a green society.



GRIT Strategy Contribute to the Realization of a Sustainable Society

Creation of Society 5.0 Investment Program

DBJ created the Society 5.0 Investment Program as a new framework for investing in activities that contribute to the creation of a more sustainable society, while aiming to create new industries with new value systems to solve social issues in Japan. This program invests in projects that did not readily align with DBJ's investment values in the past, due to an

uncertain outlook for the timeline of commercialization and monetization of business, even though the technologies and ideas, and the combinations thereof, might have a major impact on solving social issues in the future.

The program focuses on domains that combine both cyber and physical areas, as defined by Society 5.0,* and targets a broad spectrum of hardware domains. Since its creation in 2020, the program has invested in four companies.

As the structure of industry in Japan undergoes major changes, DBJ will use this program and others to act as conduits among industries and bring related parties together from across industry lines, thereby continuing initiatives to create a better society for all.

* Society 5.0 calls for a human-centric society that balances economic development with solving social issues, using advanced systems that combine cyberspace and physical space. (It first emerged as a concept for future Japanese society in the 5th Science and Technology Basic Plan.)

Company name	Business domain (new sector classifications)
Exergy Power Systems, Inc.	Next-generation nickel-hydrogen storage batteries (batteries × services)
SkyDrive Inc.	Flying cars and drones (automobiles × aircraft)
CROSS SYNC INC.	Remote ICU and medical digital transformation (medicine × digital)
FLOSFIA Inc.	Next-generation power semiconductors (materials × energy)

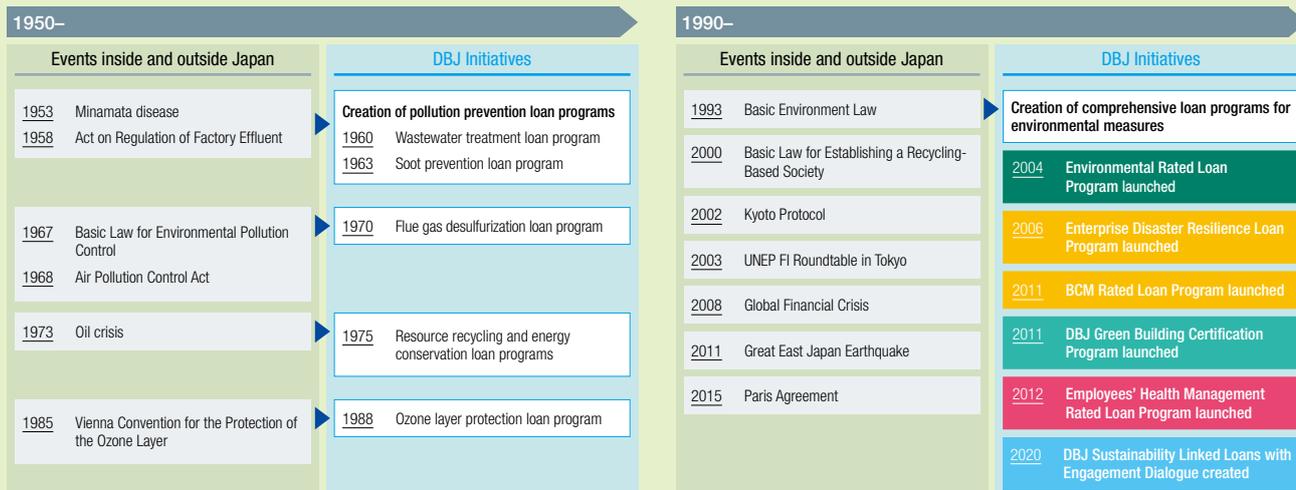
 To see details of the GRIT Strategy, please refer to pages 16–17.

Dialogue with Customers to Realize a Sustainable Society

DBJ provides leading-edge sustainable financing solutions, such as the DBJ Sustainability Evaluation Certification Program, and emphasizes dialogue with customers that aim to solve social issues through their business activities in order to realize a sustainable society.

History of Sustainability at DBJ

Starting in the era of overcoming industrial pollution, DBJ has continued to adapt to the changing times and provide assistance to environmental businesses. Using the knowledge gained through over 40 years of experience and the provision of more than ¥3 trillion in investments and loans, DBJ supports corporate initiatives through dialogue and financing.



DBJ Sustainability Evaluation Certification Program

The DBJ Sustainability Evaluation Certification Program is a list of financing options based on the non-financial information of companies screened with DBJ's proprietary systems.

Having launched the world's first environmentally rated loan program in 2004, DBJ introduced the BCM Rated Loan Program in 2006, which evaluates the disaster prevention and business continuity plans of companies, and the Employees' Health Management Rated Loan Program in 2012.

The most important feature of the DBJ Sustainability Evaluation Certification Program is the evaluation process, which emphasizes direct dialogue with customers. We engage in face-to-face conversations with clients about their initiatives to fill in gaps around publicly available information. Evaluation criteria, incorporating the latest trends, is reviewed every year by a committee of advisors consisting of outside experts.

Once the evaluations are complete, DBJ hosts networking events with an awards ceremony format, where senior managers from participating companies can share ideas. DBJ provides feedback, shares details of the evaluation of outcomes, conveys future expectations, and shares examples of best practices at other companies, to boost its clients' progress in sustainability management.

Assessment Flow of DBJ Certification Programs



DBJ Sustainability Linked Loans with Engagement Dialogue

Sustainable finance has gained traction in Europe and Japan, and in 2020, DBJ began offering DBJ Sustainability Linked Loans (SLL) with Engagement Dialogue. These DBJ SLL with Engagement Dialogue finance solutions are based both on the Sustainability Linked Loan Principles (SLLP) developed by the Loan Market Association (LMA) and other expert groups and on the Green Loan and Sustainability Linked Loan Guidelines issued by the Ministry of the Environment in Japan. Under this program, DBJ uses dialogue to support its borrowers in setting and achieving ESG-related targets (sustainability performance targets, or SPTs) that serve to improve the borrower's sustainability management.

For DBJ SLL with Engagement Dialogue, the Bank has created a process that emphasizes dialogue with customers in the context of the latest trends in sustainability, backed by DBJ's know-how in the sustainability field, accumulated over many years through the DBJ Sustainability Evaluation Certification Program. This dialogue entails the creation of multiple opportunities for discussion about setting optimal SPTs based on the customer's business strategy and sustainability strategy. Throughout the process, DBJ assists customers with devising their external public relations activities and a more sophisticated sustainability strategy to accompany their non-financial information.

Connect with DBJ

Project Spotlight

Extension of DBJ SLL with Engagement Dialogue to Mitsubishi Chemical Holdings Corporation

Mitsubishi Chemical Holdings Corporation is a holding company that has Mitsubishi Chemical Corporation, one of the largest diversified chemicals companies in Japan, under its umbrella. In November 2020, DBJ extended a DBJ SLL with Engagement Dialogue (hereinafter, “this loan”) to Mitsubishi Chemical Holdings Corporation.

Management at Mitsubishi Chemical Holdings Corporation aims to realize KAITEKI, an original concept coined by the group that refers to “the sustainable well-being of people, society, and our planet Earth.”

Under KAITEKI Vision 30, its basic medium- to long-term management strategy that was unveiled in February 2020, Mitsubishi Chemical Holdings Corporation plans to transform its business portfolio into one that solves social problems. It lists social challenges that the Mitsubishi Chemical Group should tackle in order to realize its vision for society by 2050, and identifies six areas of business with the potential for growth through helping to solve these problems. Mitsubishi Chemical Holdings Corporation aims for these businesses to make up at

least 70% of its portfolio by 2030. In carbon recycling, one of the six areas, it proposes (1) bio-based polymers, (2) chemical and material recycling, and (3) CO₂ capture and utilization as concrete solutions.

In light of worldwide attention on the recycling of plastic resources, through dialogue, this loan sets forth SPTs as quantitative targets for measuring progress on the chemical recycling project in the carbon recycling business domain. The SPTs are linked to the commercialization of advanced chemical recycling in Japan and should help facilitate the recycling of plastic resources in Japan.



Managers from Mitsubishi Chemical Holdings Corporation (center of photo) and DBJ

Staff Comment

Corporate Finance Department, Division 1

As the trend toward a sustainable society accelerates around the world, the importance of sustainability management has continued to grow. This loan will help Mitsubishi Chemical Holdings Corporation advance its chemical recycling initiative and help solve the issues of decarbonization and resource recycling, two issues that will influence structural changes in the industry. DBJ will continue to proactively support the initiatives of its customers to realize sustainability management.

Sustainable Solution Department

DBJ has supported the sustainability strategy of Mitsubishi Chemical Holdings Corporation through DBJ Environmentally Rated Loans and other programs. With the DBJ SLL with Engagement Dialogue, DBJ engaged in insightful dialogue with the corporation about its value creation process for 2050, setting SPTs as metrics for the carbon recycling business, an area of importance going forward for solving social issues related to climate change and a circular economy, while taking into account its basic medium- to long-term management strategy. DBJ will continue to assist the corporation with its sustainability strategy and back its efforts to achieve the SPTs.

Message from the Client

Mitsubishi Chemical Holdings Corporation

Mitsubishi Chemical Corporation has decided to construct one of Japan's largest chemical recycling plants as a concrete solution for the problem of plastic waste. The company will do its utmost to achieve the SPTs laid out in this loan for advancing sustainability management, and provide solutions for social issues after constructing the chemical recycling plant.

Track record for DBJ Sustainability Evaluation Certification Program

	Environmental Rated	BCM Rated	Employees' Health Management Rated	SLL with Dialogue Engagement	Total
					
Total number of rated loans as of fiscal 2020 (accumulated total)	32 (719)	18 (396)	24 (234)	2 (2)	76 (1,351)
Total amount of rated loans	¥1,614.7 billion	¥517.7 billion	¥312.0 billion	¥35.0 billion	¥2,444.4 billion

Priority Areas

Area Strategy

Industrial revitalization based on regional characteristics, overseas business development, response to inbound tourism, business succession

Self-Reliance and Revitalization of Local Economies



Regions



The DBJ Group provides solutions for regional issues, connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other.

Outline

Provision by the DBJ Group of services tailored to the characteristics of the respective regions in Japan from 10 branches and eight representative offices across the country

- Investments and loans
- Consulting services
- Planning and research services

Total Number of Business Alliances with Financial Institutions

As of March 31, 2021

112

Longer-Term External Environment and Social Issues

The regional economic outlook is severe with declining household spending and weaker demand for loans alongside a long-term downtrend in regional populations. Industries that depend on non-resident populations, such as tourism, a key industry in outlying regions, have been heavily impacted by restrictions on the movement of people during the COVID-19 pandemic. On the other hand, regional demand may increase if people remember the value of outlying areas, amid changes in work-styles, such as working remotely and the realignment of supply chains.

As regional economies contract in these circumstances, regional enterprises need growth strategies that include overseas business development, measures to improve corporate value through business restructuring and succession, and ascertainment of good opportunities in asset management.

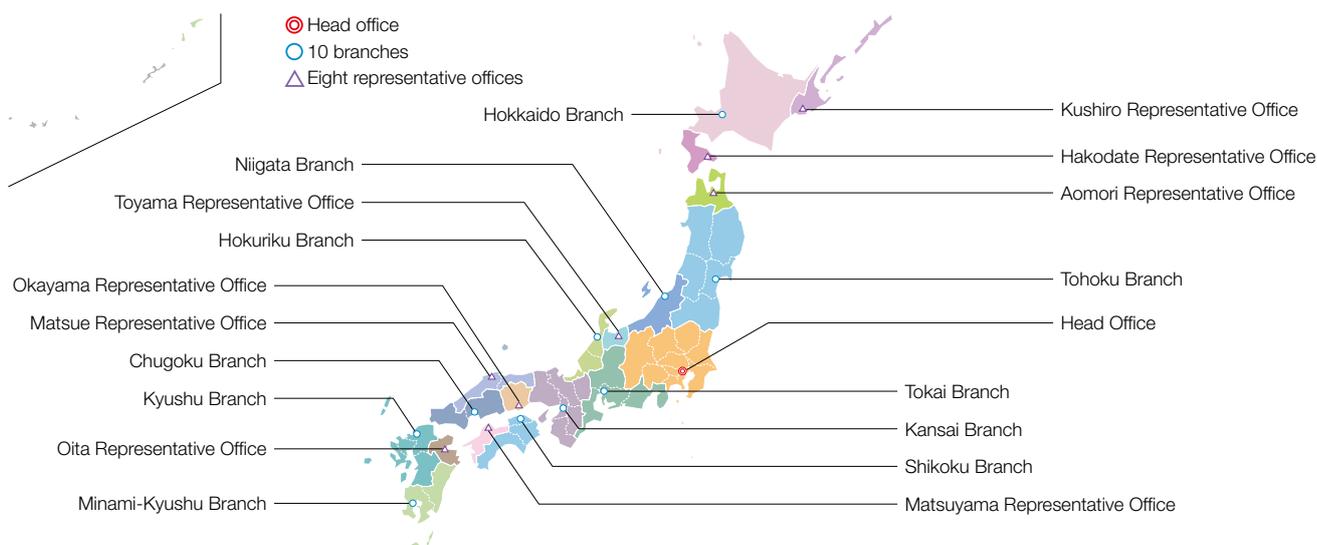
Strategy

DBJ provides services with the three following points in mind, in order to support the new development of regions, while considering the impact of the COVID-19 pandemic on regional economies and the values of each region.

1. Offer support on the knowledge side for discovering new regional resources that attract people to the regions, while maintaining the uniqueness of the regions, in response to the sharp decline in people's movement due to the COVID-19 pandemic.
2. Provide support for business succession and the development of new local industry amid changing industry structures caused by the movement toward carbon neutrality and the declining working-age population.
3. Collaborate and cooperate with regional financial institutions on local initiatives.

Accomplishments and Initiatives to Date

	Fiscal 2019	Fiscal 2020
Special Investment Operations	<ul style="list-style-type: none"> • Supported upgrading of exchange centers, with a focus on sports venues, through financing provided to XSM Flat Hachinohe Co., Ltd. (Aomori), which owns Japan's first multi-purpose arena • Provided project financing to PPP Shinsakura K.K. (Toyama) to advance a public-private project to create compact communities 	<ul style="list-style-type: none"> • Invested in JR West Fund No. 1, which seeks to enhance the attractiveness of regions by advancing development along railway lines • Helped regional financial institutions change the business models of local companies during the pandemic by providing subordinated capital loans to Precision System Science Co., Ltd. through the Chiba Corporate Value Improvement Fund, a joint fund set up with The Chiba Bank Ltd.
Supply of risk capital through collaboration and cooperation with regional financial institutions	<ul style="list-style-type: none"> • Signed cooperative agreement for disaster response operations with regional financial institutions in response to COVID-19 • Cooperated with regional financial institutions through funds 	
Others	<ul style="list-style-type: none"> • Issued reports about solving regional issues • Promoted PPP/PFI projects and made proposals for rebuilding public infrastructure • Offered advisory services to local public organizations related to comprehensive government policies • Provided knowledge to local governments, including assistance for managing public assets 	



By providing detailed solutions to regional problems, the DBJ Group strives to increase the value of its human capital (e.g., the skills and experience of its executives and employees), and relationship capital (e.g., networks).

Collaboration and Cooperation with Regional Financial Institutions

Support for Regional Financial Institutions with Business Feasibility Studies

Working with regional financial institutions, DBJ provides to the clients of regional financial institutions support for assessing the feasibility of businesses that propose solutions to management issues. Based on an analysis of macroeconomic conditions and individual companies, DBJ identifies management issues at clients, and then presents its findings in an easy-to-understand format.

DBJ subsequently comes up with various financial solutions to the identified issues to help its clients formulate their own growth strategies and drum up business. Employees dispatched to DBJ from regional financial institutions are given opportunities to gain knowledge through on-the-job training while performing business feasibility studies of the clients of their own bank. DBJ holds study groups to help regional financial institutions gain a better understanding of business feasibility assessments.

Initiatives in PPP/PFI and Public Asset Management via Collaboration with Local Governments and Regional Financial Institutions

“Public asset management” refers comprehensively to the reassessment of assets held by national and local governments from a management perspective. DBJ assists numerous local governments in this regard, helping them create plans and draw up individual projects with group think tanks.

DBJ set up PPP/PFI Promotion Centers in June 2013. While planning and holding its PPP/PFI Academy seminars, DBJ offers regional platforms for cooperating at the national level. In these and other ways, DBJ has made a concerted effort to expand the use of PPP/PFI, putting into place a structure for promoting their use, including broad scientific research commemorating the 20th anniversary since the enactment of the PFI Act. In particular, the PPP/PFI Academy encourages roundtable discussions and the sharing of advanced case studies through a teleconference system that connects all of DBJ's bases.

Regional Emergency Response Program

With a string of major natural disasters, including earthquakes and typhoons, striking regions around Japan, DBJ has created the Regional Emergency Response Program to provide flexible and rapid support to meet the demand for initial-response emergency funds by those affected by natural disasters. This program was created in conjunction with the Regional Reconstruction Headquarters, which was established with the objective of ensuring an adequate first response to regions struck by disasters, through tight-knit collaboration among our branches and representative offices across Japan, as well as our head office departments. DBJ also provides assistance for the reconstruction of disaster-struck regions through the establishment of funds with regional financial institutions.

Collaboration for M&A of Local Companies and Overseas Information Dissemination

DBJ helps local companies address various management issues, such as business restructuring and succession as well as expansion of business domains, including overseas expansion. As part of efforts to revitalize regions through collaboration with regional financial institutions, DBJ creates M&A opportunities for local companies through its network of regional banks.



<https://www.dbj.jp/service/finance/area/index.html>

Please go to the DBJ website to see the areas supported by each branch (Japanese only).

Priority Areas

Area Strategy

Self-Reliance and Revitalization of Local Economies

Provision of Knowledge about Local Issues

Utilizing the Diverse Value of Forests

DBJ has published a research report titled “Forestry Business Innovation Research Group Report: Establishing Forestry Businesses That Utilize the Diverse Value of Forests.” Forests, which grow on roughly 70% of the land in Japan, are a natural resource of diverse environmental, social, and cultural value, in addition to providing economic value. This report details the findings of the study group, which consisted of experts from across industry, government, academia, and financial circles, on establishing businesses that utilize these forests as natural resources to realize regional revitalization as well as on solving social issues.

Smart Venues and Estimations of Economic Scale of Sports Industry

DBJ welcomes consultation requests from local governments and business owners considering upgrades to stadiums and arenas around the nation. In May 2020, DBJ published the *Smart Venue Handbook* describing in detail main points and processes for making concepts for stadiums and arenas a reality.

In the joint research paper “Estimations of Economic Scale of Japan’s Sports Industry: Japan’s Version of Sport Satellite Accounts 2018,” published by Japan Economic Research Institute Inc. and Doshisha University in September 2019, it is estimated that the economic scale of the sports industry in Japan was ¥7.6 trillion in 2016.

Regional Revitalization with Traditional Japanese-Style Homes

DBJ provides information and advice about creating economic value with traditional Japanese-style homes with the aim of using such homes to stimulate regions. Research reports published by DBJ in recent years include one titled “Regional Revitalization Using Traditional Japanese-Style Homes to Create Economic Value,” which discusses the potential market for repairing and remodeling traditional Japanese-style homes and the economic boost from overseas tourists staying at these homes, and “Key Points for Businesses Using Traditional Japanese-Style Homes,” which introduces example business models for using such homes and reference benchmarks for business revenue.



NIPPONIA Mino merchant family town

State of Community Creation during the Pandemic

In March 2021, the DBJ Group published the recommendations of a council of experts put together by the secretariat, entitled “State of Community Creation during the Pandemic: Initiatives to Leverage Diversity and Strengths of Communities amid Changing Value Systems during the Pandemic.”

The prolonged COVID-19 pandemic has severely curtailed the movement of people in the regions, while also accelerating teleworking and diversifying the value systems of people, thereby creating new opportunities.



Second meeting of experts (December 23, held remotely)

Under these circumstances, the DBJ Group set up a council of experts consisting of representatives from various circles to investigate from multiple angles the state of community creation and to elicit their recommendations for future development, assuming the COVID-19 pandemic is here to stay and that it will have a lasting, irreversible impact on companies and people. Taking note of the following points in these recommendations, DBJ will continue to engage in initiatives to revitalize regions and encourage private–public sector collaboration.

1. Quantify the impact of the COVID-19 pandemic and measures to boost the economy.
2. Examine the direction of reforms for each type of city based on the regional population and industrial characteristics.
3. Create and use new metrics for evaluating the diverse value and wealth of regions without relying on economic indicators.



<https://www.dbj.jp/investigate/etc/index.html>

Please refer to the DBJ website to see the Regional, Industry, and Economic Report (Japanese only).

Self-Reliance and Revitalization of Local Economies



Overseas

Positioning overseas operations within its sector strategy and function strategy, the DBJ Group engages in global operations in sectors providing high added value.

Outline

Subsidiaries in London, Singapore, Beijing (including a branch office in Shanghai), and New York to coordinate operations overseas

Longer-Term External Environment and Social Issues

Although the global economy has fallen sharply during the global COVID-19 pandemic, economies have begun to recover on a patchwork basis depending on vaccination rates and the scale of COVID-19 cases. Based on projections for continued growth over the longer run, the DBJ Group is likely to see robust demand for global business development from its core customers in domestic industries. Over the medium to long term, however, growth is likely to return and increase needs for global business development in domestic industries, which make up the DBJ Group's core base of customers.

Demand for sustainability financing is projected to increase in the infrastructure field, including energy, as countries around the world move to become carbon neutral. It will be important to tap into these growth opportunities overseas and translate them into sustainable growth in Japan's economy and industries through effective domestic initiatives.

Strategy

While monitoring the impact from COVID-19, DBJ will continue to engage in overseas operations in line with its sector strategy and function strategy.

1. In infrastructure fields such as energy and transportation, DBJ will provide investments and loans for the overseas development of Japanese industry and for projects that bring overseas knowledge to domestic markets.
2. DBJ will provide investment and advisory services to support the overseas industrial expansion needs of its customers, including customers headquartered regionally in Japan.
3. DBJ Group companies will manage investments in infrastructure assets and corporate assets for the purpose of providing Japanese investors with investment opportunities overseas.

Accomplishments and Initiatives to Date

	Fiscal 2019	Fiscal 2020
Collaboration with other financial institutions	<ul style="list-style-type: none"> Entered into a business partnership with Business Finland Oy for the purpose of soliciting innovation funds in Finland that advance the formation of an innovation ecosystem through industry-academia-government collaboration 	<ul style="list-style-type: none"> Jointly established Excelsior Energy Capital Fund I targeting renewable energy power generation in the U.S. and solicited investments from prominent institutional investors overseas as well as several investors in Japan
Investment operations	<ul style="list-style-type: none"> Preferred equity financing for developing renewable energy projects overseas (offshore wind power plants in Taiwan) with JERA Co., Inc. Joint investment with Aica Kogyo Co., Ltd. (Aichi) to aggressively invest in Asia Signed financing agreement for a fund to invest in medical equipment venture firms in Japan and the U.S. 	<ul style="list-style-type: none"> Signed an agreement to invest in Catalys Pacific Fund LP, a venture capital fund to advance the global development of drug discovery innovations originating in Japan Signed a financing agreement with other Japanese investors for a new fund set up by Airbus Ventures, a venture capital firm belonging to the Airbus SE. (Operating from its office in Tokyo, this fund will invest in Japanese venture firms and help them make inroads into foreign markets after the investment)
Others	<ul style="list-style-type: none"> Addressed M&A needs of customers in Asia 	

Function Strategy



Special Investment Operations and Crisis Response Operations

The DBJ Group will provide optimal financing solutions tailored to customer needs, from loans to mezzanine financing and investments, while reinforcing its ability to adequately evaluate various risks.

Outline

Provision of loans and investments after analyzing business prospects, evaluating risks, and creating financing schemes. Taking into consideration the traits of each project and the intentions of participants, utilization of DBJ's expertise in integrated investment and loan services that flexibly deploy loans, mezzanine financing, and investments

DBJ's Initiatives to Supply Risk Capital

Special Investment Operations

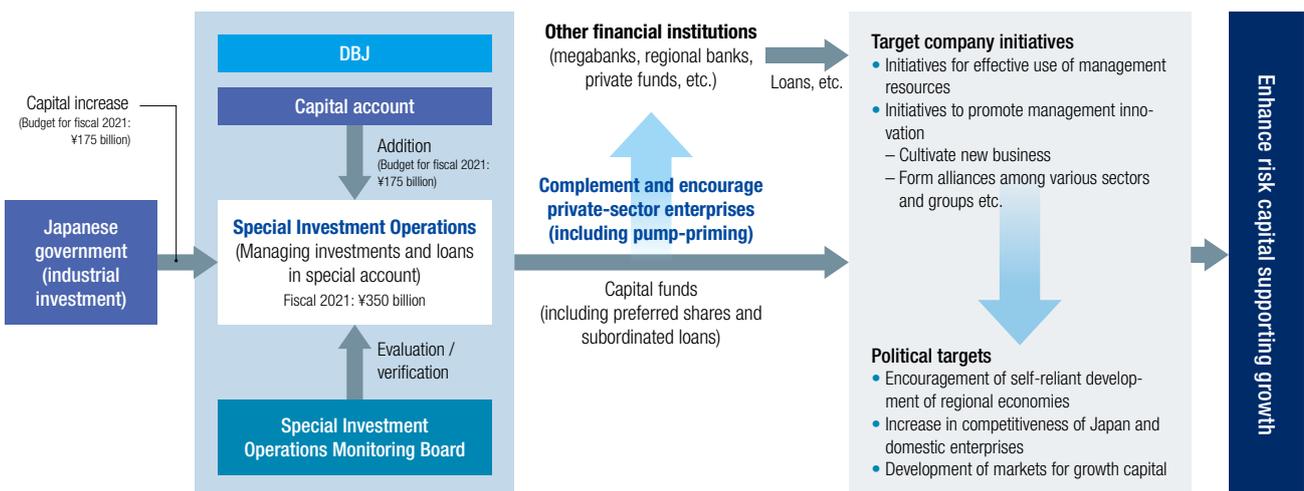
Special Investment Operations, established as an intensive but temporary scheme to supply growth capital* from the perspective of promoting the competitiveness of Japanese enterprises along with regional revitalization, draw only a portion of the investment (industrial investment) from the Japanese government, enough to encourage the private sector to supply growth capital. Since launching the aforementioned operations in June 2015, DBJ has made ¥931.5 billion (as of March 31, 2021) in investments and loans (132 projects in total), the first ¥893.2 billion of which has spurred ¥5,714 billion in private-sector investments and loans.

Special Investment Operations follow policy objectives, in accordance with the law, complementing and encouraging private-sector enterprises and ensuring appropriate competitive relationships. To improve the structure of Special Investment Operations and thereby maintain objective evaluation and

supervision of activities, an advisory body to the Board of Directors was established—the Special Investment Operations Monitoring Board—with participation from outside experts in financial and capital markets, industry, and other professional groups (see page 53).

Based on the Act for the Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 29 of 2020), which was enacted on May 22, 2020, Special Investment Operations were extended—the investment decision term and government financing term from March 31, 2021, until March 31, 2026, and the deadline for ending operations from March 31, 2026, until March 31, 2031.

* According to the Japanese government's "Study Panel Concerning the Promotion of Expanding Growth Funding," certain financial institutions, including DBJ, are expected to serve in a pump-priming capacity for the foreseeable future to attract private-sector investment by cultivating new capital providers, markets, and investors, thereby fostering the development of an investment cycle led by the private sector.



Overview of Special Investment Operations

For its Special Investment Operations, to clarify priority areas for assistance, DBJ has set up the following three funds.

DBJ Innovation and Life Sciences Fund

In light of the July 17, 2020, Cabinet decision “Follow-up on the Growth Strategy,” in March 2021, we renamed the DBJ Innovation Ecosystem Invigoration Fund, which was created in March 2020, to clarify our support for strengthening the competitiveness of the life sciences industry.

Growth Fund for Coronavirus Revival

In May 2020, this fund was established to help businesses affected by COVID-19 rapidly and steadily recover and grow, in reflection of the April 7, 2020, Cabinet decision “Emergency Economic Measures to Cope with COVID-19.”

Green Investment Fund

This fund was created in February 2021, to support businesses that aim to improve the sustainability of natural resources and the environment, such as renewable energy businesses, in consideration of the December 8, 2020, Cabinet decision “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope.”

Through these three funds in Special Investment Operations, DBJ aims to reinforce the competitiveness of Japanese companies and invigorate regional economies while supplying growth capital to the private sector.



Connect with DBJ Project Spotlight

Support for Building a Healthcare Delivery System Based on the “ICU Anywhere” Concept

By drawing on its Society 5.0 Investment Program, DBJ supports CROSS SYNC, Inc. through investments along with Konica Minolta, Inc., Toyota Tsusho Corporation, and FINDEX, Inc. With the ICU Anywhere vision, CROSS SYNC was established as a “Yokohama City University venture capital firm” in October 2019 by intensive care doctors working in the intensive care units of hospitals affiliated with Yokohama City University. With the intention of reducing the number of deaths and patients who rapidly decline in health, CROSS SYNC is a start-up firm that is developing and operating the iBSEN application for analyzing medical data and enabling the remote simultaneous monitoring of multiple patients based on their vital signs and diagnostic images.

Through its Special Investment Operations, DBJ invested in CROSS SYNC based on its innovative concept of supporting acute-stage healthcare, through the combination of the expert and tacit knowledge of practicing physicians with AI and other

IT to identify and display relevant information for the patient’s healthcare needs, and quickly determining and sharing the healthcare priorities of patients, based on estimates of illness severity.

DBJ will dispatch its own employees and connect the many relevant parties to facilitate the development of this product and encourage its use. By solving various social issues caused by doctor shortages, we aim for a society where anyone can receive the best medical treatment anywhere.



Function Strategy

Crisis Response Operations

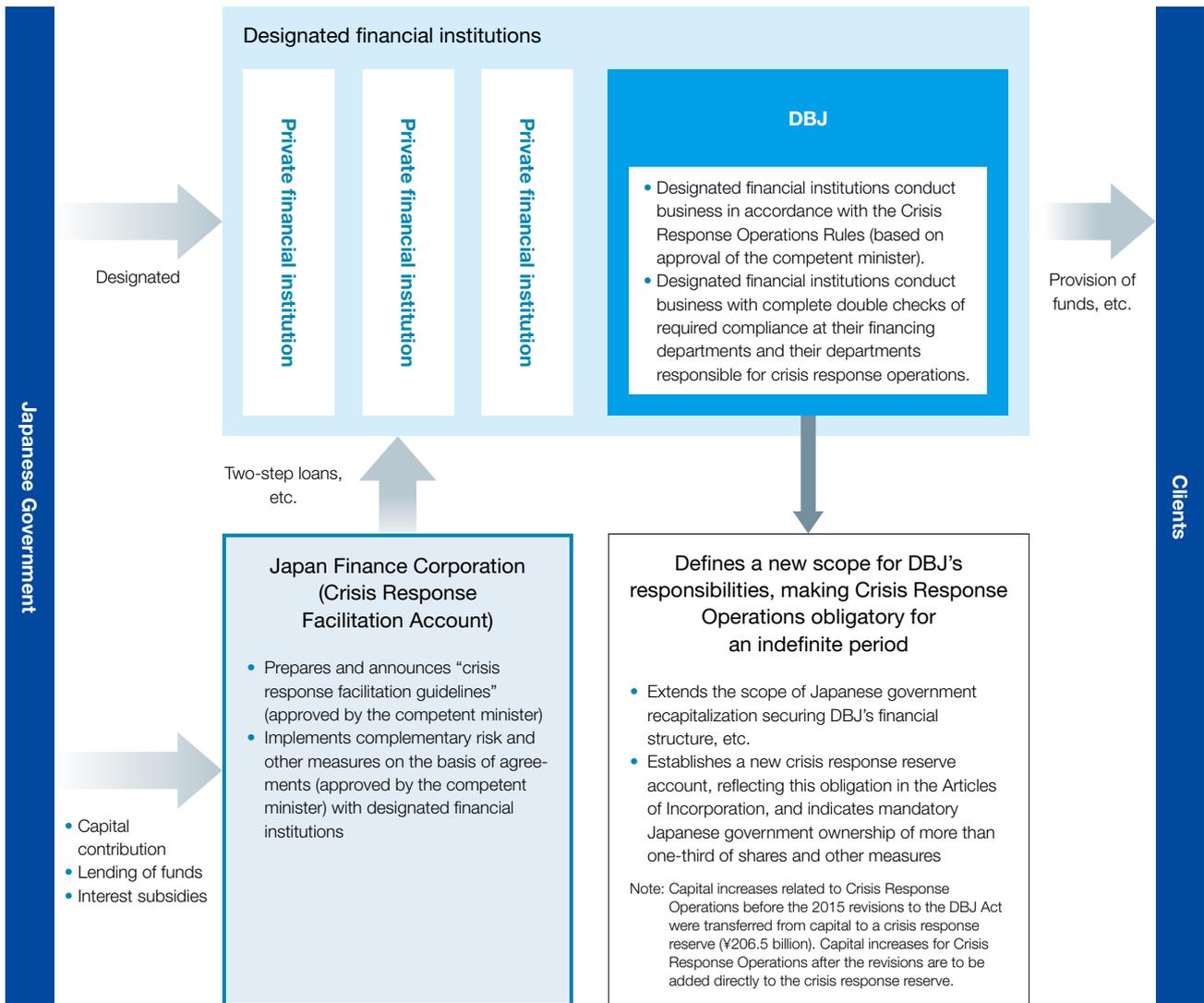
DBJ's Crisis Response Operations function as a stabilizing force during periods of instability in the economy, society, and markets.

The Finance Corporation Act (Act No. 57 of 2007, including later revisions), consists of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. In response to crisis-related damage, Japan Finance Corporation provides two-step

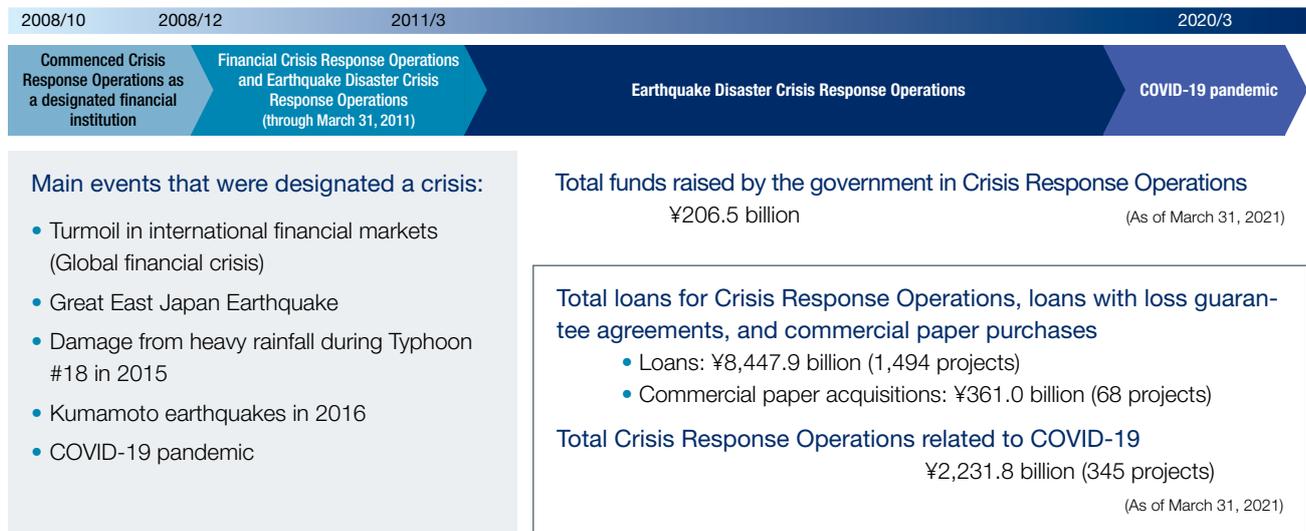
loans as a complementary risk measure, among other measures, to government-designated financial institutions that supply necessary funds to address such damage.

In March 2020, the COVID-19 pandemic was designated a crisis (see "Our Response to COVID-19" on page 15). As a designated financial institution, DBJ collaborated and coordinated with private-sector financial institutions to rapidly and effectively implement Crisis Response Operations.

Crisis Response Operations Scheme



Accomplishments and Initiatives to Date



Project Spotlight

Great East Japan Earthquake of 2011

In the fiscal 2011 supplementary budget passed in the wake of the Great East Japan Earthquake, ¥2.5 trillion was earmarked for Japan Finance Corporation for Crisis Response Operations targeting medium- and large-sized enterprises. DBJ proactively provided assistance for clients affected both directly and indirectly by the disaster.

Along with designated financial institutions in the disaster area, DBJ arranged the Great East Japan Earthquake Reconstruction Fund.

In December 2014, in response to the shift of the stage of earthquake reconstruction from the restoration of production facilities (the “restoration stage”) to efforts to open up a new enterprise-based market that resumes production, collaborates

among multiple enterprises to boost industry competitiveness, builds infrastructure, and reinforces functions (the “reconstruction and growth stage”), we established a reconstruction and growth support fund in collaboration with the Regional Economy Vitalization Corporation of Japan.

In fiscal 2018, with demand for reconstruction seeming to settle, we established a new fund for medium-to-long-term capital funds and other forms of money with shared risk, aimed at supporting the economic development of the affected areas.

Going forward, we will continue to work with local financial institutions while promoting efforts to help stricken areas according to their particular stage of recovery.

Kumamoto Earthquakes in 2016

In 2016, DBJ established the Kumamoto Recovery Office within its Kyushu Branch to better provide useful knowledge and financial expertise for the restoration and reconstruction of regions affected by the Kumamoto earthquakes.

In July 2016, DBJ formed the Kumamoto Reconstruction Support Fund jointly with The Higo Bank, Ltd. and The Kagoshima Bank, Ltd., financial institutions in the disaster-stricken area. The fund supplies risk capital, through such schemes as senior loans (repayment in full on maturity, uncollateralized, non-guaranteed loans) and subordinated loans, to businesses affected by the disaster.

Additionally, DBJ has provided beneficial information about restoration and reconstruction through a cross-departmental system, and has offered survey and planning services in conjunction with related local governments, national institutions, and economic groups, as well as local financial institutions.



Kumamoto Castle, damaged by the earthquakes
(photo from the Ninomaru Parking Lot)

Function Strategy

Syndication, Advisory, and Consulting Services

The DBJ Group mobilizes tie-ups and collaboration to provide syndicated loans and support for M&A designed to promote Japanese companies' growth strategies and strengthen their international competitiveness, while offering impartial consulting services with a long-term perspective. Along with related services, this helps clients solve the problems they face and stimulates activity in financial markets.

DBJ provides loans and investments after analyzing business prospects, evaluating risks, and creating financing schemes. Taking into consideration the traits of each project and the intentions of participants, DBJ utilizes its expertise in integrated investment and loan services that flexibly deploys loans, mezzanine financing, and investments.

Outline

Syndication

DBJ utilizes its impartial standpoint to call on a wide range of financial institutions in providing high-value-added syndicated loans that draw on DBJ's lineup of sustainability certification programs and other original DBJ financing products.

Advisory Services

DBJ offers expert advice related to corporate M&A—ranging from the formulation of strategies, screening of acquisition candidates, and assessment of corporate value to negotiations, structure policy, and post-merger integration assistance—for a variety of situations, including industry restructuring, overseas business development, business domain expansion, business succession, and fund investments and exits.

Research and Consulting

Utilizing its extensive network of connections to universities, research institutions, experts, national governments, and local governments, DBJ provides support through surveys and problem-solving ideas related to business strategies and policy formation for urban development, regional development, social capital maintenance, energy, the economy, and industry.

Strategy and Initiatives to Date

Syndication

Activities have included leveraging DBJ's strengths in syndicated loans in the energy sector and reinforcing ties and partnerships with regional financial institutions through such means as business cooperation agreements for syndicated loans. In this way, DBJ is contributing to corporate fund-raising while also providing financing opportunities for financial institutions.

DBJ has provided information to other regional financial institutions about a natural disaster risk-adjusted product it jointly developed with The Hiroshima Bank Ltd. in fiscal 2017 to provide loans with special provisions that waive the original principal in the event of an earthquake, as well as loans with special provisions that waive the original principle in the event of damage caused by heavy rains (created in fiscal 2018). Moreover, DBJ put together special deals, including a large syndicated loan, for the Fukuoka Airport concession project.

Advisory Services

As a result of its impartiality, DBJ has a wide network it can mobilize in providing its advisory services, including not only Japanese firms but also overseas companies and private equity funds.

In fiscal 2017, DBJ entered into an overseas M&A advisory business cooperation agreement with BDA Partners (headquartered in New York), which needed to develop business in Asia and other parts of the world. The synergies generated between BDA's overseas network and the DBJ Group's M&A advisory organization and domestic and overseas networks produced a more effective and efficient overseas M&A advisory service for the client.

Research and Consulting

Japan Economic Research Institute Inc. is a comprehensive think tank that conducts research in the public, solutions, and international fields. In the public-private partnership and project financing initiative fields, it has a top-class track record in Japan backed by unparalleled experience and know-how.

Value Management Institute Inc., another comprehensive think tank, excels in analysis using proprietary economic models and insight into cutting-edge technologies. Its highly specialized knowledge encompasses a broad range of policy fields, including the formulation of integrated strategies for local governments across Japan.



Asset Management

DBJ Asset Management Co. Ltd. (DBJAM) contributes to the activation of new money flows and development of financial markets through the provision of quality investment opportunities and management services to institutional investors in the alternative investments field, which has been growing in importance, while leveraging its industry knowledge and networks as a member of the DBJ Group.

Outline

DBJAM is one of the most unique investment management companies that specializes in alternative investments in the fields of real estate, private equity, and infrastructure around the world.

External Environment and Social Issues

Japan is a nation with considerable assets, including over ¥1,900 trillion in household financial assets and ¥400 trillion in pension assets. With the Japanese economy confronted by a declining population and an aging society, it is imperative that this wealth (financial assets) is steadily expanded.

In realizing sustainable asset formation for the nation, it is an extremely important policy issue for Japan is to have a healthy and efficient capital market. Financial institutions, pension funds, and other institutional investors must also advance their investment capabilities in order to maintain a vibrant capital market.

Strategy

As a member of the DBJ Group, DBJAM's mission is to provide quality investment opportunities and management services to institutional investors in the increasingly important field of alternative investments, in a bid to help resolve social issues.

The DBJ Group fully leverages its ability to provide investment opportunities backed by its extensive knowledge and network built over the years as an alternative investor. Its first and foremost management policy is to maximize profits for investors while fulfilling its fiduciary duty. In order to create value for investors, fiduciary duty is instilled in employees through extensive in-house training and reflected in business plans and performance evaluations.

DBJAM has been strengthening ESG investment from the standpoint of further improving its management capabilities. Through continuous progress and improvement in ESG integration, or the inclusion of ESG elements into business processes, DBJAM is able to conduct a deeper analysis of risks and returns for each investment from a longer-term and broader perspective. DBJAM aims to further advance its investment services and expand profits for investors.

Achievements

DBJAM was established in 2006 as a real estate investment management company. In 2012, DBJ increased its ownership of DBJAM to 100%, clarifying its position as a core company in the asset management business within the DBJ Group. Since then, DBJAM has diversified from real estate into the private equity (PE) and infrastructure investment fields, creating a three-pronged business structure.

DBJAM has launched and augmented various investment operations and investment products to meet the growing and diversifying needs for alternative investments among investors. Such as a role of gatekeeper or fund of funds manager, we invest in private real estate funds and private real estate investment trusts (REITs), as well as PE, infrastructure and real estate funds around the world.

As a result of these activities, assets under management totaled ¥2,153.9 billion as of March 31, 2021. While meeting the expectations of investors, DBJAM will contribute to the expansion and development of the alternative investment market.

Management Foundation Strategy

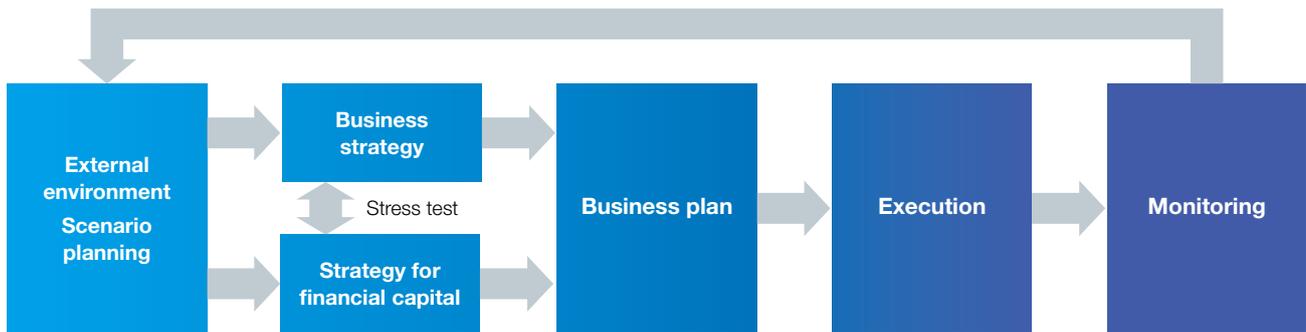


We target sustainable growth by constructing an optimal risk–return portfolio while maintaining and strengthening a robust financial base that supports our unique business activities, including integrated investment and loan services.

Basic Policy

Financial capital is a vital element of our business foundation implementing advanced business strategies centered on our sector strategy (see page 22) and function strategy (see page 36). A robust financial foundation of funds and capital is necessary for the DBJ Group to execute its sector strategy, supply risk capital, and engage in Crisis Response Operations.

We aim to maintain and strengthen our financial capital by managing it within the context of a risk appetite framework based on sophisticated analysis of risks and returns, with due consideration paid to regulatory capital (management focused on shareholders' equity ratios) and economic capital (management of capital using stress tests).



Financial Soundness Indicators

Issuer ratings	A1 (Moody's), A (S&P), AA+ (R&I), AAA (JCR)	(As of June 30, 2021)
Common equity Tier 1 risk-weighted capital ratio	16.65%	(As of March 31, 2021)

Specific Initiatives to Improve the Value of Financial Capital

A pillar of the DBJ Group's business strategy is to provide long-term financing for infrastructure projects. To do so, the DBJ Group procures long-term funds through corporate bonds and the Fiscal Investment and Loan Program (FILP). In recent years,

DBJ has stably procured funds through FILP as well as by issuing corporate bonds, thereby augmenting its fund procurement activities with diversified maturities and methods. DBJ has been issuing green bonds and sustainability bonds since fiscal 2014. The issuance of these bonds has not only diversified our fund procurement base but also invigorated the socially responsible investment (SRI) bond market.

DBJ Socially Responsible Investment Bonds

In fiscal 2014, DBJ became the first bond issuer in Japan to issue a green bond. Furthermore, DBJ has issued a DBJ Sustainability Bond each year since 2015. In fiscal 2020, DBJ issued €0.7 billion and \$0.5 billion in such bonds as the only Japanese issuer to do so for seven consecutive fiscal years. The raised funds are allocated toward the creation of a sustainable society via financing for real estate properties eligible for DBJ Green Building Certification, the Environmentally Rated Loan Program, financing for renewable energy projects, financing in the green field, the BCM Rated Loan Program, and the Regional Emergency Response Program. Information on the management and allocation of funds is evaluated by third parties to increase transparency.

In January 2017, DBJ became an issuer member of the Green Bond Principles,* the first Japanese firm to attain such a status, and in March 2020 it participated on a committee created by the Ministry of the Environment to revise the Green

Bond Guidelines. DBJ will continue to support the sustainable growth of this market by continuing to issue SRI bonds and proactively engaging in international and domestic initiatives.

* The Green Bond Principles are compiled by the International Capital Market Association (ICMA), investors, issuers, and securities companies. These parties are responsible for updating annually the Green Bond Principles, which are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuance of a green bond. These parties also constitute a platform to share the latest information about green bonds and disclose relevant information to society.

Issuance of SRI bonds

(As of March 31, 2021)

	Fiscal 2020	\$520 million €700 million
	Fiscal 2019	\$1 billion
	Fiscal 2018	€700 million
	Fiscal 2017	\$1 billion
	Fiscal 2016	\$500 million
	Fiscal 2015	€300 million
	Fiscal 2014	€250 million

Capital Procurement (Non-Consolidated)

(¥ billion)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Funds raised (flow)	3,153.4	3,790.8	3,951.8	5,786.7
Fiscal Investment and Loan Program	922.7	643.3	1,142.9	1,497.3
Of which, borrowings from FILP	580.0	300.0	800.0	1,050.0
Of which, government-guaranteed bonds (domestic)	150.2	150.2	150.2	150.2
Of which, government-guaranteed bonds (overseas)	192.5	193.0	192.7	297.1
Government-guaranteed bonds with maturity of less than five years (domestic)	100.2	100.3	100.2	—
Corporate bonds (FILP bonds)	535.8	549.4	579.3	618.7
Long-term debt	589.5	446.3	583.1	2,479.1
Of which, recovered, etc.	1,005.0	2,051.4	1,546.1	1,191.4

IR Activities to Spread Understanding of DBJ's Principles and Work

In addition to procuring government credit through the Fiscal Investment and Loan Program (FILP) and the issuance of government-guaranteed bonds, DBJ conducts its own fundraising activities, such as issuing corporate bonds (FILP bonds) to domestic and overseas investors and borrowing money from insurance companies and financial institutions, primarily regional banks. When conducting its own fundraising activities, DBJ places emphasis on having investors understand and support its principles and work and, to that end, dispatches representatives to conduct proactive investor relations through face-to-face meetings in all regions of Japan and overseas.

Particularly when raising funds through loans, DBJ takes care to further a deeper understanding of its work by giving examples of investments and loans it has extended inside and outside Japan as well as within domestic regions. DBJ also takes care to gain a deeper appreciation of the issues faced by the borrowing customer, viewing the interaction as an opportunity for further collaboration on investments and loans, in addition to borrowings.



<https://www.dbj.jp/en/ir/>

Please refer to the DBJ website for more information related to investor relations.



Management Foundation Strategy

Human Resource Development

We aim to be an organization with diverse human resources that helps employees develop skills while raising their motivation.



Basic Policy

To steadily implement the DBJ Group's value creation process, which aims to create both economic and social value, and to realize Vision 2030, our long-term vision for our future, it is imperative for us to nurture excellent employees who can implement the distinctive business models of the Group, including its integrated investment and loan services.

To this end, we think it is important to create structures in which employees will be highly motivated. Improving the value of human capital is one of our most important priorities, and DBJ is taking concrete steps to achieve this goal.

Human Resource Development Vision

DBJ's role has evolved and developed substantially to meet the needs of the times. DBJ considers such innovation crucial to maintaining its leadership position in the constantly advancing field of finance.

To develop its all-important human resource assets, DBJ encourages autonomous and pioneering behavior in its employees as financial professionals in keeping with the vision of "generalists who can be specialists in many fields." While it is important to acquire specialist knowledge, responding to society's constantly changing needs also requires broad experience, deep knowledge, and the ability to see the big picture. We continue to build a wide variety of systems based on this philosophy.

Outline of Human Resource Training System

	On-the-job training	Rank-based training	In-house training (required/optional)			Dispatch outside DBJ		Self-study			
			Compliance training / Information security training	Financial skills-related training	Diversity training (Women empowerment, "ku-boss," understanding people with disabilities, etc.)	Global	Domestic				
Managers	Strategic human resource development through job rotation and on-the-job training	Life/career plan seminar	Compliance training / Information security training	Financial skills-related training • Proposal and screening capabilities • Financial modeling • Financial products • Sustainability etc.	Diversity training (Women empowerment, "ku-boss," understanding people with disabilities, etc.)	Short-term study at foreign business schools	Global leadership program for managers	Secondments to external institutions (national government agencies, Group companies, etc.)	Short-term study on external programs	Foreign languages, finance, law, financial skills, etc.	
		Coaching program									
		Newly appointed manager training									
Mid-level employees		Pre-management training									
	Career development program										
Young employees		Career development program									
New employees				Training for new employees							



Specific Initiatives to Increase the Value of Human Capital

Intensification of the Hiring and Exchange of Human Resources across the DBJ Group

DBJ will strengthen its hiring processes and practices and secure the personnel necessary across the entire Group to implement its sector strategy, function strategy, and area strategy.

The DBJ Group will also work to further disseminate its long-term vision, Vision 2030, and its value creation process by strengthening the exchange of human resources across the DBJ Group.

Skills Development

The DBJ Group develops human resources through practical on-the-job training and extensive training opportunities.

- Employees are strategically rotated so that they steadily develop highly specialized skills by gaining practical and diverse experience and broad perspectives in multiple departments and outside institutions.*
- * DBJ dispatches employees to national government agencies, Group companies around the world, and companies that have received investments.
- New employees receive thorough growth assistance with approximately three months of DBJ's own accounting and financial analysis courses and a full year of new-employee training programs.
- In addition to work-related training, DBJ provides not only supplementary programs for self-improvement but also a skills development program, extensive in terms of both quality and quantity, that provides rank-based training for required subjects whenever necessary.
- Opportunities to study abroad at overseas universities and training systems are made available for developing global human resources. DBJ also operates its own leadership training program (entirely in English) in collaboration with top overseas universities for young employees and management-level employees.
- Almost all training has been moved online due to the COVID-19 pandemic, and DBJ continues to proactively enhance the flexibility and sophistication of classroom training environments.
- DBJ plans to develop and advance initiatives to prepare personnel for engaging in investment and loan activities to realize a sustainable society based on GRIT Strategy.



Seminars and events for women empowerment and leadership training

Diversity Management and Productivity Improvements

To promote workplaces where diverse human resources can work together, DBJ encourages mutual understanding and takes steps to improve the productivity of each employee.

- Improve productivity and resilience with systems that facilitate flexible work-styles, such as working from home, and flexible work schedules with core hours. Ensure a system where work is pursued while placing the highest priority on the health and safety of our executives and employees, allowing work-from-home arrangements and staggered working hours to mitigate the spread of COVID-19.
- Hold seminars with care experts, to enhance work and leave systems for child-rearing and elderly care—for example, maternity leave, reduced working hours, and childcare participation leave.
- Create and distribute a guide to balancing work with child-rearing and elderly care, and holds “*iku*-boss” seminars for members of management to enable them to support employees using these systems while improving team productivity. Also hold seminars for furthering understanding of people with disabilities and promotes the building of cooperative relationships among staff to further mutual understanding.
- Continue to advance initiatives while planning new interactive events and seminars about career development to advance the empowerment of women in the workplace.
- Support the physical and mental well-being of its officers and employees with courses about self-resilience, as well as by offering a counseling system staffed by outside professionals, in addition to periodic health checkups.

Motivation and Engagement

We constantly ask ourselves if we have laid the proper foundation for genuinely motivating officers and employees to take the initiative in accordance with the DBJ Group's corporate philosophy.

- DBJ conducts engagement surveys for employees, evaluates the results of these surveys, and creates action plans that enable each department to increase motivation through improvement activities.
- In training about career formation, DBJ creates opportunities for furthering understanding of its corporate philosophy and constructive dialogue about improvements and practical approaches.

Employees' Use of Childbirth and Child-Rearing Support Systems, Number of Employees in Training Courses (non-consolidated)

Ratio of employees returning to work after taking childcare leave (number of employees having completed childcare leave in fiscal 2020)	22/22 (100%)
Ratio of male employees taking childcare leave (employees who had a newborn child in fiscal 2020)	111.4%
Rehiring system (number of registrants as of March 31, 2021)	25
Employees who use reduced working hours for childcare and nursing care	63
Participants in “ <i>iku</i> -boss” training (cumulative total)	About 240
Seminars for finding childcare facilities (cumulative total)	About 210

Management Foundation Strategy

Knowledge and Collaboration



To improve intellectual, relationship, and social capital using the management resources of the DBJ Group, we are accumulating knowledge while advancing collaboration with various stakeholders.

Basic Policy

Intellectual Capital

Knowledge

We strive to improve skills as a core element of operations necessary to differentiate our business model through surveys, research, analyses, and risk management centered on industry.

Processes

We will improve operations, including via investments in information and communication technology (ICT), by clarifying and simplifying business processes from the customer's standpoint in order to rapidly and properly address customer needs.

Relationship Capital

Collaboration

The DBJ Group has built diverse networks with customers, financial institutions, investors, and national and local government agencies for the purpose of exchanging information and avoiding conflicts of interest. The DBJ Group utilizes its unique networks to identify issues affecting the economy and society and to conduct investment and loan operations. We aim to maintain our reputation and improve our brand value through the services we provide to customers.

Social Capital

The DBJ Group defines social capital as a resource shared across society that underpins the foundations of market economics. Increasing the value of social capital is a basic tenet for realizing a sustainable society. DBJ specifically engages in unique initiatives within the context of (1) the natural environment, (2) social infrastructure, and (3) system capital.

Social capital	Details	Example of initiatives
(1) Natural environment	Forests, mountains, rivers, lakes, soil, air	Environmentally Rated Loan Program DBJ Green Building Certification
(2) Social infrastructure	Energy, transportation, urban infrastructure, industrial value chains	Loans and investments for infrastructure and industrial projects BCM Rated Loan Program
(3) System capital	Stabilization and stimulation of the financial system, development and invigoration of financial markets	Crisis Response Operations Supply of risk capital Socially responsible investing bond issuance

Specific Initiatives to Improve the Value of Intellectual Capital

Knowledge

Industry Analysis

The role of the Economic & Industrial Research Department is to analyze and disseminate information on economic and industrial trends in Japan and overseas, including macroeconomic trends and trends in key industries, and to support investment activity. DBJ proactively works to accumulate and use intellectual capital, including information on recent trends in such areas as big data, AI, computer-assisted software engineering (CASE), virtual and augmented reality, and fintech.

In April 2017, DBJ established the post of chief research officer, who is in charge of the Sustainability Planning & Intellectual Capital Support Department. In June 2021, the Economic & Industrial Research Department was newly created under this structure, and its name was changed to the Chief Research Office.



<https://www.dbj.jp/en/investigate/>

Please refer to the DBJ website for more information.

2050 Growth Strategy Headquarters Meeting

To achieve the GRIT Strategy outlined in the Fifth Medium-Term Management Plan, in the fiscal year under review, DBJ set up the 2050 Growth Strategy Headquarters Meeting as a cross-divisional assembly, including members of management.

The aim of this action is to advance initiatives through collaboration across existing organizational boundaries by engaging in discussions and through the sharing among departments of the latest trends and knowledge necessary to promote Green, Resilience & Recovery, Innovation, and Transition / Transformation initiatives for society and customers. (In the fiscal year under review, the topics discussed included transition finance, ESG real estate, and carbon pricing.)

Capital Investment Planning Survey

With a history of more than 60 years (since 1956), DBJ's Capital Investment Planning Survey looks at trends in corporate capital investment in Japan as well as corporate activities based on the "broad definition of investment," including capital investment overseas, and spending on R&D, M&A, and human resources. The results of the survey are used for many purposes, such as furthering education at universities and research at R&D organizations, in addition to serving as a reference for national economic policy and corporate planning.

Research Institute of Capital Formation

The Research Institute of Capital Formation (RICF) was established in 1964 with Dr. Osamu Shimomura, who advocated for the principles behind Japan's post-1940s, high economic growth, as its first executive officer. The institute serves as a venue for creating intellectual capital through cooperation and collaboration between DBJ and external experts at universities and other organizations. Its research includes a focus on the

formation of a sustainable economy and society from an academic and liberal standpoint. In recent years, the institute has expanded the means for creating intellectual capital by establishing new committees for researching sustainability, publishing research papers through Springer, an international academic publishing company, and holding international academic conferences in conjunction with overseas academic journals and think tanks.

Processes

Digital Strategy Office

In fiscal 2020, the Digital Strategy Office was created under the Corporate Planning & Coordination Department consisting of members across departments. Based on the newly drawn up DBJ-DX Vision, the Digital Strategy Office is in charge of digitalizing in-house business processes and solving the issues of customers. We endeavor to provide added value to customers by advancing efforts regarding the digital transformation of society, including updating frameworks for selecting new digital tools and training the personnel needed to advance digital transformation.

Concrete Measures to Increase the Value of Relationship and Social Capital

Collaboration and Dialogue with Stakeholders

Customers	<ul style="list-style-type: none"> • Provided DBJ Sustainability Certification Loan programs • Held a business plan competition for women • Provided platforms via DBJ Connect • Supported innovation with iHub
Financial institutions	<ul style="list-style-type: none"> • Collaborated with LTIC • Coordinated operations with Bridges Fund Management Ltd. in the United Kingdom
Government	<ul style="list-style-type: none"> • Participated in high-level panel about ESG finance • Participated in TCFD scenario analysis support project
Research institutions	<ul style="list-style-type: none"> • Held DBJ Academy at RICF

Participation and assessment of outside initiatives



Management Foundation Strategy

DBJ Women Entrepreneurs Center (DBJ-WEC)

In 2011, the DBJ Women Entrepreneurs Center was launched to provide comprehensive support, including entrepreneurial know-how and networking opportunities, to nurture growth businesses led by women from new vantage points that could change society and the economy for the better. As a part of these efforts, DBJ has held a business plan competition eight times since 2012 for women entrepreneurs.

In the eighth competition, first-place awards were created in three fields: Excellent Social Design Award, Excellent Growth Potential Award, and Excellent Regional Impact Award. From among these categories, the DBJ Women Entrepreneurs Prize recipient is chosen. Excellent new business ideas are awarded business grants of up to ¥10 million. After the competition finishes, the winners are connected with outside experts and experienced entrepreneurs who help them turn their business plans into reality by supporting the growth and development of their business ideas.

More than 2,500 business plans have been submitted over the past eight competitions. Some of the winners' and finalists' competition plans have gone on to play a role in expanding their respective entrepreneurs' operations. DBJ also assists other initiatives to support women entrepreneurs in regional locations, helping expand the breadth of women entrepreneurs.



<https://www.jeri.or.jp/wec/>

Please refer to the DBJ website for more information about the DBJ Women Entrepreneurs Center (Japanese only).

DBJ iHub (DBJ innovation Hub)

Along with the Japan Economic Research Institute, DBJ seeks to spur innovation through iHub and "value training" activities. By using its impartial position and broad network, DBJ aims to resolve social issues through logical and innovative business solutions.



<https://www.jeri.or.jp/sctm/about/ihub.php>

Please refer to the DBJ website for more information (Japanese only).

DBJ Connect

Beginning in June 2017, at the suggestion of our young employees, we launched DBJ Connect in collaboration with Creww, a company that operates the largest start-up community in Japan.

DBJ Connect is a program whereby DBJ facilitates all of the necessary processes for collaboration between start-ups and major and mid-tier corporate customers. When major and mid-tier corporate customers evaluate starting a new business, start-ups are solicited to provide ideas for business collaboration over the internet to solve issues related to processes, know-how, ideas and human resource shortages, for example.

DBJ Connect aims to maximize not only potential outcomes in short periods of time but also human resources as the various parties aim to start their experimental projects.

In fiscal 2020, the Hokuriku Start-Up Program attracted more than 50 proposals from start-up firms, and five of these proposals turned into collaborations between start-ups and Ryoki Kogyo Co., Ltd. and Being Holdings Co., Ltd.



<https://dbj-i.net/ja>

Please refer to the DBJ website for more information (Japanese only).

Participation in and Evaluation of Outside Initiatives

In December 2016, DBJ and DBJ Asset Management Co., Ltd. became signatories of the United Nations-supported Principles for Responsible Investment (PRI) and have served as members of the PRI Infrastructure Advisory Committee since February 2018. DBJ is also a member of the Long-Term Investors Club (LTIC), an international group of investors that emphasizes investment activities with long-term time horizons. In May 2019, with Japan Bank for International Co-operation, DBJ held an annual meeting and sponsored events to exchange opinions with financial institutions from G20 countries. Furthermore, DBJ proactively participates in and contributes to outside initiatives that promote sustainability management, as an investor member of the Global Real Estate Sustainability Benchmark, a participant in high-level panels on ESG finance at the Ministry of the Environment, as well as a signatory to the Principles for Financial Action for the 21st Century and chair of its Working Group on Savings, Lending, and Leasing Operations.

In February 2019, DBJ received an award from the Association of Development Financing Institutions in Asia and the Pacific recognizing its participation in outside initiatives, specifically its efforts in health management in February 2018 and its initiatives to address natural disasters and climate change.

Taking the Initiatives to Spread PFS and SIB that Solve Social Issues

What are PFS and SIB?

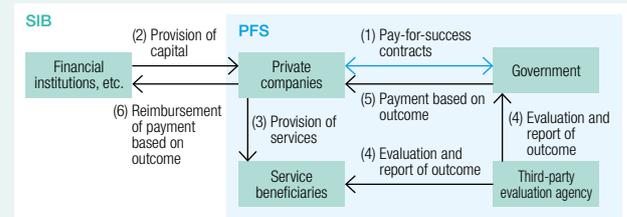
Pay-for-success (PFS) contracts are subcontracts that pay pre-set amounts linked to the outcome of a project, as designated by national or local governments. Social impact bonds (SIBs) are a subset of PFS associated with the allocation of private-sector funds to social projects.

PFS and SIB comprise a new framework for private-sector collaboration to solve social issues faced by national and local governments that lead to new solutions that leverage the knowledge of private companies and private-sector financing, while keeping government expenditures in check.

PFS and SIB have gained traction overseas, mainly in the U.K. and the U.S. In Japan, the Cabinet Office drafted the Action Plan for the Promotion of Pay-For-Success Contracts with Private Service Providers (2020) based on the Growth Strategy Action Plan (June 21, 2019, Cabinet decision). This

action plan calls for promoting the use of PFS and SIB in three priority fields: healthcare, nursing care, and crime prevention. The Basic Policy on Economic and Fiscal Management and Reform 2021 (June 18, 2021, Cabinet decision) also clearly calls for expansion in PFS and SIB initiatives.

PFS and SIB Scheme



Initiatives to Date

DBJ views PFS and SIB as important means of public-private collaboration to solve social issues. Through market research and the disclosure of information inside and outside Japan, DBJ has built networks with entities in the PFS and SIB market, including national and local governments, intermediate support organizations, service providers and private-sector companies, and financial institutions. Here, we introduce two major initiatives in this field.

Entered into a Strategic Partnership with Bridges Fund Management (the U.K. Impact Investor)

In November 2019, DBJ signed a business cooperation agreement with Bridges Fund Management Limited (Bridges) in the U.K. to build a strategic partnership and invest in the Bridges Social Outcomes Fund II, a fund that invests in SIBs.

Bridges is a major fund management company in the U.K. that specializes in social impact investments, aimed at creating positive economic returns and social impacts. The U.K. has the largest number of SIB projects in the world. As an investor, Bridges provides not only capital but also support for putting together and managing projects for the successful achievement of key performance indicators. This innovative know-how should bring a wealth of SIB opportunities in Japan, and DBJ plans to draw on this expertise through the financing of projects and cooperation on the operational side.



SIB for the prevention of mental health and healthcare maladies among elderly people in the U.K.

Launched PFS and SIB Conference

DBJ held PIF and SIB Workshops in collaboration with Social Value Japan, Social Innovation and Investment Foundation (SIIF), and Sumitomo Mitsui Banking Corporation.

These workshops were made possible thanks to the relationships DBJ has cultivated with national and local governments, investors, foundations, and other entities. A total of 56 companies and groups participated as committee observers, including the Cabinet Office, the Ministry of Economy, Trade and Industry (METI), the Ministry of Justice, 10 local governments, and seven financial institutions. Held three times between October 2020 and January 2021, the workshops provided a venue for lively discussions about PFS and SIB issues and future initiatives in Japan.



PFS and SIB Study Group

Aiming to Further Spread PFS and SIB

Utilizing its diverse networks and knowledge, DBJ intends to share information regularly and provide capital and assistance for the formation of individual PFS and SIB projects. DBJ will help solve social issues regionally while contributing to the growth and invigoration of this market by promoting Japanese versions of PFS and SIB contracts.

Corporate Governance

Message from the Chairman

With ongoing efforts to strengthen governance, DBJ contributes to sustainable growth through an innovative process of value creation.



▶ Creation of a Unique Business Model

The DBJ Group practices sustainability management in accordance with the Development Bank of Japan Inc. Act, balancing economic and social value with the aim of building a sustainable society. We supply risk capital to forward-looking initiatives through our Special Investment Operations program and collaborate and cooperate with private financial institutions to stimulate new flows of risk capital in Japan. DBJ's investments and loans in new fields help strengthen Japan's economic competitiveness. We also address local issues through risk capital supplied through joint funds created with regional financial institutions.

Furthermore, DBJ functions as an emergency supplier of capital for responses to natural disasters and other crises. In times of international financial turmoil, and following the Great East Japan Earthquake, the Kumamoto earthquakes, and other events calling for rapid influxes of capital, DBJ has been there to provide relief.

After the Japanese government declared the COVID-19 pandemic a crisis in March 2020, as a designated financial institution the DBJ Group concentrated on Crisis Response Operations to address the impacts of the pandemic.

In light of the requests being made by the government and the increasingly severely challenging business environment for companies during the persistent pandemic, we temporarily strengthened our support for businesses in sectors that have been hit hard by the pandemic, such as the hospitality sector.

While continuing to concentrate on Crisis Response Operations during the COVID-19 pandemic, DBJ will pursue innovative ways to provide financing from a customer perspective based on its GRIT Strategy (see page 17), which sets out the priority fields the DBJ Group is focusing on under its Fifth Medium-Term Management Plan to realize a sustainable society in the future.

▶ Governance Suited to Our Unique Business Model and Dialogue with Stakeholders

In order to continue playing this unique role, DBJ must have robust corporate governance, ensure transparency in management, and consider the opinions of outside experts. To realize this aim, we have created the Operations Audit Committee, the Compensation Committee, and the Personnel Evaluation Committee as advisory bodies to the Board of Directors. Listening to the views of our stakeholders is imperative to strengthening this framework.

It is essential that DBJ collaborate and cooperate with rather than compete with private financial institutions. We hold regular events for this purpose, usually twice a year, involving discussions with representatives of such institutions. We have also created the Special Investment Operations Monitoring Board (see page 53) as an advisory body to the Board of Directors. The board meets twice a year to discuss and evaluate the status of the Bank's business performance, as well as its complementing and encouraging of private business and maintenance of non-competitive relationships.

The opinions we obtain both through our outreach to private financial institutions and through the outcomes of

deliberations by the Special Investment Operations Monitoring Board are debated by the Advisory Board, an advisory body to the Board of Directors comprising outside experts and directors in fields including manufacturing, infrastructure, regional communities, and finance (see page 53). The Advisory Board provides valuable ideas on matters concerning the safeguarding of proper competition with private financial institutions and the DBJ Group's management plans. In my view, a distinct aspect of corporate governance at the DBJ Group is its continuous reassessment of its unique value creation process while engaging in dialogue with diverse stakeholders.

Living up to the trust placed in us by society, we want to keep our initiatives one step ahead of the times, especially in regard to the supply of risk capital, and this means ensuring that we operate in conformity with the Companies Act. For this purpose, the Board of Directors formulated the Basic Policy for Internal Control, which positions legal compliance, risk management, and internal audits as important subjects for management.

▶ A Value Creation Process That Balances Economic and Social Value

Given the adoption of the Sustainable Development Goals (SDGs), the Paris Agreement, and other recent initiatives, the DBJ Group established the Sustainability Committee to deal with the growing need to review corporate management from a sustainability standpoint. In fiscal 2020, directors engaged in invigorating discussions about the DBJ Group's initiatives related to the global agenda for ESG and building a sustainable society while recognizing the impact from the COVID-19 pandemic. These discussions were reflected in the formulation of the Fifth Medium-Term Management Plan. In fiscal 2021, we plan to discuss DBJ Group initiatives connected to the environment and society, including our approach to energy and climate change-related issues, from a medium- to long-term perspective.

To realize a sustainable society while balancing economic and social value, the DBJ Group offers solutions to issues faced by society and by our customers. The Group has continued to create innovative business models, centered on the

supply of risk capital, in an effort to advance sustainability management and maintain a balanced value creation process. As the social significance of balancing these two types of value increases, we will continue making every effort to engage in dialogue with our diverse stakeholders and ensure robust and effective corporate governance, based on the notion that nothing is more important than embodying best practices that will continue to earn us the trust of our customers and society.



Chairman
August 2021

Corporate Governance

Basic Position on Corporate Governance

DBJ is governed by the Development Bank of Japan Inc. Act (the DBJ Act) in accordance with the following objective.

Article 1

Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint-stock company (*kabushiki-kaisha*) whose objective is to contribute to the smooth supply of funds to those needing long-term business funds, as well as to the sophistication of financial functions.

DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board), through a business model built upon features such as integrated investments and loans and proper execution of the preceding objective, in order to raise the value of tangible and intangible management resources to be invested and to realize sustainable management that aims for both economic and social value.

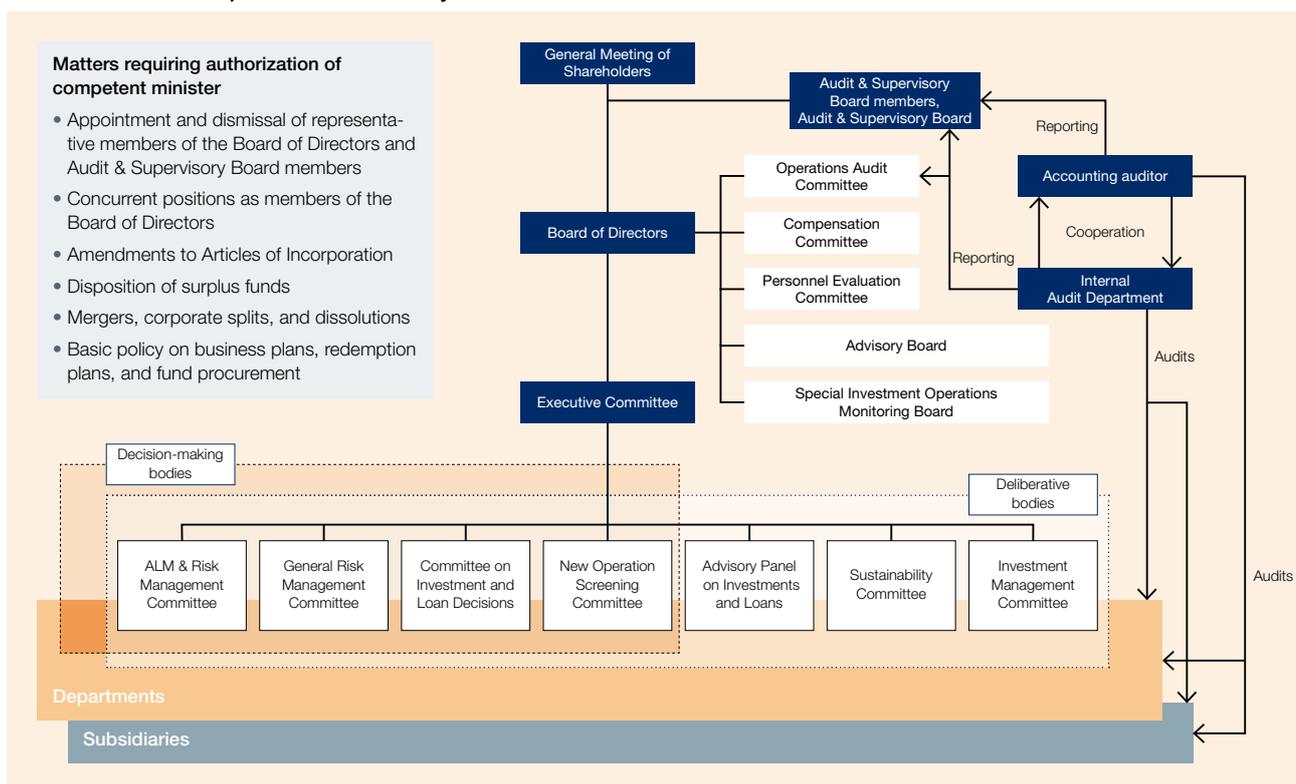
Specifically, the 2015 revisions to the DBJ Act established Special Investment Operations and obligatory measures to be considered, requiring that DBJ conduct its operations in a manner that does not obstruct appropriate competitive relations with other entities, in particular, applying these requirements to the Advisory Board, made up of outside experts and outside members of the Board of Directors, and the Special Investment Operations Monitoring Board, composed of outside experts, which function as advisory bodies to the Board of Directors. These bodies provide advice on DBJ's overall

management and deliberate and evaluate business results, including consistency with the policy objectives of Special Investment Operations, ensuring that appropriate competitive relations are maintained with private financial institutions.

DBJ's Corporate Governance System

Institutional design configuration	A company with a board of directors and company auditors (Audit & Supervisory Board)
Number of members of the Board of Directors	10
Of whom are outside members of the Board of Directors	(2)
Number of Board of Directors' meetings in fiscal 2020	12
Number of Audit & Supervisory Board members	5
Of whom are outside Audit & Supervisory Board members	(3)
Number of Audit & Supervisory Board meetings in fiscal 2020	16
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu LLC

Overview of DBJ's Corporate Governance System



Audit & Supervisory Board Members, Audit & Supervisory Board

The Audit & Supervisory Board comprises five members. The Companies Act prescribes that a majority of Audit & Supervisory Board members be outside members (in DBJ's case, three of the five). DBJ offices contribute three members (two members proper to DBJ and one an outside member).

Also, DBJ has created the Audit & Supervisory Board Office, which, under the board's direction, assists board members, including outside members, in performing their duties. The Audit & Supervisory Board and Audit & Supervisory Board members audit the execution of duties by members of the Board of Directors, based on their audit policy and audit plans.

Audit & Supervisory Board members attend Board of Directors' and other important meetings and may query the execution of business by members of the Board of Directors, peruse documents, and conduct branch audits.

Advisory Bodies to the Board of Directors

In pursuit of sustainability management and DBJ's corporate objectives, the following committees have been established as advisory bodies to the Board of Directors for the purpose of maintaining transparency in management and to reflect the knowledge of outside experts.

Operations Audit Committee

The Board of Directors has established the Operations Audit Committee, delegating to this body the authority to deliberate important matters related to internal audits. This committee met two times during the fiscal year ended March 31, 2021.

Compensation Committee

The Compensation Committee, the majority of which consists of outside executives, considers the type of executive compensation structure that befits DBJ from the standpoint of ensuring transparency and objectivity regarding compensation.

Personnel Evaluation Committee

The Personnel Evaluation Committee, composed of outside members of the Board of Directors and other outside experts, evaluates personnel proposals on the selection of members of the Board of Directors and Audit & Supervisory Board members.

Advisory Board

Since DBJ's establishment as a joint-stock company in October 2008, the Advisory Board has been in place as an advisory body to the Executive Committee, providing advice on overall management. Revisions in 2015 to the DBJ Act stipulate for an indefinite period obligatory measures to be considered—in particular, requiring that DBJ conduct its operations in a manner that would not obstruct appropriate competitive relations with other entities. Accordingly, this board is positioned

anew as an advisory body to the Board of Directors. As one of its roles, even more than before, the Advisory Board is tasked with deliberating and evaluating important affairs related to ensuring that appropriate competitive relations are maintained with private financial institutions.

This board convened twice during the fiscal year ended March 31, 2021. It is composed of the following outside members of the Board of Directors and outside experts in fields including manufacturing, infrastructure, regional communities, and finance.

Outside Experts

Reiko Akiike	The Boston Consulting Group K.K. Co-Chairperson
Masayuki Oku	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc.
Kazuaki Kama	Senior Advisor, IHI Corporation
Katsunori Nakanishi	Chairman and CEO, The Shizuoka Bank, Ltd.
Yoshizumi Nezu	President, Tobu Railway Co., Ltd.

Outside Members of the Board of Directors

Akio Mimura	Honorary Chairman of Nippon Steel Corporation
Kazuo Ueda	Professor, Dean of Faculty of Business Studies at Kyoritsu Women's University

Special Investment Operations Monitoring Board

One of the measures of the 2015 revisions to the DBJ Act was in regard to Special Investment Operations. The act stipulates the establishment of a Special Investment Operations Monitoring Board as an advisory body to the Board of Directors. This monitoring board is tasked with deliberating projects and evaluating their performance in terms of appropriateness against policy objectives and with emboldening private-sector enterprises and complementing their operations while maintaining appropriate competitive relations. This board, whose members include outside experts in fields such as manufacturing, infrastructure, regional communities, and finance, convened twice during the fiscal year ended March 31, 2021.

Moreover, in order to examine whether appropriate competitive relations with other entities are being maintained, roundtable discussions are held regularly with the Japanese Bankers Association, the Regional Banks Association of Japan, and the Second Association of Regional Banks, including these entities' private financial institution members. Each group met twice in fiscal 2020, for a total of six meetings. Disputes and opinions raised in these meetings are reported to and deliberated by the Advisory Board and the Special Investment Operations Monitoring Board.

Outside Experts

Hideharu Iwamoto	Vice Chairman & Senior Executive Director of Japanese Bankers Association
Masayuki Oku	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc.
Katsunori Nakanishi	Chairman and CEO, The Shizuoka Bank, Ltd.
Takashi Yamanouchi	Advisor, Mazda Motor Corporation
Keisuke Yokoo	President, Member of the Board Chief Executive Officer, Japan Investment Corporation

Executive Committee

The Board of Directors has vested in the Executive Committee decision-making authority regarding the execution of business. Accordingly, the Executive Committee makes important management decisions. The committee met 34 times during the fiscal year ended March 31, 2021.

Committees under the Executive Committee

Name	Role
ALM & Risk Management Committee	This committee deliberates and makes decisions pertaining to portfolio risk management and asset-liability management.
General Risk Management Committee	This committee deliberates and makes decisions on important items related to operational risk management, system risk management, legal compliance, responses to antisocial forces, client protection management, and other important items.
Committee on Investment and Loan Decisions	This committee handles, deliberates, and makes decisions related to investments and loans, overseas business strategy, and operations and management conditions.
New Operation Screening Committee	This committee deliberates and makes decisions on the commencement of initiatives involving new businesses.
Advisory Panel on Investments and Loans	This panel handles the advance deliberation on and monitoring of investments and loans as well as deliberations on overseas business strategy and operations and management conditions.
Sustainability Committee	This committee deliberates on items related to both economic and social value as well as dialogue with stakeholders.
Investment Management Committee	This committee monitors investment projects and enhances the monitoring system, as well as discusses planned proposals for investment policies.

Internal Audits

DBJ has established the Internal Audit Department under the direct supervision of the president and CEO of DBJ and independent of other operating departments. The department conducts inspections to ensure the appropriateness and effectiveness of internal controls, including overall operational compliance and risk management, and performs evaluations and recommends improvements. The Operations Audit Committee deliberates and decides audit plans, audit reports, and other important matters related to internal audits, and this information is reported to the Board of Directors. As of June 24, 2021, 22 people belonged to the Internal Audit Department.

Accounting Audits

DBJ has in place an agreement whereby Deloitte Touche Tohmatsu LLC conducts accounting audits as its accounting auditor.

Three-Pronged Auditing Approach

DBJ's Audit & Supervisory Board members, the Internal Audit Department, and the accounting auditor periodically and as necessary exchange opinions and information, and communicate in an effort to ensure effective and appropriate audits.

Please refer to the links below for detailed information regarding DBJ's corporate governance.



Securities filings (state of corporate governance, etc.) (Japanese only)

<https://www.dbj.jp/ir/financial/report.html>



Internal Control System Basic Policy (Japanese only)

https://www.dbj.jp/co/info/governance_policy.html



Policy on Sustainability

<https://www.dbj.jp/en/sustainability/management/regular.html>



Compliance with Japan's version of the Stewardship Code (Japanese only)

<https://www.dbj.jp/co/info/stewardship.html>

Executive Compensation

DBJ's Compensation Committee is an advisory body to the Board of Directors. It deliberates on the compensation structure for members of the Board of Directors and evaluates the propriety of the compensation structure for the Company. The majority of its members are outside executives.

DBJ takes the following basic approach to executive compensation.

- Compensation should reflect social trends in regard to executive pay.
- Compensation should provide motivation for initiatives aimed at realizing economic and social value during each fiscal year and in the medium to long term.

In accordance with this approach, DBJ provides compensation to its executives in three forms: fixed compensation, executive bonuses, and executive retirement benefits.

- (1) Fixed compensation is paid monthly in an amount based on the executive's position.
- (2) Executive bonuses are distributed after taking into consideration the performance of each member of the Board of Directors in carrying out their duties during the fiscal year. Bonuses start with a standard amount based on the position of the member of the Board of Directors. Bonuses also include a quantitative assessment portion determined based on a preset distribution percentage that reflects the achievement of the consolidated net income target, as well as a qualitative assessment portion determined based on a preset distribution percentage that comprehensively considers each executive's achievement of performance targets in their business division. Consolidated net income (¥51,518 million in the fiscal year ended March 31, 2020) is used as the performance indicator because it most accurately reflects DBJ's performance.
- (3) Executive retirement benefits are paid out upon retirement in an amount reflecting successful service over the longer term.

Below is a description of the compensation structure for members of the Board of Directors.

Compensation for full-time members of the Board of Directors consists of fixed compensation, executive bonuses, and executive retirement benefits. To maintain their independence, part-time members of the Board of Directors receive fixed compensation alone.

Compensation for full-time Audit & Supervisory Board members comprises fixed compensation, and executive retirement benefits. Compensation for part-time Audit & Supervisory Board members consists solely of fixed compensation.

The amount of compensation paid to members of the Board of Directors is determined after deliberation by the Board of Directors, within the maximum amount approved at the General Meeting of Shareholders following discussions by the Compensation Committee. Compensation amounts are based on the position and responsibilities of each member of the

Board of Directors, with due consideration given to social trends, DBJ's financial performance, and other standards balanced against employee salaries. The Articles of Incorporation limit the number of directors to 13 or less.

The General Meeting of Shareholders held on June 29, 2017, passed a resolution that sets ¥270 million as the maximum annual amount for total compensation paid to members of the Board of Directors. The Company's first General Meeting of Shareholders held on September 22, 2008, passed a resolution that sets ¥80 million as the maximum annual amount for total compensation paid to Audit & Supervisory Board members. The Articles of Incorporation set the number of Audit & Supervisory Board members to five or fewer.

The Compensation Committee was established in 2008 to ensure transparency and objectivity in the process for determining compensation, and a majority of members of the Compensation Committee comprises outside executives. This composition allows independent outside executives to be involved and give relevant advice.

Meetings of the Compensation Committee in fiscal 2020

	Number of meetings held in fiscal 2020
Compensation Committee	2

Members of the Compensation Committee

Chairman	Yasushi Kinoshita (head of the committee)
President	Hajime Watanabe
Outside member of the Board of Directors	Akio Mimura
Outside member of the Board of Directors	Kazuo Ueda
Outside Audit & Supervisory Board member	Toshio Yamasaki

Compensation paid to DBJ's members of the Board of Directors and Audit & Supervisory Board members in fiscal 2020

Category	Number of people	Compensation, etc. (¥ million)
Members of the Board of Directors (Excluding Outside Members of the Board of Directors)	10	202
Audit & Supervisory Board members (Excluding Outside Audit & Supervisory Board Members)	3	39
Outside Executives	7	63
Total	20	305

- Notes: 1. Compensation amounts include provisions to reserves for executive retirement benefits.
2. Numbers of persons to be paid and compensation amounts include two members of the Board of Directors and three members of Audit & Supervisory Board members who retired during fiscal 2020.

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(as of the end of August 2021)

Members of the Board of Directors



Chairman

Yasushi Kinoshita

1979: Joined the Ministry of Finance
2013: Vice-Minister of Finance
2015: Deputy President of DBJ
2018: Chairman of DBJ



President and CEO

Hajime Watanabe

1981: Joined Japan Development Bank
2008: General Manager,
Head of Urban Development Department
2009: Executive Officer, Head of Corporate Planning &
Coordination Department
2011: Director and Managing Executive Officer of DBJ
2015: Deputy President of DBJ
2018: President and CEO of DBJ



Deputy President

Seiji Jige

1986: Joined Japan Development Bank
2011: Executive Officer in Charge of Special Missions
2013: Executive Officer, Head of Corporate Planning &
Coordination Department
2015: Managing Executive Officer of DBJ
2018: Member of the Board of Directors, Managing
Executive Officer of DBJ
2020: Deputy President of DBJ



Member of the Board of Directors,
Managing Executive Officer

Shoichiro Kubota

In charge of Strategic Finance Department,
Growth & Cross Border Investment Department,
Regional Investment Department, Business
Development Department

1990: Joined Japan Development Bank
2014: Head of Real Estate Finance Department
2018: Executive Officer, Head of Growth & Cross Border
Investment Department
2020: Member of the Board of Directors,
Managing Executive Officer of DBJ



Member of the Board of Directors,
Managing Executive Officer

Takeshi Harada

In charge of Treasury Department,
Syndication & Credit Trading Department,
Financial Institutions Department

1988: Joined the Ministry of Finance
2017: Councilor of the Cabinet Secretariat
Deputy Director of the Office for the Promotion
of Privatization of Postal Services, Cabinet
Secretariat
2019: Director-General, Tohoku Local Finance Bureau
2021: Member of the Board of Directors,
Managing Executive Officer of DBJ



Member of the Board of Directors,
Managing Executive Officer

Tsutomu Murakami

In charge of Business Planning & Coordination
Department

1988: Joined Japan Development Bank
2012: General Manager, Structured Finance Group
2015: General Manager, Secretariat Office
2017: Executive Officer, Head of Human Resources
Management Department
2019: Managing Executive Officer of DBJ
2021: Member of the Board of Directors,
Managing Executive Officer of DBJ



Member of the Board of Directors,
Managing Executive Officer

Makoto Anayama

In charge of Risk Management Department, Accounting Department, Credit Analysis Department, Legal Affairs & Compliance Department, Research Institute of Capital Formation

1986: Joined Japan Development Bank

2011: Head of Economic & Industrial Research Department

2013: Executive Officer, Head of Business Planning & Coordination Department

2015: Managing Executive Officer of DBJ

2018: Member of the Board of Directors, Managing Executive Officer of DBJ



Member of the Board of Directors,
Managing Executive Officer

Norifumi Sugimoto

In charge of Corporate Planning & Coordination Department, Information Resources Department, General Affairs Department

1988: Joined Japan Development Bank

2013: General Manager, Secretariat Office

2015: Executive Officer, Head of Corporate Planning & Coordination Department

2018: Managing Executive Officer of DBJ

2020: Member of the Board of Directors, Managing Executive Officer of DBJ



Outside Member of the Board of Directors

Akio Mimura

Honorary Chairman of Nippon Steel Corporation, Chairman of the Tokyo Chamber of Commerce and Industry, Chairman of the Japan Chamber of Commerce and Industry

2008: Outside Member of the Board of Directors at DBJ



Outside Member of the Board of Directors

Kazuo Ueda

Professor and Dean of Faculty of Business Studies at Kyoritsu Women's University, Director of Tokyo University's Center for Advanced Research in Finance

2008: Outside Member of the Board of Directors at DBJ

Notes:

* Of the 15 members of the Board of Directors and Audit & Supervisory Board members, 14 are male and one is female, leaving the female to male ratio at 6.7%.

* Standards and policies related to independence in the selection of outside members of the Board of Directors and outside Audit & Supervisory Board members are not applicable.

* Akio Mimura, Honorary Chairman of Nippon Steel Corporation, is an outside member of the Board of Directors of DBJ. DBJ has no special relationship with Mr. Mimura, and its business with Nippon Steel Corporation is conducted normally. Outside Audit & Supervisory Board member Naoko Saiki is also an outside director of Sojitz Corporation. DBJ has no conflicts of interest with Sojitz Corporation, and its business is conducted normally with the Company.

DBJ has no special-interest relationship with any other of its outside members of the Board of Directors or outside Audit & Supervisory Board members.

* DBJ has signed liability limitation agreements with its outside members of the Board of Directors and Audit & Supervisory Board, based on Paragraph 1, Article 427, of the Companies Act.

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Atsushi Kurashige

1986: Joined Japan Development Bank
 2010: General Manager, Credit Analysis Department
 2011: General Manager, Secretariat Office
 2013: General Manager, Head of Urban Development Department
 2017: Audit & Supervisory Board Member of DBJ



Audit & Supervisory Board Member

Shigeru Tamagoshi

1989: Joined Japan Development Bank
 2014: Head of Corporate Finance Department, Division 2
 2016: Head of Corporate Finance Department, Division 5
 2018: Executive Officer, Head of Business Planning & Coordination Department
 2020: Audit & Supervisory Board Member of DBJ



Outside Audit & Supervisory Board Member

Toshio Yamasaki

1982: Joined The Sumitomo Trust and Banking Co., Ltd.
 2017: President of Sumitomo Mitsui Trust General Service Co., Ltd.
 2018: Advisor of Sumitomo Mitsui Trust General Service Co., Ltd.
 2018: Audit & Supervisory Board Member of DBJ



Outside Audit & Supervisory Board Member

Masato Dogauchi

Professor, Waseda University, Law School
 Senior Counsel, T&K Partners

2020: Audit & Supervisory Board Member of DBJ



Outside Audit & Supervisory Board Member

Naoko Saiki

Visiting Professor, Graduate School of Public Policy, The University of Tokyo
 Outside Director, Sojitz Corporation

2020: Audit & Supervisory Board Member of DBJ

Executive Officers (excluding those who are concurrently members of the Board of Directors)

Managing Executive Officer

Hiroshi Shimizu

In charge of Urban Development Department,
 Real Estate Finance Department,
 Structured Finance Department

Managing Executive Officer

Keita Arakaki

In charge of Corporate Finance Department, Division 4

Managing Executive Officer

Tomoya Sato

In charge of Corporate Finance Department, Division 5

Executive Officer

Yoshinari Furuta

Head of Credit Analysis Department

Managing Executive Officer

Kazufusa Matsushima

In charge of Planning & Coordination Department (Crisis Response Operations Office), Corporate Finance Department, Division 6, Tohoku Branch

Managing Executive Officer (Head of Kansai Branch)

Toshiyasu Takazawa

In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Executive Officer

Masao Masuda

Head of Business Planning & Coordination Department, Chief Manager of Crisis Response Operations Office

Executive Officer

Fumiyo Harada

In charge of GRIT, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department

Managing Executive Officer

Masashi Kumagae

In charge of Planning & Coordination Department (Regional Business Planning Office), Economic & Industrial Research Department, Regional Research & Planning Department, Hokuriku Branch, Kyushu Branch, Minami-Kyushu Branch

Managing Executive Officer

Seiji Tomosada

In charge of Corporate Finance Department, Division 3, Sustainable Solution Department, Hokkaido Branch, Niigata Branch, Tokai Branch

Executive Officer

Isao Nishio

In charge of Financial Institution

Executive Officer

Hirofumi Maki

Head of Corporate Planning & Coordination Department

Managing Executive Officer

Katsushi Kitajo

In charge of Corporate Finance Department, Division 1 and 2

Executive Officer

Takao Isozaki

In charge of Internal Audit

Executive Officer

Shingo Kobayashi

Head of Human Resources Management Department

Messages from Outside Members of the Board of Directors

Leveraging Corporate Governance to Help Solve Social Issues

Akio Mimura

Outside Member of the Board of Directors



I have served as an outside member of the Board of Directors since DBJ became a joint stock company in 2008.

I am currently a member of the Advisory Board, an independent body that facilitates corporate governance by incorporating the opinions of outside experts into the management of DBJ. In accordance with the amendment of the DBJ Act in 2015, the Advisory Board is positioned as an advisory body to the Board of Directors. The role of the Advisory Board is not only to advise DBJ's management on balancing economic and social value but also to deliberate on the matter of ensuring suitable competitive relations with private financial institutions. I believe that the Advisory Board has fulfilled the responsibility of performing checks, from a third-party perspective, on the proper execution of legally mandated Special Investment Operations, Crisis Response Operations, collaboration with private financial institutions, and sustainability management by DBJ.

The COVID-19 pandemic has brought to the surface a number of issues in Japan, such as digitalization, the risk of over-concentration in Tokyo, and strengthening the supply chains of corporations. A variety of social changes are needed to address these issues, requiring increasing amounts of risk capital from DBJ. To ensure that we meet these expectations with consistency, while realizing both economic and social value, I will continue to fulfill my responsibilities on the governance front in facilitating essential dialogue and cooperation with stakeholders.

Career

April 1963:	Joined Fuji Iron & Steel Co., Ltd.
April 2003:	Representative Director and President of Nippon Steel Corporation
April 2008:	Representative Director and Chairman of Nippon Steel Corporation
October 2008:	Outside Member of the Board of Directors at DBJ (current position)
October 2012:	Director, Member of the Board, and Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
November 2013:	Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation Chairman of the Tokyo Chamber of Commerce and Industry (current position) Chairman of the Japan Chamber of Commerce and Industry (current position)
June 2018:	Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation)
April 2019:	Honorary Chairman of Nippon Steel Corporation (current position)

Reinforcing Corporate Governance to Advance Sustainability Management

Kazuo Ueda

Outside Member of the Board of Directors



Global interest in sustainability, as manifested in ESG and SDGs, has been growing since the adoption of the Paris Agreement. To attain a carbon-neutral and sustainable society, private-sector capital must be deployed along with advances in innovation. DBJ has provided solutions in tune with the times and constantly evolving social issues, such as by developing its sustainability certification programs and supplying risk capital through collaborative efforts with private-sector companies and financial institutions. We will closely monitor global trends toward the achievement of a sustainable society, and redouble our efforts to coordinate with stakeholders and achieve a balance between social and economic value.

DBJ must continue to carry out these efforts with medium-to-long-term perspective of facilitating social and economic development and achieving a sustainable society. Proper governance is therefore essential. The DBJ Group's Advisory and Special Investment Operations Monitoring Boards support the attainment of these goals and underpin DBJ's unique business model. As a member of the Advisory Board—in addition to my duties as an outside member of the Board of Directors—I work closely with outside experts to advise on overall management. I will do my part in pursuing the sustainable social development and sustainability management goals shared throughout DBJ.

Career

July 1980:	Assistant professor at the University of British Columbia, School of Economics
April 1982:	Assistant professor at Osaka University, School of Economics
April 1989:	Assistant professor at Tokyo University, School of Economics
March 1993:	Professor at Tokyo University, School of Economics
April 1998:	Member of the Bank of Japan's Policy Board
April 2005:	Professor at Tokyo University, School of Economics
October 2008:	Outside Member of the Board of Directors at DBJ (current position)
April 2017:	Professor, Faculty of International Studies, Head of Office for New Department Planning, Kyoritsu Women's University Director of Tokyo University's Center for Advanced Research in Finance (current position)
April 2020:	Professor, Faculty of Business Studies at Kyoritsu Women's University (current position) Dean of Faculty of Business Studies at Kyoritsu Women's University (current position)

Compliance

Basic Stance

DBJ believes that compliance both is at the heart of our corporate management and complements our business model and strategy like two sides of the same coin. In addition, compliance risk must be properly managed in our organization's overall governance and control structure in implementing our corporate philosophy based upon societal demand and expectation. We feel that compliance is achieved when each and every employee and executive actively engages in their work with compliance foremost on their minds.

Business Conduct and Compliance

The DBJ Group is a unique financial group which provides financing, investment, consulting and advisory services, asset management, and other various financial services. While reinforcing collaboration within the Group, DBJ creates proactive and advanced business and core strategies.

As a financial institution, DBJ's first duty is to address the legitimate and logical expectations of its customers. Even in its initiatives in Crisis Response Operations and Special Investment Operations, DBJ carries out customer-oriented business conduct. DBJ conducts operations in compliance with all laws and regulations through appropriate function of the Three Lines of Defense to mitigate conduct risk. To achieve our corporate philosophy, all employees and executives engage in work while pursuing both economic and social value in accordance with our Action Guidelines, the basis for decisions and behavior by Group employees and executives.

Compliance Framework

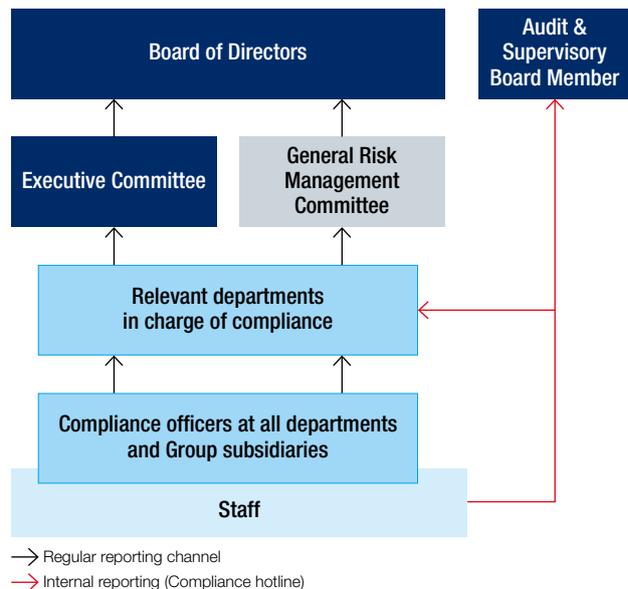
The DBJ Group has determined basic policies and rules for compliance, creates and distributes compliance manuals for employees and executives to follow, and conducts training and explanatory sessions to spread awareness of compliance. Each fiscal year, all DBJ Group companies design compliance programs and evaluate and implement concrete compliance action plans tailored to their particular business characteristics.

DBJ has established relevant departments that report on the status of compliance with laws and regulations to the Executive Committee and Board of Directors. Compliance officers have been assigned to each department to ensure compliance by employees and executives at each department.

Compliance officers are in charge of internal management as internal managers and function as contact points for reporting compliance matters while centralizing such matters within

their departments. Through compliance officers, relevant departments in charge of compliance provide advice and guidance to each department when necessary, with the aim of ensuring compliance. In order to quickly discover and resolve any compliance matters, DBJ has set up an internal reporting channel to relevant departments and Audit & Supervisory Board members, which circumvents the normal reporting channels in organizational structures. DBJ has also created an external reporting channel through a law office.

Internal Reporting System



Compliance Practices

The DBJ Group believes compliance with laws and regulations is essential for maintaining the customer's trust and ensuring the soundness and fitness of its business operations. We recognize compliance as one of our most important management priorities. Employees and executives are keenly aware of DBJ's public mission and social responsibilities, as well as initiatives to mitigate conduct risk. We fairly engage in our business in good faith and in compliance with not only all laws, regulations and rules but also social norms, for supplying risk capital or pioneering initiatives.

Measures to Prevent Insider Trading

In the provision of various financial services including investments and loans, the DBJ Group believes that complying with insider trading regulations is essential to maintaining trust. For example, we have created rules for employees and executives to follow when trading in securities. Moreover, DBJ has established systems for preventing insider trading, as demonstrated by our formulation of strict procedures for confirming and executing transactions in our investment operations. In research operations, we manage and handle corporate information carefully.

Elimination of Anti-social Forces

The DBJ Group has a basic policy of not having any relationships with anti-social forces, and resolutely coping with them in cooperation with the police and other external institutions. Our rules and training programs have thus been carefully crafted to prevent relationships with anti-social forces. DBJ thoroughly assesses and manages this risk for each project and takes appropriate measures when necessary while communicating with special external institutions.

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Measures

As it develops business worldwide, the DBJ Group understands the importance of taking measures to prevent international money laundering and the financing of terrorism. In addition to adhering to laws and regulations, DBJ takes extra measures to prevent global financial crimes based on the risks involved. DBJ has systems in place to ensure that proper procedures are taken, periodically conducts risk management operations, and thoroughly trains its employees and executives. We also strive to continuously improve this structure by evaluating a variety of measures.

Customer Protection Management

The DBJ Group has identified "the customer's perspective" as a key element of its Action Guidelines. By taking the customer's perspective, we endeavor to improve customer protections and convenience. Furthermore, we have created basic policies for customer protections from the standpoint of ensuring the soundness and fitness of our operations. Accordingly, we have taken a management posture for ensuring customer protections. Employees and executives provide support to customers by explaining and providing appropriate and adequate information to them.

Management of Conflicts of Interest

When providing customers with financing, investment, consulting and advisory service, asset management, and other financial services, the DBJ Group applies systems for identifying and managing transactions in order to prevent conflicts of interest and act fully in the interests of customers, based on the transaction type and degree of risk. When obtaining consent from customers for a transaction, we provide them accurate and appropriate information.

Management of Customer Information

In addition to following legal requirements and rules about sharing customer information among Group companies, preventing insider trading, and managing conflicts of interest, the DBJ Group has created management structures and systems for handling customer information, with particular attention paid to minutiae in order to maintain the customer's trust.



<https://www.dbj.jp/en/privacy.html>

DBJ has created and disclosed the Declaration on Personal Information Protection for protecting such information. Please refer to the DBJ website for more details about this declaration.

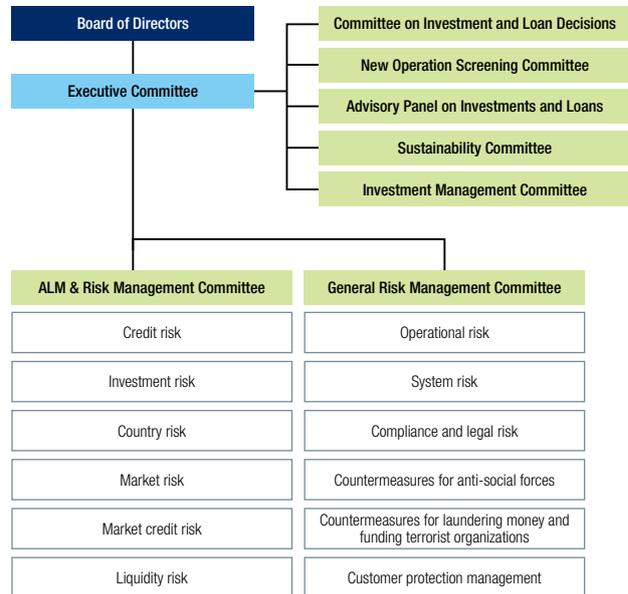
Risk Management

Risk Management System

DBJ has a risk management system in place designed to handle a variety of specific risks, with the aim of maintaining the soundness and creditability of management as it pursues business based on management plans. Specifically, risks are identified, evaluated, monitored, and controlled in each risk category and in comprehensive risk areas, and are managed within the scope of our management capabilities from a comprehensive understanding of each risk.

The Board of Directors sets out basic policies for comprehensive risk management, receives reports about risk management conditions, and ensures the effectiveness of risk management functions. The Executive Committee creates related rules based on these basic policies and deliberates on matters of importance that directly relate to management policies. In line with these basic policies and rules, the ALM & Risk Management Committee discusses and makes decisions on matters essential to the risk management system for financial risk, such as credit risk, while the General Risk Management Committee deliberates on non-financial risk, such as administrative risk. Both committees meet regularly, and whenever necessary, conduct risk monitoring.

Overview of Risk Management System



Comprehensive Risk Management

At DBJ, we measure the amount of each type of risk using uniform and logical methodologies to the greatest extent possible, while considering the uniqueness of each risk category. As the sum total of this risk, comprehensive risk is managed within the context of our risk guidelines. These risk guidelines are determined by the Executive Committee and reflect risk conditions in the existing portfolio and near-term business plans, within the framework for capital allocation based on the amount of our own capital.

Credit Risk

Credit risk refers to the risk of sustaining losses resulting from a decline in or loss of the value of assets due to deterioration in the financial condition of the borrower. DBJ provides corporate loans and non-recourse loans, making credit risk acquisition a source of profits. As such, it represents a significant risk category, and DBJ conducts credit management of individual projects as well as Bank-wide portfolio management, accordingly.

Credit Administration of Individual Loans

When making an investment or loan, DBJ examines the entity's project viability and the project's profitability from a fair and impartial standpoint. Based on the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions (Act No. 132 of 1998), DBJ carries out independent asset assessments in an effort to properly grasp credit risk in a timely fashion. The results of self-assessments are subject to an audit by an auditing corporation and are reported to management.

The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual projects, and each department keeps the operations of the other in check.

The Committee on Investment and Loan Decisions meets as needed to deliberate important issues concerning the management and operation of individual projects.

These mutual checking functions serve to ensure the appropriateness of the finance operation and management system.

Borrower Rating System

DBJ's borrower rating system measures creditworthiness by combining an evaluation point rating and a borrower category rating, with the results quantifying a potential client's credit circumstances.

The evaluation point rating selects indicator and evaluation categories that are common across all industries, scoring the creditworthiness of the potential borrower quantitatively and qualitatively. On the other hand, the borrower category rating measures specific items related to the borrower, looking at the borrower's realistic financial condition, cash flows, and debt repayment history, generating a comprehensive assessment of a borrower's repayment capacity.

Asset Self-Assessment System

Asset self-assessments are used to define asset classifications that will offset recoverability risk or the degree of risk of value loss based on the borrower rating, the corresponding borrower

category, and the collateral or guarantee status. Such assessments help DBJ establish timely and appropriate amortization schedules and reserve levels.

Borrower Rating Classifications

Borrower category	Borrower rating	Definition	Claims classified under the Financial Revitalization Act
Normal borrowers	1–8	Borrowers with favorable business conditions who have been confirmed to have no particular problematic financial circumstances.	Normal claims
Borrowers requiring caution	9–11	Borrowers in this category are experiencing weak or unstable business conditions, or are having issues with their finances. These borrowers need to be managed with caution.	
Substandard borrowers	12	Either some or all of the debt of these borrowers requiring caution is under management.	Substandard claims
Borrowers in danger of bankruptcy	13	Borrowers in this category are having financial difficulties but are not bankrupt. Management improvement plans and the like are progressing poorly, and these borrowers are highly likely to fall into bankruptcy.	Doubtful claims
Effectively bankrupt borrowers	14	Although not legally or formally in bankruptcy, these borrowers are experiencing severe financial difficulties and are realistically falling into bankruptcy as their lack of potential for restructuring has been confirmed.	Claims in bankruptcy, reorganization claims, and similar claims
Bankrupt borrowers	15	These borrowers are in bankruptcy, legally and formally. Specifically, these borrowers are in bankruptcy or liquidation, under corporate reorganization, bankruptcy proceedings or civil rehabilitation, or have had transactions suspended by a bill clearinghouse.	

Portfolio Management

DBJ performs a statistical analysis of data based on borrower ratings and calculates the loan portfolio's overall exposure to credit risk. Credit risk exposure is classified as unexpected loss (UL), the maximum loss that could be incurred at a certain rate of probability minus the expected loss (EL), the average loss expected during a specific loan period.

Large borrowers are identified based on standardized loan balances defined by the borrower's rating and monitored as required in accordance with management policies.

Investment Risk

Investment risk refers to the risk of sustaining losses resulting from a decline in or loss of the economic value of assets due to worsening financial conditions for entities receiving funds and to changing market environments. DBJ's investments include the provision of mezzanine and equity financing, particularly to unlisted entities, such as corporations, funds, infrastructure, and real estate. As a source of profits, investments represent one of DBJ's most significant risk categories as with credit risk. DBJ makes investment decisions and manages individual investments as well as its Bank-wide portfolio accordingly.

Type	Major risks	Returns
Corporate mezzanine financing	Credit risk, etc.	Dividends, etc.
Corporate investment (including listed shares)	Business risk Market risk	Capital gains
Real estate and infrastructure, etc.	Risk of change in asset value Operating risk at operating entities	Income gains

Investment Policy

The Executive Committee determines our investment policy following deliberations each fiscal year by the Investment Management Committee, based on our corporate philosophy of striking a balance between social value and economic value. This policy takes into consideration the balance in risks and returns in the overall portfolio, while also reflecting the external business environment, including changes in market conditions and industrial structure, and a performance analysis of the existing portfolio.

Credit Management of Individual Projects

Investment decisions for individual projects are made after exit strategies are determined in case a downside scenario materializes, and targets are set for returns based on the type of investment, which is also examined for managing credit risk.

In project management, DBJ periodically monitors every project and has established the Chief Investment Management Office to enhance monitoring of key projects and improve the management of investment risks in the overall portfolio.

Overview of Investment Management System



Portfolio Management

The main assets in DBJ's investment portfolio are unlisted stock and mezzanine financing, and risk exposure is calculated focusing on risk characteristics in each category of investment and on differences in recovery methods.

More specifically, assets we aim to earn returns on from primarily business cash flows are evaluated with a focus on credit risk. On the other hand, assets on which we expect to see returns by selling to a third party or the market are evaluated in the context of market risk. In this way, risk exposure is calculated by applying evaluations of credit risk and market risk.

Market Risk

The primary focuses in terms of market risk are interest rate risk and Foreign exchange risk. DBJ classifies market risk as risk pertaining to investment and loan activities. DBJ does not have any trading-related risk (specified transactions).

Interest Rate Risk

Interest rate fluctuations can create mismatches on rates of interest on assets and liabilities or on interest periods, creating the risk of reduced profits or the risk of losses. Interest rate risk can reduce the economic value of DBJ's assets or interest income.

Based on monitoring through multifaceted indices, such as value at risk (VaR) and interest rate sensitivity analyses (duration and basis point value), as well as ALM policies established by the ALM & Risk Management Committee, DBJ conducts comprehensive management of current assets and liabilities to optimize net interest expenses and economic value by adequately controlling interest rate risk.

Foreign Exchange Risk

Foreign Exchange risk is the risk of loss due to volatility in exchange rates, and this risk affects entities holding a net excess of assets or liabilities denominated in foreign currencies. Foreign Exchange risk derives from financing in foreign currencies and issuing foreign currency bonds. However, DBJ uses Foreign exchange swaps and other instruments to limit this risk.

Market Credit Risk

DBJ aims to reduce counterparty risk in derivatives transactions through margin transfers by means of a centralized exchange and mutual credit support annex. Financial institution transactions are managed within the limits of the creditworthiness of the counterparty. Transactions with operating companies and other customers are managed within the framework of comprehensive risk management for fluctuation risks, and measurements of credit valuation adjustment (CVA) are based on accounting standards.

Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised or of an unexpected outflow of funds, causing differences in the flow of funds (cash liquidity risk). Such situations make securing funds difficult and create situations in which interest rates on borrowed funds are substantially higher than usual rates. At other times, because of market complexities, entities in these circumstances may become unable to participate in market transactions, compelling them to conduct transactions under substantially less favorable terms than otherwise would be the case. The risk of losses for these reasons is known as market liquidity risk.

As its main methods of acquiring funds, rather than carrying out short-term funding by issuing commercial paper, DBJ relies on the stable procurement of long-term funds from the Japanese government's Fiscal Investment and Loan Program and government-guaranteed bonds while issuing bonds and taking out long-term loans. To prepare for unforeseen cash flow crunches caused by shocks to financial markets, DBJ manages funds to ensure sufficient cash on hand to cover planned capital outflows under envisioned stress conditions. DBJ has formulated countermeasures based on contingency plans in the event they become necessary depending on the mode classification, and it has created different categories for fund operation modes based on the degree of constriction in cash flows.

Operational Risk

DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or nonfunctioning, or from external events. DBJ works to establish a risk management system to minimize risk and prevent potential risk from materializing. The General Risk Management Committee has been established to deliberate topics concerning operational risk management.

Within operational risk management, DBJ conducts administrative risk management and system risk management as described below.

Administrative Risk Management

Administrative risk refers to the risk of sustaining losses resulting from employees neglecting to perform their duties correctly or from accidents, fraud, and so on. To reduce or prevent administrative risk, DBJ prepares manuals, performs checks on administrative procedures, provides education and training, and uses systems to reduce the burden of administrative duties.

System Risk Management

System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer use. DBJ has implemented the following internal processes to optimize system risk management and properly manage risk with regard to system risk. The System Risk Management Division is responsible for managing DBJ's

system risk centrally, based on its system risk management regulations. By determining security standards from a variety of viewpoints—from information system planning and development to operation and use—the department extends the risk management system Bank-wide and addresses appropriate system risk management operations.

Stress Tests

In addition to managing comprehensive risks based on risk exposure, DBJ performs stress tests on its own capital adequacy in order to ensure uninterrupted financial functions, including Crisis Response Operations, while maintaining the soundness of management under stressful conditions. These stress tests are also used in evaluating the degree of impact on our own capital from the creation of and changes to medium-term management plans and business plans, as well as in examining of possible responses to various management issues.

Based on the latest forecasts for economic conditions, these stress tests take into account DBJ's financial position in various scenarios for challenging conditions, such as a major economic recession or strong market stressors. We evaluate whether financial functions can be smoothly executed and adequate financial health maintained under stressful conditions, by factoring in various scenarios for how risk exposure and risk-weighted assets increase as a result of erosion of our own capital, and of changes in our portfolio of loans and investments. Also, we verify the adequacy of our cash liquidity.

Business Continuity Initiatives

DBJ has prepared a business continuity plan (BCP) to protect the interests of its stakeholders, including its clients, its shareholders, and its executives and employees, as well as to fulfill its social mission. The BCP aims to ensure the continuity and rapid recovery of core operations in the event of emergencies, such as natural disasters (in particular, large-scale earthquakes), influenza and other pandemics, system failures, and power outages.

The BCP describes in an easy-to-understand format the role of the Disaster Response Committee, work priorities, and specific actions and procedures to be taken in the event of a disaster. When drawing up policies for business continuity and restoration, the Company envisions specific incidents, such as an earthquake underneath the Tokyo metropolis or a novel virus outbreak, and methodically decides how to respond to anticipated damage in each disaster scenario.

Measures to Ensure Business Continuity

We have prepared a variety of measures to ensure business continuity.

Enhanced System Robustness

We have ensured advanced security levels at the main center and created a backup center to operate in the event that the main center ceases to operate.

Multilayered Communication Procedures

We have introduced a safety confirmation system to quickly determine the whereabouts and status of executives and employees even at night and on holidays. In addition, we have distributed satellite telephones to key locations and personnel to ensure multilayered communication procedures.

Chain of Command and Delegation of Authority

To assure that decision-making concerning the continuity of core operations is prompt and certain in the event it becomes necessary to execute the plans of the Disaster Response Committee, we have put in place a chain of command and an alternative hierarchy by which authority can be delegated.

Clarification of Initial Response and Procedures for Continuing or Recovering Core Operations

For individual business units, we have established in advance the procedures for the initial response and the continuation or recovery of core operations so that relevant divisions can respond quickly and with certainty on core operations even when in a state of confusion.

Initiatives to Maintain or Improve BCP Viability

DBJ conducts various types of instruction and training of executives and regular employees to maintain or improve the viability of its BCP. Furthermore, employing a plan-do-check-act cycle, we revise the BCP to reflect training results and recent information, and the Executive Committee reviews it regularly and amends it as necessary.

Response to the TCFD Recommendations

Climate change is a major global problem that could destabilize financial markets. One of our important roles as a financial institution is to provide products and services that support the transition toward a more sustainable society that aligns with the objectives of the Paris Agreement. Stakeholder engagement is crucial to this role.

Aware of the importance of disclosing climate-related financial information, DBJ declared its approval of the concepts behind the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board in June 2018. In addition, DBJ took part in the TCFD Consortium, which was created in May 2019 for companies and other financial institutions to come together to discuss the TCFD recommendations.

We played a leading role in the formulation of the Guidance for Utilizing Climate-related Information to Promote Green Investment (Green Investment Guidance)* and analyzed scenarios with assistance from the Ministry of the Environment's support program for analyzing climate risks and opportunities

in line with the TCFD recommendations. Recognizing the risks and opportunities presented by climate change, DBJ is advancing and examining the expansion of information disclosures based on the TCFD framework.

As a Supporter of the Green Investment Guidance in the TCFD Consortium, DBJ evaluates and engages in dialogue with companies receiving investments and loans with reference to said guidance, ascertaining their responses to climate change and their disclosures of information based on TCFD recommendations. In this way, we support their efforts to increase corporate value over the medium and long term.

* Published at the TCFD Summit (October 8, 2019) to guide investors and other people on how to read and understand information disclosures based on TCFD recommendations



Governance	The DBJ Group engages in business activities while considering its impact on the environment and society. In this light, DBJ created its Policy on Sustainability in May 2017 with the objective of contributing to the realization of a sustainable society while balancing economic value and social value. On the Sustainability Committee (see page 54), directors and executives discuss and monitor the risks, opportunities, and actions related to climate change. The findings of the Sustainability Committee are reflected in the Group's business strategies, risk management, and decision-making process for investments and loans.
Strategy	When crafting its long-term vision, Vision 2030 (see page 7), DBJ identified climate change and natural resources and energy as externalities that could have a major impact on stakeholders of the DBJ Group. DBJ has realized that responding to the various climate-related risks and growth opportunities is a key aspect of its business strategies. In fiscal 2019, with assistance from the support programs of the Ministry of the Environment, DBJ began a scenario analysis to evaluate new business opportunities and business resilience to uncertainties related to climate change. A particular focus was placed on evaluating transitional opportunities (please refer to the following page for details). In fiscal 2021, DBJ is focusing on risk analysis, and working to identify and assess physical and transitional risks in its portfolio. DBJ will also continue to increase information disclosure while refining and advancing its analysis with reference to global discussions about climate-related risks.
Risk Management	DBJ identifies, evaluates, monitors, and controls a variety of risks related to climate change. In August 2021, DBJ created its Investment Policy with Environmental and Social Considerations for financial transactions with specific sectors (coal-fired power generation, palm oil, weapons, and forestry) and businesses likely to pose major risks to, or have negative influences on, the environment and society. DBJ will carefully screen investments and loans in accordance with this policy and further enhance its investments and loans in ways that take greater account of the environment and society. DBJ identifies, evaluates, and manages environmental and social risks associated with large-scale projects in accordance with the Equator Principles, which it adopted in 2020, based on guidance from the Environmental & Social Assessment Office.
Metrics and Targets	DBJ gauges the progress of its environmental initiatives in terms of the Greenhouse Gas Protocol's Scope 1 (direct) and Scope 2 (indirect) categories, which are concerned with the amount of greenhouse gas (GHG) emissions associated with corporate activities. Specific targets are set for DBJ and for each department in regard to the environmental aspects of investment and loan operations and environmental protection initiatives such as educational programs that encourage dialogue on relevant issues. In these ways, DBJ works systematically and consistently to help preserve the environment. DBJ has set a target of ¥5.5 trillion in investments and loans related to its GRIT Strategy (see page 17) over the five-year period of its Fifth Medium-Term Management Plan. In line with this target, we will proactively support efforts to tackle climate change at companies receiving investments and loans from us.

Scenario Analysis of Transitional Opportunities

Analysis Conducted with Focus on Transitional Opportunities from Development and Proliferation of Climate Change— Mitigation Technologies

Financial institutions must draw up various socioeconomic forecasts while taking into account future uncertainties associated with climate change, and then consider changes to their portfolios and other actions accordingly. As an initial approach to scenario analysis, DBJ analyzed and evaluated the possible impact on its operations through 2050 with a focus on transitional opportunities brought about by government policies and regulations, as well as technological innovations toward a low-carbon or decarbonized society. More specifically, DBJ is emphasizing five types of technologies (carbon capture and storage, electric vehicles, biomass, hydrogen, and renewable energy) on an experimental basis from among the technologies strongly related to climate change. For each scenario, DBJ analyzes and evaluates growth opportunities and business resilience in sectors covered by the analysis, with due consideration paid to technological development and proliferation.

Use of Shared Socioeconomic Pathways in Scenarios

Even assuming a uniform rise in temperatures occurs as a result of global warming, we believe there will be varied degrees of expectations for technological progress and social acceptance of solutions for the issue of climate change, depending on population and economic growth forecasts in each country, among other factors. In light of these

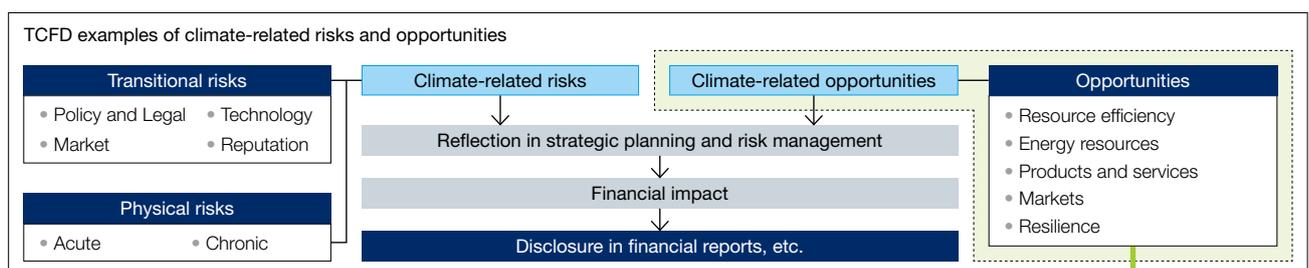
uncertainties about socioeconomic trends around the world, DBJ has adopted the Shared Socioeconomic Pathway (SSP) approach to devise its scenarios to use as future assumptions and conduct an analysis based on projected socioeconomic trends in scenarios where global temperatures rise 1.5 °C, 2.0 °C, and 4.0 °C.

Analysis and Evaluation of Growth Opportunities by Scenario in Each Sector

For each envisioned scenario, DBJ analyzes the degree of impact from the five aforementioned types of technologies in both qualitative and quantitative terms, and it conducts a comprehensive evaluation of growth opportunities and business resilience in each analyzed sector, with consideration made for Japan's strengths.

DBJ will continue to expand the scope of its analysis and update the results, while monitoring the latest trends related to climate scenarios. Using forecasting and scenario analysis to generate a vision of the world in 2050, DBJ is engaging in internal and external dialogue and discussion about topics including how best to transition to a carbon-free society. DBJ will further refine and advance its analysis in an attempt to better its understanding of related risks in the external environment, including climate change. While engaging in deeper conversations with customers and other stakeholders, DBJ will provide financial assistance with the aim of moving closer to a low-carbon or decarbonized society, in addition to taking appropriate actions to address climate change in terms of the opportunities that may arise.

Summary of Scenario Analysis



With a focus on transitional opportunities, analyze and evaluate growth opportunities in each scenario for covered sectors

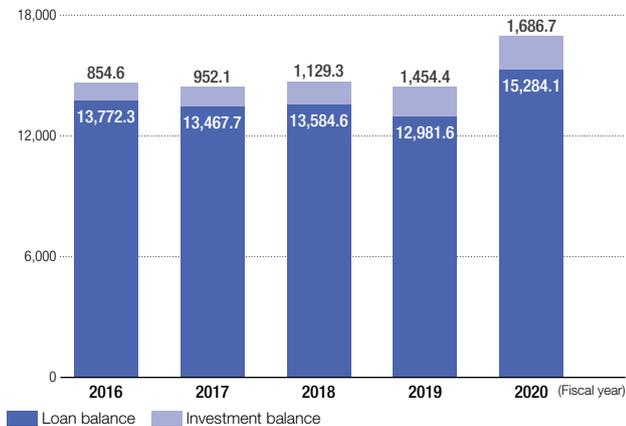


Financial and Non-Financial Highlights

Financial Highlights

Balance of Investments and Loans (Non-consolidated)

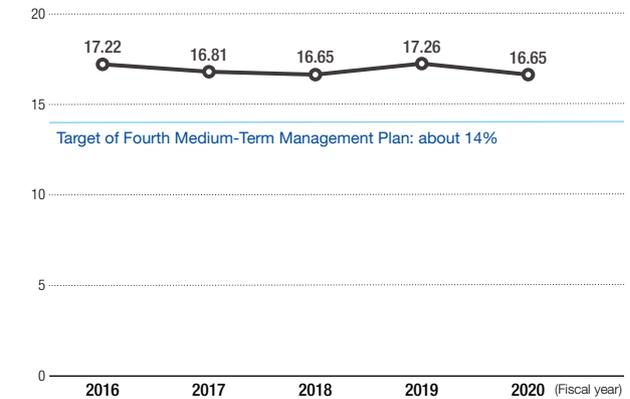
(¥ billion)



The balance of investments and loans (non-consolidated) stood at ¥16.9 trillion as of the end of fiscal 2020. The loan balance increased to ¥15.2 trillion as of the end of the fiscal year under review owing to ¥2.2 trillion in crisis countermeasure loans being extended in response to the COVID-19 pandemic. The investment balance expanded to ¥1.6 trillion as of the end of fiscal 2020, reflecting DBJ's focus on investment operations.

Capital Adequacy Ratio* (Consolidated)

(%)

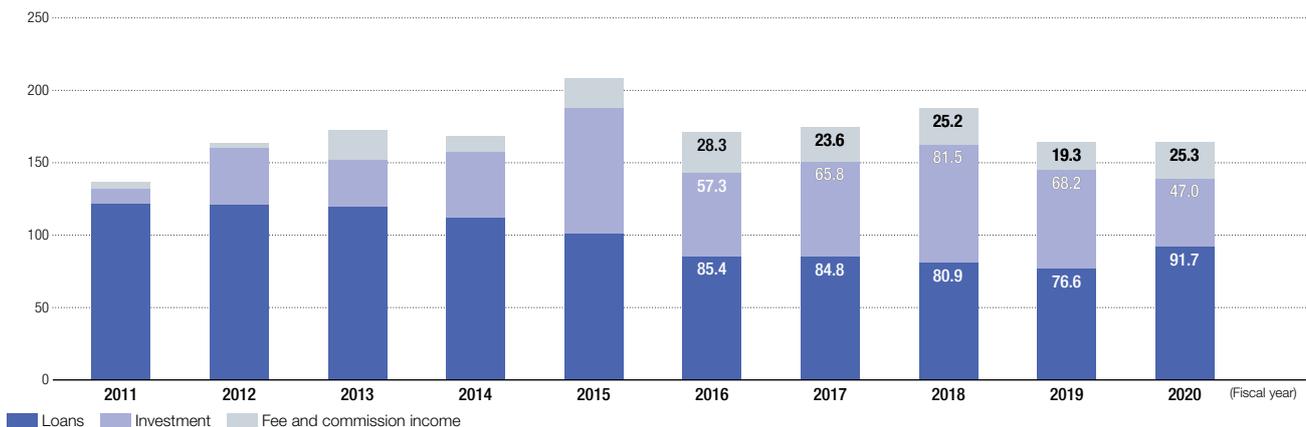


* Common equity Tier 1 risk-weighted capital ratio

The capital adequacy ratio (consolidated) was 16.65% as of the end of fiscal 2020. This ratio may decrease as we supply risk capital for purposes including strengthening our investment operations, but we will nonetheless strive to maintain a sound capital adequacy ratio.

Gross Ordinary Income (Consolidated)

(¥ billion)



In fiscal 2020, in loan operations, loan profits increased alongside growth in the average loan balance. In investment operations, profits declined due to such factors as investees deciding to postpone preferred dividend payments in order to secure cash on hand. Fee and commission income rose on an increase in fee income. Accordingly, gross ordinary income amounted to ¥164.1 billion, roughly on a par with that of the previous fiscal year.

Non-Financial Highlights

Balance of Investments and Loans in Renewable Energy

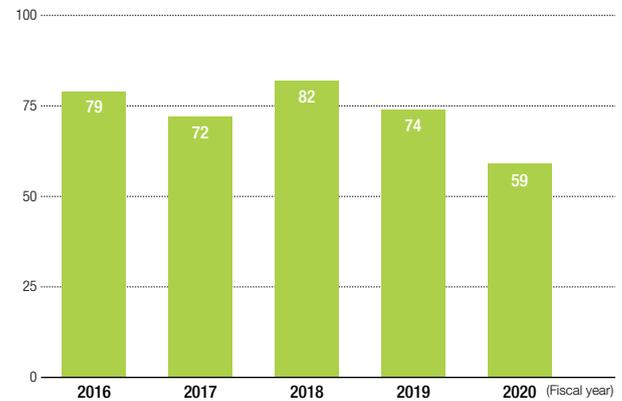
(¥ billion)



The balance of investments and loans in renewable energy stood at ¥276.8 billion as of the end of fiscal 2020. With renewable energy drawing more attention as the world moves away from carbon-based energy sources, the DBJ Group will provide financial support to ventures in solar power, onshore and offshore wind power, biomass, and hydropower based on the advantages of each type of energy source, with a view toward achieving the Japanese government's goal of achieving carbon neutrality by 2050.

Increase in Dialogues with Customers via the Sustainability Certification Program

(No. of engagements)



Under the DBJ Sustainability Evaluation Certification Program (see page 30), at the request of customers, we provide feedback from a third-party perspective on the results of customers' evaluations and help them understand the issues they should address and enhance their management capabilities. In addition to the above, the number of in-person award ceremonies for executives and employees, which is usually at least 40 in a normal year, declined to 10 due to the pandemic. Through the use of online tools, we provided advanced assistance for feedback initiatives, as in a typical year. Through dialogue, we will continue to support our customers' efforts regarding sustainability management.

Human Resource Development (No. of In-House Training Sessions)

(No. of sessions)



The DBJ Group provides abundant opportunities for training through combinations of rank-based and business-related training programs. In fiscal 2020, in-person training was hampered by the COVID-19 pandemic, but we were able to move online almost all of our training programs. Doing so ensured employees had opportunities to develop their skills and participate in sessions about women empowerment and leadership training. DBJ will continue to train personnel by proactively encouraging employees to enhance their skills through training seminars and by improving the content of training based on DBJ's management strategy.

Collaboration and Cooperation with Regional Financial Institutions (No. of Collaborative Funds with Regional Financial Institutions)

(No. of funds)



As of the end of fiscal 2020, the DBJ Group had created 44 collaborative funds with regional financial institutions. The DBJ Group and regional financial institutions, each with its local customer base, supply risk capital to local companies. We draw on the respective strengths of each financial institution with the aim of spurring initiatives to address regional issues.

Consolidated Financial Summary

Reference (Long-Term Profits / Losses, Financial Condition)

	Fiscal 2009 (April 1, 2009 to March 31, 2010)	Fiscal 2010 (April 1, 2010 to March 31, 2011)	Fiscal 2011 (April 1, 2011 to March 31, 2012)	Fiscal 2012 (April 1, 2012 to March 31, 2013)
Consolidated				
Total income	347.9	345.1	318.7	340.0
Income before income taxes	51.9	95.0	99.2	115.6
Of which, equity and fund-related gains / losses	(26.7)	(2.9)	(1.3)	30.0
Extraordinary profit / loss	(0.8)	9.3	10.9	0.6
Income before income taxes and minority interests	51.1	104.3	110.2	116.2
Total income taxes	(10.8)	(1.3)	(31.9)	(44.5)
Net income attributable to owners of the parent	39.8	101.5	77.3	71.3
Total dividend amount	10.0	50.0	37.3	35.2
Investment and fund-raising flow (non-consolidated)				
Loans and investments (flow)	3,793.1	2,116.6	2,927.0	2,652.4
Loans	3,682.0	2,034.4	2,849.0	2,524.5
Investments	111.1	82.2	78.0	127.8
Funds raised (flow)	3,793.1	2,116.6	2,927.0	2,652.4
Of which, recovered, etc.	840.9	1,212.8	691.7	502.2
Total assets	15,595.7	14,845.2	15,579.8	16,248.7
Loans	13,514.6	13,031.4	13,645.4	13,918.2
Securities	1,289.4	1,165.5	1,176.6	1,357.0
Total liabilities	13,268.2	12,435.2	13,118.8	13,710.1
Borrowed money	9,082.4	8,576.4	9,170.5	9,448.3
Debentures and corporate bonds	3,746.3	3,629.3	3,671.8	3,924.5
Total equity	2,327.5	2,409.9	2,461.0	2,538.5
Common stock	1,181.1	1,181.1	1,187.7	1,206.9
Total capital ratio (Basel II, BIS standard)	19.13%	20.50%	18.56%	—
Total capital ratio (Basel III, BIS standard)	—	—	—	15.52%
Ratio of risk-monitored loans (Banking Act basis)	5.07%	1.28%	1.47%	1.23%
Return on assets (ROA)	0.27%	0.67%	0.51%	0.45%
Return on equity (ROE)	1.82%	4.31%	3.18%	2.86%
Number of employees	1,181	1,203	1,270	1,315

2008–2010

First Medium-Term
Management Plan:
CHALLENGE 2010

2011–2013

Second Medium-Term Management Plan:
Endeavor 2013

Consolidated Financial Summary

(¥ billion)

	Fiscal 2013 (April 1, 2013 to March 31, 2014)	Fiscal 2014 (April 1, 2014 to March 31, 2015)	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)	Fiscal 2017 (April 1, 2017 to March 31, 2018)	Fiscal 2018 (April 1, 2018 to March 31, 2019)	Fiscal 2019 (April 1, 2019 to March 31, 2020)	Fiscal 2020 (April 1, 2020 to March 31, 2021)
	361.6	339.0	358.6	285.4	291.7	301.2	289.1	269.4
	165.7	153.0	185.1	122.5	127.1	128.1	78.9	73.0
	30.3	32.1	70.8	41.1	39.7	40.5	7.2	24.1
	0.2	0.6	1.5	(0.0)	2.2	(1.3)	4.0	0.7
	166.0	153.6	186.7	122.4	129.4	126.7	83.0	73.8
	(40.8)	(58.9)	(57.6)	(34.6)	(35.0)	(33.5)	(31.5)	(26.9)
	124.3	92.7	128.9	87.6	91.9	91.9	50.4	45.2
	30.8	22.5	29.2	19.7	22.1	21.0	9.9	8.1
	16,310.7	16,360.6	15,907.1	16,570.4	16,952.2	17,079.5	17,693.6	21,221.8
	13,838.4	13,261.3	12,952.5	13,039.5	12,725.2	12,923.9	12,415.9	14,757.1
	1,637.5	1,887.9	1,803.0	1,750.3	1,866.4	1,961.0	2,374.2	2,535.8
	13,682.9	13,613.3	13,022.9	13,584.2	13,842.1	13,783.2	14,259.6	17,518.4
	9,182.6	8,598.2	7,892.1	8,472.3	8,574.1	7,987.8	8,070.9	10,664.5
	4,237.4	4,569.3	4,727.9	4,711.8	4,932.9	5,296.9	5,696.8	6,223.4
	2,627.7	2,747.2	2,884.2	2,986.2	3,110.1	3,296.3	3,434.0	3,703.4
	1,206.9	1,206.9	1,000.4	1,000.4	1,000.4	1,000.4	1,000.4	1,000.4
	—	—	—	—	—	—	—	—
	15.83%	16.80%	17.87%	17.47%	16.94%	16.74%	17.37%	16.79%
	0.99%	0.77%	0.64%	0.54%	0.47%	0.40%	0.46%	0.76%
	0.76%	0.57%	0.80%	0.54%	0.55%	0.54%	0.29%	0.23%
	4.83%	3.47%	4.60%	2.99%	3.03%	2.88%	1.51%	1.27%
	1,391	1,407	1,435	1,546	1,631	1,650	1,703	1,781
	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8	5,786.7
	2,805.1	2,262.7	2,861.3	3,805.8	2,973.6	3,490.4	3,401.5	5,484.2
	138.2	281.4	166.3	206.7	179.7	300.4	550.3	302.5
	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8	5,786.7
	1,307.5	1,129.9	1,639.7	1,526.1	1,005.0	2,051.4	1,546.1	1,191.4

2014–2016

Third Medium-Term Management Plan:
Supporting Japan's Sustained Growth as
a Global Innovator

2017–2019

Fourth Medium-Term Management Plan:
Initiate Change, Create the Future

Timeline

Japan Development Bank, the Hokkaido-Tohoku Development Finance Public Corporation, and the Development Bank of Japan

Year	Month	Event
1951	April	Japan Development Bank (JDB) established
1952		JDB branches opened in Osaka (now the Kansai Branch), Sapporo (now the Hokkaido Branch), Nagoya (now the Tokai Branch), and Fukuoka (now the Kyushu Branch)
1956	June	Hokkaido Development Finance Public Corporation established
1957	April	Hokkaido Development Finance Public Corporation, reorganized as the Hokkaido-Tohoku Development Finance Public Corporation (HTDFP) branches, opened in Sapporo (now the Hokkaido Branch) and Sendai (now the Tohoku Branch)
1960		JDB branch opened in Takamatsu (now the Shikoku Branch)
1961		JDB branches opened in Hiroshima (now the Chugoku Branch) and Kanazawa (now the Hokuriku Branch)
1962	April	JDB representative office opened in New York
1963		JDB representative offices opened in Kagoshima (renamed Minami-Kyushu Branch in October 1999) and Matsue
1964	July	JDB representative office opened in London
1972	January	HTDFP representative office opened in Niigata (renamed Niigata Branch in July 1989)
1985	June	The Japan Development Bank Law revised 1) Investment function (pertaining to business in such areas as research and development, urban development, and energy use stipulated by government ordinance) added 2) R&D fund investment function added
1987	September	Low interest rate loan system funded partially by sale of NTT shares created by JDB and HTDFP
1989		JDB representative offices opened in Oita, Matsuyama, Okayama, and Toyama HTDFP representative offices opened in Hakodate and Aomori
1995	February	JDB loans to assist disaster recovery commenced
1997	September	Bill entitled "Pertaining to Consolidation and Rationalization of Special-Purpose Companies, etc.," approved by the Cabinet (decision dissolving JDB and HTDFP and consolidating them as a new bank approved)
1998	December	JDB and HTDFP loans in response to changes in the financial environment commenced (March 31, 2001, sunset clause introduced)
1999	June	The Development Bank of Japan Law (Law No. 73 of 1999) approved
	October	All rights and responsibilities of JDB and HTDFP and all financing operations of Japan Regional Development Corporation and Japan Environment Corporation transferred to the Development Bank of Japan DBJ representative offices opened in Kushiro and Singapore
2002	May	The Development Bank of Japan Law revised (additional spot inspections by the Financial Services Agency introduced)
2005	December	Important Policy of Administrative Reform approved by the Cabinet
2006	May	The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) approved
	June	Policy-Based Financing Reform Plan decided upon by DBJ head office for the Implementation of Policy Finance Reform
2007	June	The Development Bank of Japan Inc. Act (Act No. 85 of 2007) approved

Development Bank of Japan Inc.

Year	Month	Event
2008	October	Development Bank of Japan Inc. (DBJ) established (Capital: ¥1 trillion)
		Crisis Response Operations begun by DBJ as a designated financial institution
	December	DBJ Singapore Limited launched
2009	June	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 67 of 2009) approved
	September	Capital increased to ¥1,103,232 million
	November	DBJ Europe Limited launched
2010	March	Capital increased to ¥1,181,194 million
2011	May	The Development Bank of Japan Inc. Act partially amended based on establishment of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)
	December	Capital increased to ¥1,187,364 million
2012	March	Capital increased to ¥1,187,788 million
	June	Capital increased to ¥1,198,316 million
	December	Capital increased to ¥1,206,953 million
2014	June	DBJ Investment Consulting (Beijing) Co., Ltd. (formerly Japan Asia Investment Consulting (Beijing) Co., Ltd.) converted to wholly owned subsidiary
2015	May	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015) approved Special Investment Operations started Advisory Board positioned as an advisory body to the Board of Directors Special Investment Operations Monitoring Board established
	August	Capital reduced by ¥206,529 million, and crisis response reserve increased by the same amount
2018	October	DBJ Americas Inc. launched
2020	May	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 29 of 2020) approved

Shareholder Information

As of March 31, 2021

Name	Address	Number of shares held (thousands of shares)	Percentage of total equity (%)
Finance Minister	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	43,632	100.0
Total	—	43,632	100.0

Summary of Changes to the DBJ Act after Conversion to a Joint-Stock Company

On October 1, 2008, DBJ transitioned from a special public corporation to a joint-stock company. In preparation for full-scale privatization following the disposal of all Japanese government-owned shares, DBJ has continued working to enhance its corporate value through integrated investment and loan services. These activities include providing long-term loans; equity, mezzanine financing, and other types of risk capital; and M&A advisory services.

On the other hand, shortly after DBJ's conversion to a jointstock company, the global financial crisis and the Great East Japan Earthquake occurred. The Japanese government called on DBJ to steadily mount large-scale Crisis Response Operations. Due to these crises, the Development Bank of Japan Inc. Act (Act No. 85 of 2007) was amended twice, with DBJ accepting an additional increase in Japanese government capital. Also, by the end of fiscal 2014, the Japanese government was to review DBJ's organization, including its shareholdings, as stipulated by the revision.

Based on the deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015), which was enacted on May 20, 2015, maintains the direction toward full-scale privatization. At the same time, in order to fully ensure the provision of funding in response to large-scale disasters and economic crises, the amended act makes DBJ's Crisis Response Operations obligatory for an indefinite period. From the perspective of promoting the provision of growth capital to revitalize regional economies and increase the competitiveness of enterprises, the amended act calls for DBJ to accept a certain amount of capital from the Japanese

government (industrial investment). This investment is to be used for a new scheme, Special Investment Operations, to strengthen and develop the Fund for Japanese Industrial Competitiveness. In addition, with regard to the application of DBJ's investment and loan functions toward crisis response and the provision of growth capital, measures were introduced obliging the Japanese government to hold at least a certain percentage of DBJ's shares.

As part of this structural revision, deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding covered such topics as DBJ's proper implementation of Crisis Response Operations, the importance of initiatives for providing growth capital (equity and mezzanine financing) to address shortages in Japanese financial and capital markets, and an evaluation of DBJ's initiatives following its conversion to a joint-stock company.

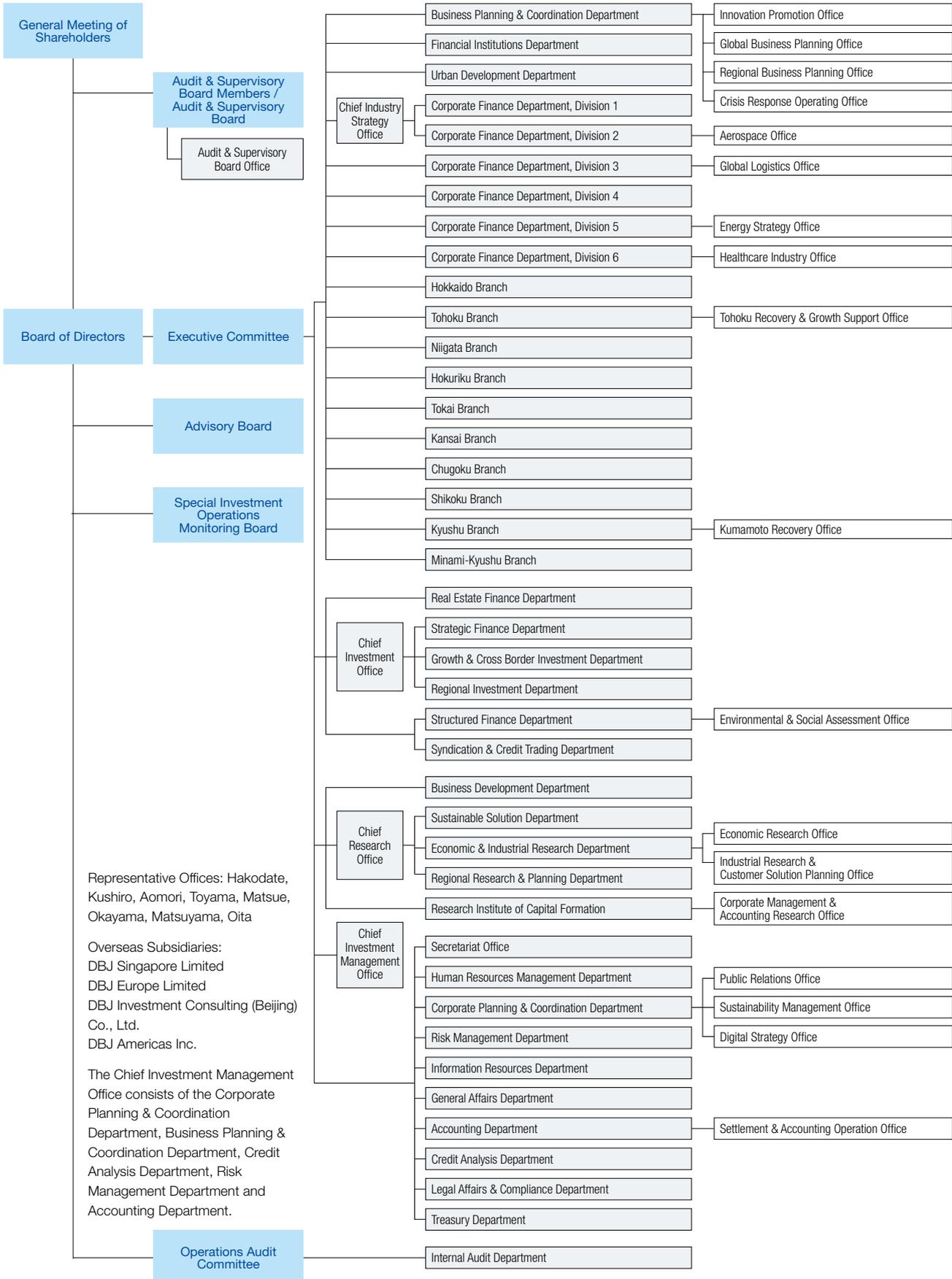
In light of discussions in 2019 by the Japanese government's Study Panel Concerning the Future Vision of Special Investment Operations at Development Bank of Japan Inc. under the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 29 of 2020), which was enacted on May 22, 2020, Special Investment Operations shall take the following required measures: (1) extend the investment decision term and government financing term from March 31, 2021, until March 31, 2026 and (2) extend the deadline for ending operations from March 31, 2026, until March 31, 2031.

Note: For the full text of the DBJ Act, please refer to the Data section.

Highlights of 2015 Revisions to the DBJ Act

1 Measures maintaining direction toward full-scale privatization		
Before revision	Full-scale privatization and disposal of all Japanese government-held shares, targeting around five to seven years from April 1, 2015	After revision
		<ul style="list-style-type: none"> No changes in the main provisions, including Article 1, which stipulates DBJ's objectives Disposal of shares as soon as practicable (considering its effect on achieving DBJ's objectives as well as on the market situation)
2 Measures ensuring appropriate implementation of Crisis Response Operations		
Before revision	<ul style="list-style-type: none"> Conducting Crisis Response Operations as a designated financial institution Enabling Japanese government recapitalization in crisis response by March 31, 2015 	After revision
		<ul style="list-style-type: none"> Assuming responsibility for Crisis Response Operations for an indefinite period (at the same time reflecting this obligation in the Articles of Incorporation) Extending for an indefinite period the scope of the Japanese government's recapitalization securing DBJ's financial structure, with the Japanese government having such obligations as holding more than one-third of DBJ's shares
3 Measures establishing new Special Investment Operations scheme to temporarily provide growth capital in a concentrated manner		
Before revision	Provision of risk capital through the Fund for Japanese Industrial Competitiveness	After revision
		<ul style="list-style-type: none"> Reinforcement of the Fund for Japanese Industrial Competitiveness (a portion of the financial resources for which are provided through measures for industrial investment); implementation of Special Investment Operations as a measure for a limited period of time, through fiscal 2025 (at the same time reflecting this obligation in the Articles of Incorporation, complementing and encouraging private-sector enterprises, etc.) Obligation that the Japanese government shall hold one-half or more of shares until the conclusion of Special Investment Operations
4 Provisions referencing consideration for private financial institutions through ongoing Japanese government involvement		
Before revision	As per the Third Medium-Term Management Plan, sustainment of close communications, maintaining a focus on operations in collaboration with other financial institutions	After revision
		<ul style="list-style-type: none"> The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not affect its appropriate competitive relationships with other business entities The Japanese government shall hear the opinions of representatives of ordinary financial institutions and other relevant persons concerning Japanese government revisions on an as-needed basis regarding Crisis Response Operations and Special Investment Operations

Organizational Structure (as of August 1, 2021)



Corporate Information

Name	Development Bank of Japan Inc.
Established	October 1, 2008
Head office	Otemachi Financial City South Tower, 9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178, Japan Tel: +81-3-3270-3211
Capital	¥1,000,424 million (All capital is funded by the government of Japan.)
Number of employees	1,781 (non-consolidated 1,230)

(As of March 31, 2021)

Group Companies

The DBJ Group provides diverse services that satisfy the needs of its customers.

Overseas locations

DBJ Singapore Limited	DBJ Singapore Limited is a Singapore-based subsidiary established in December 2008. It mainly provides support for investments and loans as well as advisory services in the Asia-Pacific region, and also collects and disseminates information locally.
DBJ Europe Limited	DBJ Europe Limited is a London based subsidiary established in November 2009. It mainly provides support for investment and loan services in Europe, and also collects and disseminates information locally.
DBJ Investment Consulting (Beijing) Co., Ltd.	DBJ Investment Consulting (Beijing) Co., Ltd. became a wholly owned subsidiary in June 2014 and is based in Beijing and Shanghai. It mainly offers support for investment and loan services in China, and also collects and disseminates information locally.
DBJ Americas Inc.	Launched in October 2018, DBJ Americas Inc. is a local subsidiary based in New York, U.S.A. It mainly provides support for investment and loan services in the Americas, and also collects and disseminates information locally.

Investments / Securities / Asset Management

DBJ Capital Co., Ltd.	DBJ Capital Co., Ltd. is the venture capital arm of the DBJ Group. It mainly makes early-stage equity investments in venture firms, and supports their growth through hands-on management.	 DBJキャピタル株式会社 日本政策投資銀行グループ
DBJ Investment Advisory Co., Ltd.	DBJ Investment Advisory Co., Ltd. provides advice related to DBJ's VG (Value for Growth) Investment Program.* * Value-added equity investment that supports growth strategies	
DBJ Securities Co., Ltd.	DBJ Securities Co., Ltd. is a securities subsidiary that assists the DBJ Group with investment and loan services. It supports optimal capital procurement, centered on alternative product fields, provides asset management opportunities, and flexibly fulfills diverse needs.	 DBJ証券株式会社 日本政策投資銀行グループ
DBJ Asset Management Co., Ltd.	DBJ Asset Management Co., Ltd. is an asset management company focused on real estate, private equity, and infrastructure investments. It provides quality investment opportunities to investors with the comprehensive financial backing of the DBJ Group.	 DBJアセットマネジメント 日本政策投資銀行グループ

Research / Consulting

Japan Economic Research Institute Inc.	Japan Economic Research Institute Inc. is a comprehensive think tank that primarily conducts surveys and consulting. It meets customer needs from a comprehensive viewpoint, leveraging synergies in its three survey fields: public, solutions, and international.	 株式会社 日本経済研究所 Japan Economic Research Institute Inc.
Value Management Institute, Inc.	Value Management Institute, Inc. is a comprehensive think tank with strengths derived from its insight into advanced technologies and analysis using proprietary economic models. It provides tailor-made solutions to a broad range of government policy issues.	 株式会社 価値総合研究所 日本政策投資銀行グループ

Real estate management / IT services / Shared Service

DBJ Real Estate Co., Ltd.	DBJ Real Estate Co., Ltd. Handles administrative functions for the DBJ Group for office building leasing, rental conference rooms, and business libraries.	 DBJリアルエステート株式会社 日本政策投資銀行グループ
Consist, Inc.	Consist, Inc. provides one-stop consulting services for developing, maintaining, and operating IT, using technology to help solve social issues.	 consist 株式会社コンシスト
DBJ Business Support Co., Ltd.	DBJ Business Support Co., Ltd. is a shared services company of the DBJ Group. It supports DBJ Group companies business by consolidating their administrative operations and also streamlining processes with its operational expertise.	

