Development Bank of Japan

Transition Bond Framework

July 2024

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1. Introduction

Development Bank of Japan Inc. (DBJ) has established its Transition Bond Framework ("the Framework") as detailed below. Under the Framework, DBJ will issue transition bonds as enabler ("the Enabler") that raises the funds for actions, including investments and loans, that enable others to transition to decarbonization.

DBJ has set out in the Framework that it will address the key elements of each of the following principles when raising funds through transition bonds.

A) *Climate Transition Finance Handbook 2023 (CTFH)* of the International Capital Market Association (ICMA) and the *Basic Guidelines on Climate Transition Finance (May 2021 Edition)* ("the Basic Guidelines") of the Financial Services Agency, the Ministry of Economy, Trade and Industry and the Ministry of the Environment

B) *Green Bond Principles 2021* (GBP) of ICMA, *Sustainability-Linked Loans financing Bonds Guidelines* (SLLBG) of the Loan Market Association and ICMA and the *Green Bond Guidelines (2022 Edition)* (GBG) of the Ministry of the Environment

2. Outline of the Issuer and Approach to Sustainability

2.1 Outline of the Issuer

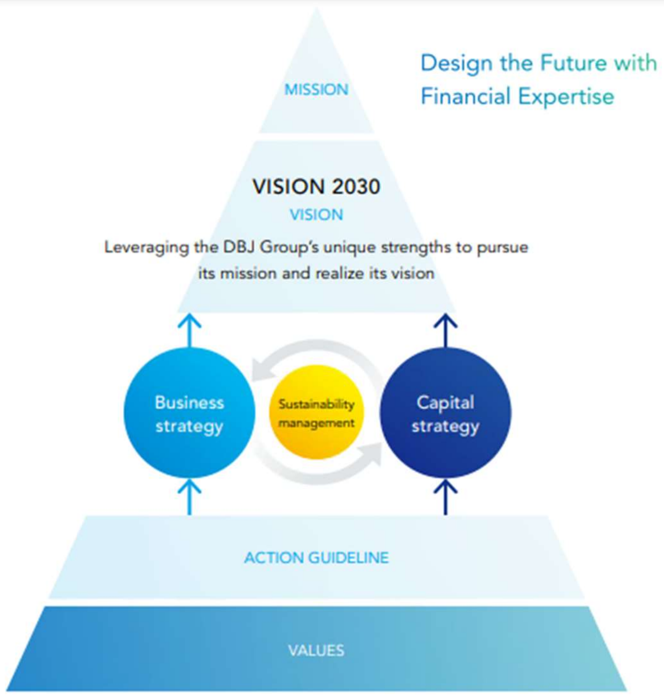
DBJ is a 100% government-owned financial institution. DBJ provides financial services in Japan, the U.S., Europe and Asia, with a mission to "Design the Future with Financial Expertise," and ultimately pursue sustainable development for Japan and the world.

DBJ's history dates back to 1951, when the Japanese government established the Japan Development Bank as a government financial institution to support the recovery of the Japanese economy, industry and society from the damage caused by World War II. Since then, DBJ has, alongside the Japanese government, contributed to tackling the challenges facing Japan by providing financial solutions. The areas in which DBJ has contributed include "Infrastructure Development," "Urban & Regional Development," "Pollution Prevention and Environmental Preservation," "Energy Supply," "Social Infrastructure Improvement" and "Crisis Response."

2.2 Corporate Philosophy and Materiality

The DBJ Group's corporate philosophy consists of Mission that it pursues relentlessly, regardless of the times; Values that are shared by all of its executives and employees; and Vision 2030 that it follows as a guide into the future

< **Corporate Philosophy**>



ACTION GUIDELINE

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

VALUES

Initiative	Continue to take on challenges to effect the necessary changes in society by pioneering financial frontiers, instead of passively reacting to changes in the external environment
Integrity	Have integrity and sincerity in interactions with customers, coworkers, and with oneself

To realize the future laid out in Vision 2030, the DBJ Group has identified its material issues, with reference to the concept of balancing economic and social value, which runs deep in the DBJ Group's sustainability management, and the objective prescribed in The Development Bank of Japan Inc. Act, which 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. Looking ahead, the DBJ Group plans to review its material issues periodically from the perspective of balancing economic and social value while maintaining dialogue with its stakeholders.

<Materiality>

Materiality (Key Management Issues)		Specific Measures	SDGs
Formation of sustainable infrastructure	Transition to decarbonization Build infrastructure for future generations	• Investments and loans to effect transitions while maintaining stable supply in the energy sector • Social acceptance of next-generation mobility and proliferation of clean energy using hydrogen and ammonia • Promotion of public-private partnerships in maintaining and upgrading public infrastructure • Initiatives focused on natural capital, biodiversity, and a circular economy that support economic and social activities	7, 9, 11, 13, 14, 15
Technical innovation and restructuring of industry	Strengthen competitiveness of Japanese industry through innovation Reorganize supply chains	• Support for new business, business restructuring, and digital transformation, provision of guidance for entering global markets • Investments for startups in the climate and deep technology (deep tech) sectors, and growth-stage startups • Management support through investments in Society 5.0 and other areas • Supply chain reconstruction with eye on post-pandemic recovery, decarbonization, circular economy, etc.	9, 12, 13
Regional revitalization utilizing untapped potential	Just transition of regions Response to population decline	• Creation of visions for regions through collaboration and cooperation with stakeholders • Recommendations and support for a just transition to a decarbonized society from both industry and regional perspectives • Support for increasing population flows, for example via tourism, especially foreign tourism • Supply of risk capital and knowledge for uncovering unique regional resources	8, 17
Creation of markets and safety nets in the finance sector	Expand frontiers of financial markets Exercise stabilizer function	• Expansion of sustainable finance markets (investments and loans, asset management, bond issuance) • Expansion of investments in venture capital and secondary funds • Provision of diverse investment and loan opportunities through cooperation with private financial institutions • Deployment of safety net functions, such as Crisis Response Operations	9, 17
Cultivation of talent to challenge financial frontiers	Support the taking on of challenges and collaboration Improve employees' sense of self-fulfillment	• Implementation of human resource systems that encourage employees and teams to take on new challenges • Cultivation of human resources through practical on-the-job training (OJT) and ample training opportunities • Creation of an environment that respects diversity and facilitates the independence and proactivity of employees	5, 8
Strengthening of the business foundation for supplying risk capital	Enhance risk responsiveness Reform ways of working	• Preparation of systems in response to strengthening of investment operations and increased sophistication of investment management with consideration to risks and returns • Continuous review of operations, advancement of operations through digitization • Strengthening of integrated Group management	8

2.3 Sustainability Management

The DBJ Group's sustainability management aims to balance economic and social value in pursuing a sustainable society through a business model that leverages group capabilities in areas such as integrated investments and loans, and consulting and advisory services. DBJ works continuously to improve its value creation process through collaboration and dialogue with stakeholders, seeking to refine its sustainability management and increase the value it creates.

<History of Commitment to Sustainability>

DBJ's environmental sustainability activities began in the 1960s as an initiative to address environmental pollution problems caused by rapid economic expansion after the recovery from World War II. In 2001, DBJ became the first Japanese financial institution to sign the UNEP (United Nations Environment Programme) Statement by Financial Institutions on the Environment and Sustainable Development. In 2014, it became the first Japanese investor member of GRESB, and in 2016, the only Japanese member of its advisory board. In 2014, DBJ became the first Japanese issuer to issue a GBPcompliant green bond. Subsequently, with the expansion of eligible assets under its framework, DBJ has issued sustainability bonds every year since 2015. In 2017, DBJ participated in the GBP discussions as the GBP's first Japanese issuer member. In addition, DBJ signed the Principles for Responsible Investment (PRI) in 2016 and established the Sustainability Management Office in 2017 under the Policy on Sustainability, which evolved from the Environment Policy set forth in 2001. More recently, DBJ expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) and adopted the Equator Principles in 2020. In 2022, based on its TCFD recommendations , DBJ declared that it would aim for net zero greenhouse gas (GHG) emissions by 2050, including Scope 3 emissions from companies in its investment and loan portfolio, in addition to its own Scope 1 and 2 emissions.

<Sustainable Finance and Solutions>

DBJ has performed as a leader for sustainable finance and solutions in Japan. After being the first financial institution in the world to develop an environmentally rated loan program (DBJ Environmentally Rated Loan Program) in 2004, DBJ expanded its menu of financing options that factor in the level of sustainability management at a corporation to include the DBJ BCM Rated Loan Program and the DBJ Employees' Health Management Rated Loan Program. DBJ emphasizes dialogue with customers in the provision of these loan programs, as well as in the DBJ Sustainability Linked Loans with Engagement Dialogue and its consulting services, and it assists customers with sustainability management. In 2011, it developed the DBJ Green Building Certification and has been working on assessing the sustainability of real estate.

<Commitment to Sustainability>

2.4 GRIT Strategy

As a part of its fifth medium-term management plan (released in May 2021), DBJ promotes the “GRIT Strategy” for realizing a sustainable society, including initiatives to address climate change. This is in line with the Japanese government’s environmental policy to reduce GHG emissions by 46% by fiscal 2030 (from fiscal 2013) and achieve carbon neutrality by 2050.

Of the ¥13 trillion investment and loan target (total over five years) set in its fifth medium-term management plan, DBJ aims to provide ¥5.5 trillion in investments and loans under the GRIT Strategy.

<Details of the GRIT Strategy>

G - Green: Initiatives to become carbon neutral with established technologies

R - Resilience & Recovery: Building of flexible yet strong industrial foundations as well as safe and secure regions and society

I - Innovation: Initiatives for innovations that are commercially feasible from a long-term perspective

T - Transition / Transformation: Strategic initiatives to steadily lead transition toward carbon neutrality and other goals, based on current business foundation

3. Conformity with the CTFH and Basic Guidelines

3.1 Borrowers’ Climate Transition Strategies and Governance

3.1.1 DBJ’s Role in Decarbonizing Society as a Whole

Based on its Policy on Sustainability, the DBJ Group positions the global issue of climate change response as one of its top material issues as a key initiative to achieve a sustainable society. The Group will contribute to the achievement of a decarbonized society by working with its stakeholders to solve the issues of communities and customers, while striving to ensure a balance with stable energy supply.

In its fifth medium-term management plan, the Group recognizes the importance of supporting decarbonization efforts by promoting the GRIT Strategy and engaging in constructive dialogue (“engagement”) with its customers to whom it provides investments and loans. The Group promotes its support through investments, loans and advisory services that build on the strengths of the entire Group, leveraging its “dialogue skills” based on its financial capabilities, research capabilities and knowledge that it has accumulated to share an awareness of the problems faced by customers and understand their management issues and needs.

In February 2023, the Japanese government issued a Cabinet decision on the Basic Policy for the Realization of GX, in which it advocates the promotion of “Green Transformation, or GX”[1] that “will transform our entire industrial and social structures centering around fossil energy sources into ones based on clean energy"[1] "based on the premise of ensuring a stable energy supply (national energy security)"[1] and states that "by strengthening Japan's industrial competitiveness, the country's economy can be put back on track for further growth, leading to future economic development and growth in jobs and income."[1]

In view of these developments, DBJ reviewed its fifth medium-term management plan in May 2023 to strengthen initiatives such as "Supply of Risk Capital" and "Regions x Transition." In June 2023, it published "Regions x Transition: Wide-Area Strategies Centered on Energy and Related Industries." If Japan is to achieve medium- to long-term growth through GX, DBJ believes it is essential to unleash the potential of its regions. The DBJ Group will continue to work proactively toward the achievement of carbon neutrality and the resolution of issues in the regions.

3.1.2 DBJ Group's Carbon Neutrality Targets and Initiatives

With a customer-centric approach the DBJ Group aims to achieve net zero GHG emissions from companies in its investment and loan portfolio by 2050 by supporting customers' decarbonization efforts and helping them solve their management issues. We have formulated our Transition Policy and 2030 Interim Reduction Targets as key policies for supporting our customers' transition to decarbonization and enhancing engagement with our customers, as we believe in the importance of both facilitating the transition to and achieving net zero GHG emissions.

Transition Policy

We provide financial support for initiatives that lead to reductions in GHG emissions based on the medium- to long-term transition plans of our customers in high-emitting industries. We aim to achieve net zero GHG emissions by 2050 by promoting transition to decarbonization, including within regions.

In an environment where uncertainties such as rising fuel prices and geopolitical risks are increasing, DBJ provides financial support to high-emitting industries for investments in both decarbonization and a sustainable society, and although this may temporarily increase the GHG emissions allocated to DBJ, it is an essential step in the transition to a decarbonized society. We therefore intend to proactively support investments that facilitate transition by our customers, keeping in mind our interim reduction target. In order to address decarbonization across industries and regions, we will not only solve problems through financing but also strengthen our support in terms of proposals to stakeholders in industries and regions, as well as offering knowledge. Moreover, we will actively support our customers in terms of providing capital to startups working on innovations, such as climate tech and new technologies like nuclear fusion.

[1] Excerpt from the Basic Policy for the Realization of GX (Cabinet Office). Includes some additions.

Engagement Activities

In order to support its customers' efforts to decarbonize, the DBJ Group offers sustainable finance and advisory services, and the entire Group, including DBJ Capital Co., Ltd., is working to supply risk capital for climate tech and new technologies.

We will continue to enhance our understanding and shared awareness of issues through constructive dialogue (engagement) with our customers, strive to understand in depth each customer's challenges and needs, and present solutions. By doing so, we will encourage customers to make use of the DBJ Group's strengths in investment and lending and advisory services.

DBJ established the Transition Business Promotion Office under the Business Planning & Coordination Department as an organization tasked with facilitating investments and loans to help with the transition to carbon neutrality, based on its belief in the importance of providing consistent support for a just and responsible transition.

In promoting the use of hydrogen and ammonia, new energy sources that will be important in this transition, as well as storage batteries, it is important not only to encourage the efforts of individual companies, but also to take into account the different regional characteristics and the various industry structures and related parties, and to encourage their cooperation. The Transition Business Promotion Office aims to consolidate knowledge on the transition to decarbonization concerning these areas and promote cross-regional and cross-sector efforts across the company.

GHG Emissions Reduction Targets

The DBJ Group aims to achieve net zero GHG emissions by 2050, encompassing its own Scope 1 and Scope 2 emissions, as well as Scope 3 emissions from companies in its investment and loan portfolio.

Scopes 1 & 2:

DBJ and eight major domestic Group companies have set targets for achieving net zero in-house emissions by fiscal 2030. GHG emissions are measured and tallied at these companies. DBJ continues to promote efforts to reduce GHG emissions, centered on the Sustainability Management Office in the Corporate Planning & Coordination Department.

Scope 3:

Based on its target of achieving net zero GHG emissions for its portfolio of investments and loans by 2050, the DBJ Group has decided to measure the GHG emissions of the electric power sector, after due consideration of the characteristics of the sector and the amount of credit extended to it.

2030 interim reduction target:

- Decarbonization in the electric power sector is crucial to the decarbonization of entire industries. In light of the amount of credit DBJ has extended to the electric power sector, the DBJ Group has set an interim target for the sector, based on the expectation that demand for electricity will increase during the process of decarbonization.

- The Group has set a target of 138–265g CO2/kWh for emissions intensity as a 2030 interim reduction target for Scope 3 GHG emissions from companies in its investment and loan portfolio in the electric power sector.
- Once it achieves the level (265gCO2/kWh, a 40% reduction vs. fiscal 2021) that aligns with the Strategic Energy Plan's Nationally Determined Contribution (NDC) target for 2030 while assisting and engaging with customers and considering their plans in relation to the achievement of NDC targets, the DBJ Group will pursue the level (138gCO2/kWh) in the Net Zero Emissions by 2050 Scenario (NZE) of the International Energy Agency (IEA) by supporting customers with their transitions and technological innovations.

3.1.3 Governance

At DBJ, the policies and status of initiatives to address various sustainability issues are deliberated by management at meetings of the Sustainability Committee, etc., after which the necessary matters are discussed and decided by the Executive Committee and reported to the Board of Directors. The Sustainability Management Office is an administrative body within the Corporate Planning & Coordination Department that acts as a hub for information inside and outside the DBJ Group, and advances measures.

At the Advisory Board, which is an advisory body to the Board of Directors consisting of outside experts and outside directors, we report on the progress of initiatives, such as the GRIT Strategy and other business plans, and the content of its deliberations is reflected in business plans and measures to enhance risk management.

Organizational Chart

3.1.4 Rationale for Transition Bond Issuance

The Framework was established to raise funds to support customers' decarbonization efforts with the aim of tackling the global issue of climate change response, which the Group positions as one of its top material issues as being important for the realization of a sustainable society. Under the Framework, DBJ will issue transition bonds as the Enabler.

The issuance of transition bonds is expected to make the Group's aforementioned climate change policy clearer and more concrete, as well as to activate the dialogue on transition and decarbonization with investors and other various stakeholders. Through the issuance of transition bonds, we will increase customer engagement with the support of investors and promote the decarbonization of society as a whole, including not only Japan's three major metropolitan areas but also other regions, in order to maintain/strengthen Japan's competitiveness and contribute to customer growth.

3.2 Environmental Materiality in DBJ's Business Model

The materiality (key management issues) identified by the Group for 2030 in order to contribute to the achievement of a sustainable society by 2050 includes the transition to decarbonization. The DBJ Group's business strategy positions transition as a key initiative toward carbon neutrality and its achievement. On this basis, the Group will cooperate with private financial institutions and leverage its business model that integrates investments and loans to support decarbonization efforts from a customer perspective.

With the aim of achieving net zero GHG emissions from companies in its investment and loan portfolio by 2050, the DBJ Group will implement initiatives to address the risks and seize opportunities in achieving the target, taking into account the results of analyses centered on the scenario for a decarbonized society (a temperature increase of less than 2.0°C), but including a scenario of a temperature increase of more than 2.0°C.

3.3 Climate Transition Strategy Based on Scientific Evidence (Including Targets and Pathways)

In relation to investment and loan funds, to which the proceeds of transition bonds will be allocated, DBJ will review how the scientific evidence of the transition strategies and short-, medium- and long-term targets of the recipients of its investments and loans are consistent with the NDC, which is aligned with the Paris Agreement, sectoral roadmaps prepared by organizations such as the Ministry of Economy, Trade and Industry with reference to the IEA scenario, etc., and other internationally recognized scenarios to verify their appropriateness, taking into account the differences in regional characteristics and sectors and based on independent external reviews.

For details of the selection process for the use of proceeds, see 4.2 "Project Evaluation and Selection Process" below.

3.4 Transparency of Implementation

Based on its policy to achieve net zero GHG emissions in its portfolio of investments and loans by 2050, the DBJ Group supports customers' decarbonization efforts as an initiative based on the results of the scenario analyses described in 3.2 "Environmental Materiality in DBJ's Business Model" above, and promotes the GRIT Strategy, which includes climate change measures, to build a sustainable society. It will provide ¥5.5 trillion in investments and loans over five years between fiscal 2021 and fiscal 2025.

4. Alignment with GBP, GBG, etc.

4.1 Use of Proceeds

Eligibility Criteria

The net proceeds or an amount equal to the net proceeds of the issuance of the DBJ Transition Bond will be allocated to finance or refinance transition loans and/or transition-linked loans that have been independently reviewed by the external review providers for eligibility as transition finance ("Eligible Projects"). The look-back period for refinancing will be 36 months prior to the date of the DBJ Transition Bond issuance.

4.2 Project Evaluation and Selection Process

Application of eligibility criteria in project selection

The assessment of transition loans and transition-linked loans that are candidates for use of proceeds for eligibility as transition finance is determined and implemented by DBJ's Sustainable Solution Department based on the details of the independent external reviews.

Based on the details of the above assessment by the Sustainable Solution Department, DBJ's Treasury Department selects the use of proceeds as an Eligible Project and allocates proceeds. All investments and loans are tracked through an internal management system, and funds are appropriately allocated to target projects selected based on eligibility criteria. The Eligible Projects and net proceeds or an amount equal to net proceeds allocated thereto are managed and updated through an internal management system for reporting.

Process to mitigate environmental and social risks

DBJ applies the following processes that consider management of environmental and social risks in its financing process:

- DBJ periodically monitors if borrowers comply with applicable regulations and laws (including environmental laws) and if they have obtained and maintained governmental permits, approvals, licenses and authorizations. If a breach is expected to have a materially adverse effect and is not cured within a grace period, DBJ is entitled to request prepayment subject to contractual arrangements.
- With respect to asset/structured/project finance, DBJ may engage an independent consultant to undertake due diligence on environmental and social aspects. If this is not the case, DBJ independently assesses the capability and reliability of the borrower in relation to identifying and managing environmental and social risks.
- The Sustainability Committee, responsible for incorporating sustainability and ESG insights into DBJ's business activities, discusses and considers the balance between economic and social

value (i.e., sustainability management) and maintains dialogue with stakeholders on this issue.

4.3 Management of Proceeds

The net proceeds or an amount equal to the net proceeds of transition bond issuance will be managed by the Treasury Department until fully allocated to Eligible Projects. As long as a transition bond remains, DBJ will use commercially reasonable efforts to allocate the net proceeds or an amount equal to the net proceeds to Eligible Projects. Unallocated proceeds will be held in cash or cash equivalents. DBJ has an internal management system to track and manage the amount of funds allocated to each Eligible Project on an annual basis.

4.4 Reporting

DBJ will report the following information annually on its website until all of the net proceeds or an amount equal to the net proceeds of transition bond issuance are allocated:

1. Allocation in aggregate to each transition loan and transition linked loan, and number of projects funded
2. The estimated share of financing and refinancing
3. The amount of unallocated proceeds and the management status of these proceeds

DBJ will use commercially reasonable efforts to publish an impact report on all or any of the following items:

1. Amount and number of investments and loans for each sector
2. High-level description of transition projects through investments and loans (in the case of transition loans)

5. External Review

DBJ was rated Green 1 (T)(F), the highest rating of the JCR Climate Transition Finance Framework Evaluation by the Japan Credit Rating Agency, Ltd. (JCR) regarding its alignment with the CTFH, Basic Guidelines, GBP, GBG, etc. Details of the evaluation are disclosed on DBJ’s website. (https://www.dbj.jp/en/ir/credit/tr/)

Disclaimer

The information and opinions contained in this DBJ Transition Bond Framework (“the Framework”) are provided as at the date of the Framework and are subject to change without notice. DBJ and its affiliates assume no responsibility or obligation to update or revise the statements contained in the Framework, regardless of whether those statements are affected by the results of new information, future events or otherwise. The Framework represents the current policy and intent of DBJ and is subject to change. It is not intended to create legal relations, rights or obligations. The Framework is intended to provide non-exhaustive, general information. The Framework may contain public information reviewed, approved or endorsed by DBJ and accordingly, no representation or warranty, express or implied, is made and no responsibility or liability is accepted by DBJ as to the fairness, accuracy, reasonableness or completeness of such information. The Framework may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, forecasts or prospects contained in this document are based on any reliable evidence and should not be relied upon as an indication, assurance or guarantee of an assumption that the future projections, expectations, forecasts or prospects contained in the Framework are correct or exhaustive. No representation is made as to the suitability of any Transition bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for themselves the relevance of the information contained in the Framework or the relevant bond documentation for such Transition bonds regarding the use of proceeds, and their purchase of Transition bonds should be based upon such investigation as they deem necessary. DBJ has set out its intended policy and actions in the Framework in respect of the use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Transition bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Transition bonds if DBJ fails to adhere to the Framework, whether by failing to fund Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of excluded activities as specified in the Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by the Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in the Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the government), changes in laws, rules or regulations, cancellation of Eligible Projects, failure to complete projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and implementation of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Projects may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts.