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

May 2017

DBJ Development Bank of Japan
1. Future Social Issues and DBJ Group’s Role

- Spurred by globalization and innovation, industry, finance and society are evolving faster than ever.
- DBJ will ensure economic and social sustainability with solutions that provide high added value.

Future Changes in the External Environment
Population problem / Climate change, natural resources, and energy / Globalization / AI, Fintech, and other technological innovations / Government budgets, finances, and regulations

Realization of a Sustainable Economy and Society

Creation, conversion, and growth in industry
- New technologies and businesses (promote innovation)
- Commercialization of new technologies
- Reorganization
- Business restructuring to improve productivity and hone competitiveness
- Overseas expansion
- Business development in global markets

Self-reliance and revitalization of local economies
- Solve issues specific to each region
  - Industrial revitalization based on regional characteristics
  - Overseas business development
  - Response to inbound tourism
  - Business succession
- Play a role connecting regions to Tokyo, regions to regions, and regions to the world

Rebuild and reinforce infrastructure
- Rebuild energy and transportation infrastructure, upgrade public infrastructure
  - Rebuilding energy systems
  - More advanced transportation networks
- Promote urban growth
- Creation of attractive communities

Environment
- Realize a low-carbon society

Disaster prevention
- Promote industry and cities resilient to natural disasters

Health
- Support health management

Invigorate and stabilize financial markets through partnerships and collaboration

Crisis Response Operations
DBJ adequately prepares for financial Crisis Response Operations in the event of a major natural disaster or turmoil in financial markets.

Risk Capital Finance
DBJ supplies the risk capital needed to strengthen industrial competitiveness, including Special Investment Operations, rebuild infrastructure, and invigorate regional economies.

Originating Diverse Financial Deal Opportunities
DBJ helps facilitate money flows by originating diverse financial deal opportunities in Japan and overseas.

Providing Our Knowledge
DBJ leverages its knowledge of industry and finance to build new financing platforms.
2. DBJ’s Functions in the Financial Market

- DBJ plays a unique role in the financial market by supplying risk money and knowledge to domestic and foreign clients in cooperation with financial institutions and businesses.
- We help to strengthen and stabilize the financial markets, including its ESG aspects.
3. Fourth Medium-Term Management Plan in Context

- Previous MTMPs have been productive with the effective supply of risk capital and unique knowledge.
- Amid growing global uncertainty, we will draw on our experience to seek solutions to changing social issues.

DBJ: Timeline since Establishment of DBJ

1999
The Development Bank of Japan established

2008
Became a joint-stock company

2008～2010
1st MTMP CHALLENGE 2010

2011～2013
2nd MTMP Endeavor 2013

2014～2016
3rd MTMP Supporting Japan’s Sustainable Growth as a Global Innovator

2017～2019
4th Medium-Term Management Plan

2030
Leveraging DBJ’s unique strengths to pursue its mission and realize its vision

Long-Term Vision

4th Medium-Term Management Plan

Highlights until 3rd MTMP

1. Carried out Crisis Response Operations
   - Rapidly responded to financial crisis and Great East Japan Earthquake
2. Provided risk capital through integrated investment and loan services
   - Advanced mezzanine financing and investments
3. Created diverse opportunities for investments and lending
   - Appropriately shared risks with financial institutions, offered asset management opportunities

Addressing Issues in the 4th MTMP

- Monetary easing / low interest rates
  - Decline in profitability of investments, hardship in asset management, risk of fluctuation in interest rates
  - Build a stable investment portfolio, strengthen asset management
- Growing problems in regions
  - Reassess the role of regional finance to address regional economic exhaustion
  - Make investments, including cooperation with regional financial institutions, and contribute knowledge
- Globalization / innovation
  - Rise of protectionism, faster changes in industry, finance, and society
  - Flexibly respond to change, increase sophistication of risk-return management

Based on the results of the 3rd MTMP, we will use the coming 3 years to accelerate the supply of risk money, stimulate capital flow, and establish the foundations for taking up global challenges, while continuing to practice crisis response nation-wide.

Having achieved success with the above initiatives and results that exceeded targets, and in consideration of its track record providing solutions to social issues, DBJ’s Special Investment Operations was institutionalized with the enactment of the revised DBJ Act in 2015.
4. Basic Policy of the Fourth Medium-Term Management Plan

- DBJ will accelerate its development of new business together with diverse financial institutions and other firms.
- DBJ will strengthen its corporate fundamentals, including non-financial capital, and create both economic and social value.

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

Business Strategy

<table>
<thead>
<tr>
<th>Fields (Sectors)</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three infrastructure fields</td>
<td>Financing (including crisis response)</td>
</tr>
<tr>
<td>Energy</td>
<td>Transportation</td>
</tr>
<tr>
<td>Provide higher-value-added services, such as structured financing and mezzanine financing</td>
<td></td>
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<tr>
<td>Investments (including special investments)</td>
<td></td>
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<tr>
<td>Promote long-term investments in infrastructure and growth investments in companies</td>
<td></td>
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<tr>
<td>Fees and commissions</td>
<td></td>
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<tr>
<td>Expand the asset management business in the infrastructure and private equity fields, in addition to arrangement and advisory services</td>
<td></td>
</tr>
<tr>
<td>New functions</td>
<td></td>
</tr>
<tr>
<td>Develop new functions to complement financing, advisory, and asset management services</td>
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Areas

<table>
<thead>
<tr>
<th>Regional and Overseas</th>
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<tbody>
<tr>
<td>Support regional globalization, provide financing opportunities overseas, provide solutions</td>
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</table>

⇒ Role connecting regions to the world

Management Foundation Strategy

- Financial capital
  - Diversify capital procurement methods, including SRI bonds
  - Increase sophistication of risk–return management

- Non-financial capital
  - Human and intellectual capital
    - Alignment of human resources with strategy
    - Development of stronger capability for enhanced risk responsiveness
    - Reform of workstyle
    - Acceleration of decision-making
  - Relationship capital and social capital
    - Collaborate with other companies, including financial institutions
    - Improve communication with stakeholders
5. Organizational Review

- Implementation of the Fourth MTMP is being facilitated by a **review of the DBJ organization**.

<table>
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<tr>
<th>Departments and relevant industries</th>
<th>Functions</th>
<th>Reasons for reorganization</th>
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</table>
| Business Planning & Coordination    | New business/new product development **Innovation Promotion Office** | **1. To improve our response to innovation:**
| Chief Research Officer              | Support for ESG by industry & corporate clients |   - Consolidate all functions pertaining to new business and industrial innovation
| Sustainability Planning & Support   | Partial reorganization of relevant industries |   - Consider investments in business development across industry (hydrogen economy, automatic vehicles, etc.), core technology and other new areas; build a framework for seizing new business opportunities; develop the Innovation Hub (iHub).
| Economic & Industrial Research      | Structural changes in materials industries (consolidation) | **2. To provide better solutions for industry:**
|                                    | Innovation in aerospace (at new **Aerospace Office**) |   - Create the office of Chief Researcher and the Sustainability Planning & Support Department (the former CSR Department), to support clients in their ESG initiatives
|                                    | The growing healthcare industry |   - Reorganize industrial coverage in order to better address the issues of industrial clients
|                                    | **3. To encourage regional investment:** |   - Improve coordination between industrial research & relevant industries
|                                    | Promotion of regional projects **Regional Investment Promotion Office** |   - Open the Regional Investment Promotion Office to support DBJ branches in the supply of risk money to small and mid-size regional companies, in coordination with local banks, to promote business continuity and growth policy
|                                    | Pursuit of both economic and social value **Sustainability Management Office** | **4. To balance economic and social value & improve communication:**
| Strategic Finance                  |                                                    |   - Create the Sustainability Management Office as part of a larger effort to promote sustainability management* through improved management overall
| Corporate Planning & Coordination  |                                                    |   - Prioritize active communication with stakeholders (e.g. through integrated reports)
|                                    |                                                    | * Balancing economic and social value and communicating to stakeholders the process by which such value is created
6. Financial Targets

- Although difficult business conditions are on the horizon, we set the profitability of the Fourth MTMP at a higher level than for the Third MTMP.
- Looking ahead to the Fifth MTMP, we aim to build a risk-return portfolio which values both profitability and soundness.

<table>
<thead>
<tr>
<th>(Consolidated)</th>
<th>3rd MTMP</th>
<th>4th MTMP</th>
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<tr>
<td></td>
<td>Target (Fiscal 2016)</td>
<td>Actual (Average for fiscal 2014-2016)</td>
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<tr>
<td>Profitability</td>
<td></td>
<td></td>
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<tr>
<td>Gross ordinary income(^1)</td>
<td>¥160 billion</td>
<td>¥182.6 billion</td>
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<tr>
<td>Current net income</td>
<td>¥70 billion</td>
<td>¥103 billion</td>
</tr>
<tr>
<td>Expense ratio(^2)</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥15 trillion</td>
<td>-</td>
</tr>
<tr>
<td>ROA(^2,3)</td>
<td>1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>ROE(^2,3)</td>
<td>3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Soundness</td>
<td>Capital adequacy ratio(^4)</td>
<td>16%</td>
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1. Excludes credit costs. Target figure for the Third MTMP is pre-credit cost, adjusted from a post-credit cost basis.
2. Expense ratio and ROA versus gross operating profit, ROE versus net income.
3. Average for fiscal 2014–2016 uses simple average of ROA and ROE for each fiscal year.
Long-Term Vision 2030

With an enduring social mission and an eye toward the external conditions and social issues of the year 2030, DBJ will **promote sustainability management in pursuit of both economic and social value.**

**DBJ Group’s Corporate Philosophy**

**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.

**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.

**Values**

Initiative • Integrity

**DBJ Group’s Business Model**

**Sector strategy**

**Industry**

New technology and business
Restructuring
Oversea expansion

**Infrastructure**

Energy
Transportation
Urban development

**Functional strategy**

Investment and loans
Advisory services
Asset management
Crisis response

**Area strategy**

Regional
Overseas

**DBJ Group’s Management Capital**

**Financial capital**

- Shareholders’ equity
- Borrowings

**Human and intellectual capital**

- Human resources
- Surveys and analysis
- Organizations, processes, and ICT

**Relationship capital**

- Brands, reputation
- Relationships, networking

**Social capital**

- Natural environment
- Industrial and regional infrastructure
- Financial systems and markets

**Sustainability management**

Creation of both economic and social value

**Business activities in tune with risk appetites**

Outcome of business activities

Increase and conversion of capital value

Creation of both economic and social value

Increase and conversion of financial value

Long-term impact on ability to create financial value

Creation of non-financial value

Integrated reporting

Communication

Stakeholders

Customers, communities, employees, financial markets, investors, shareholders, among others

Future Changes in the External Environment

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Risks and opportunities