



2020

Integrated Report

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.



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 DBJ.

A Long-term Perspective

Impartiality



Public-mindedness

Reliability

Due to the circumstances surrounding COVID-19 and our foremost priority of protecting the health and safety of our executives and employees, we have decided not to conduct photo sessions for this year's integrated report. Accordingly, the photos featured in this report were taken in the past for use in previous years' reports.

Contents

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 2020* 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.

The DBJ Group's Value Creation Story

A presentation of the DBJ Group's corporate philosophy from a historical perspective, along with an explanation of its management policies rooted in this philosophy



An explanation of the DBJ Group's sustainability management initiatives



An explanation of the DBJ Group's key initiatives for realizing sustainability

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Period Covered and Scope

- Period: Fiscal 2019 (April 1, 2019–March 31, 2020) (Some information from outside this period is also included.)
- Scope: In principle, the report covers DBJ and its 12 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 2020



Disclaimer

Integrated Report 2020 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.

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

An explanation of the DBJ Group's specific initiatives toward the growth of the energy sector



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The DBJ Group's Corporate Governance

A presentation of the DBJ Group's corporate governance and risk management efforts toward the steady implementation of its strategies



An explanation of the DBJ Group's specific initiatives and goals in line with the Task Force on Climate-related Financial Disclosures, which has been drawing significant attention in recent years

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 unequaled 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 Corporation established

Economic recovery

Rapid growth

Roles played by DBJ

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 our company website for more details on DBJ's 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



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



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 antipollution 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
Amendments to the Development Bank of Japan Inc. Act

Structural reform

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

**Global pandemic
of COVID-19**

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.

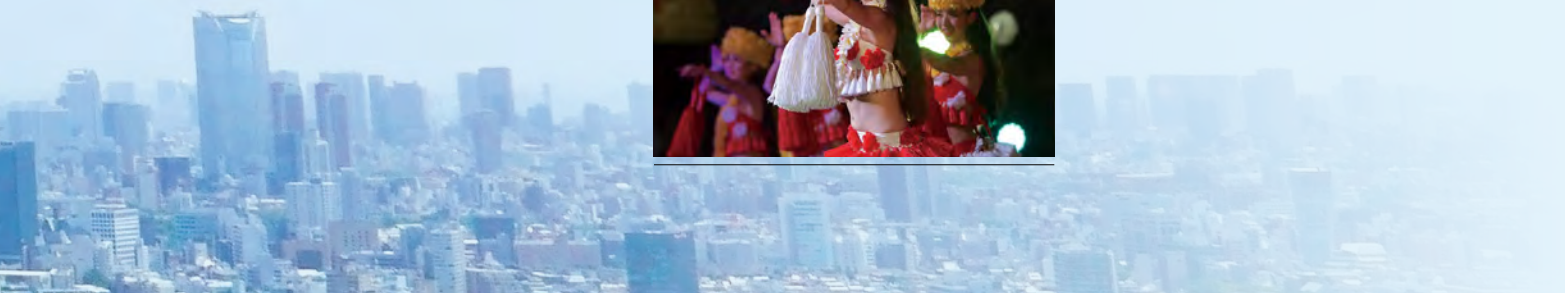
**Great East Japan Earthquake disaster
and crisis response**

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
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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

Mission

Vision 2020

Our Three Priority Areas



Rebuilding and Reinforcement of Infrastructure

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



Creation, Conversion, and Growth in Industry

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



Self-Reliance and Revitalization of Local Economies

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

Sustainability Management

The DBJ Group's Management Capital Communication



Financial Capital



Human Capital



Intellectual Capital



Relationship and Social Capital

Integrated Investment and Loan Services That Contribute to Resolving Social and Client Issues

Risk Capital Finance

Creation of Diverse Financial Deal Opportunities

Provision of Our Knowledge

Crisis Response Operations

- Financing
- Investment
- Consulting and advisory
- Asset management
- Special Investment Operations
- Crisis Response Operations

Outcome of business activities

Economic Value Creation × **Social Value Creation**

Increase and conversion of capital value

Business activities in tune with risk appetite

Sustainability Management for Both Economic and Social Value

Investment of management resources



Corporate Governance and Risk Management

Long-running, continuous collaboration and dialogue



Advisory Board
Special Investment Operations
Monitoring Board

Communication with Stakeholders



Customers



Communities



Employees



Financial institutions



Investors



Shareholders etc.

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.



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 non-financial 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, restricting the movement 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 2008 financial crisis and the Great East Japan Earthquake. DBJ set up consulting service counters in January 2020, established the COVID-19 Special Response Headquarters in March, and prepared a support system by marshaling all of its resources. In February, DBJ initiated a unique Regional Emergency Response Program to flexibly respond to the crisis as it unfolded. In March 2020, the Japanese government designated 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 the end of June 2020, we had already extended 130 Crisis Response Operations worth ¥1,621.2 billion and, through the aforementioned Regional Emergency Response Program, we had provided a total of ¥42.9 billion in financing to 20 entities. In Special Investment Operations, meanwhile, 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 fields in order to grow and recover from the impact of COVID-19. 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.

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 and high, stable growth, the bubble economy and its collapse, globalization, the declining birth rate and aging population, 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.

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 unprecedented events such as earthquakes and global financial crises, and through measures to enhance the supply of risk capital for subsequent growth.

As we deal with the unprecedented, long-term impact of COVID-19, the future is sure to present further changes and challenges. 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: Designing 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

“ In the run-up to 2030, DBJ will continue to fulfill its unique role in the economy and society, enhancing the added value we provide to customers as financial professionals through contributions in key areas and engaging in dialogue with our stakeholders. ”

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 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 identified issues to be tackled in the future and examined the 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 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 the 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 trial and error, 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.

Medium-Term Management Plan

Under the Fourth Medium-Term Management Plan, spanning fiscal 2017 to fiscal 2019, DBJ advanced business strategies that centered on expanding integrated investment and loan services to customers in industrial fields, including new areas, and the three infrastructure fields of energy, transportation, and urban development. In our loan business, we provided high-value-added services in structured and mezzanine finance, while with regard to investments we promoted long-term investments in the three infrastructure fields and growth investments in industrial fields. In the advisory business, DBJ expanded asset management in infrastructure and private equity. The DBJ Group also played a role in connecting Japan's regions to overseas markets by developing the above activities both regionally and overseas.

Under its management foundation strategy, DBJ categorized its management resources into financial capital, human capital, intellectual capital, and relationship and social capital. We promoted the growth and transformation of these forms of capital by investing in our management resources and improving our business activities to realize better results.

Owing to our withdrawal from major projects, results for fiscal 2019 saw a year-on-year decline in profits on investments and advisory services, while profits on loans also decreased as borrowers repaid Crisis Response Operations extended in the past. However, gross ordinary income on investments remained at a high level compared with past fiscal years, reflecting the stable returns from infrastructure and real estate, as well as capital gains on exits from individual projects.

Business Profit and Loss (Consolidated)

(¥ billion)	Fiscal 2018	Fiscal 2019	YoY change
Gross ordinary income	187.7	174.4	(13.2)
Loans	80.9	76.6	(4.3)
Investment	81.5	74.1	(7.3)
Fee and commission income	25.2	23.6	(1.5)
Operating expenses	(64.8)	(67.3)	(2.4)
Net ordinary income	122.8	107.1	(15.6)
Other extraordinary items	(1.3)	4.0	5.4
Gains on reversal of reserves, depreciation, etc., of written-off claims	5.3	(28.1)	(33.4)
Loans	6.8	4.5	(2.2)
Investment	(1.5)	(32.7)	(31.1)
Income before income taxes and minority interests	126.7	83.0	(43.7)
Total income taxes	(33.5)	(31.5)	2.0
Current net income	93.2	51.5	(41.7)
Net income attributable to non-controlling interests	1.2	1.0	(0.2)
Net income attributable to owners of the parent	91.9	50.4	(41.4)

Note: Business categories are those used in business management.

“ The DBJ Group will continue to supply risk capital through its integrated investments and loans, with the intention of taking a leading role in the building of a sustainable society while helping customers take on challenges in new initiatives. ”

The Fifth Medium-Term Management Plan, which is slated to begin in fiscal 2020, will be unveiled when the time is right, given we are in the midst of the COVID-19 pandemic. Amid major changes in demographics and the fabric of society, social issues have become intertwined with the management issues faced by our customers. DBJ therefore aims to generate both economic and social value by creating new opportunities through investments and loans to

customers, while leveraging its risk capital and knowledge and collaborating and coordinating with financial institutions and customers. Starting with these basic policies, we are examining how best to revise our Fifth Medium-Term Management Plan to reflect changes in industrial structures due to COVID-19, the accelerating advance toward digital technologies, momentum toward sustainability, and their overall impact on value in regions.

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, we decided to provide investments and loans totaling ¥353.2 billion in fiscal 2019 for 19 projects that contribute to regional revitalization and the strengthening of Japanese corporate competitiveness. Since launching these operations, DBJ has used them to extend ¥717.1 billion in investments and loans to a total of 100 projects. A total of ¥4,042 billion in private-sector investments and loans have been triggered by DBJ's investments and loans worth ¥590.2 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 institu-

tions willing to help create distinctive regional communities.

In accordance with the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 29 of 2020), which was enacted in May 2020, Special Investment Operations shall extend the investment decision term and government financing term from March 31, 2021 until March 31, 2026, and extend the deadline for ending operations from March 31, 2026 until March 31, 2031. Furthermore, the Growth Fund for Coronavirus Revival has been established to help Japan recover from COVID-19 and return to growth. In addition, the Special Investment Operations Monitoring Board will continue to meet twice a year to hear the opinions of stakeholders and reflect them in the DBJ Group's operations.

Development of Human Resources for Better Sustainability Management

Sustainability management, a key to the DBJ Group's value creation process, relies above all on workers 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 strive to enhance our skills in corporate and project assessment. Our expertise in long-term screening and assessment, based on a comprehensive view of regional and current issues, is equal to knowledge, capability, and developed networks as a DBJ Group asset.

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 work and paid leave programs for child-rearing and caregiving.

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.

Collaboration on a Broader Scale

The environment surrounding the world and Japan will continue to change drastically in the future, owing in part to the COVID-19 pandemic, while uncertainties increase. Over the next decade, Japan is likely to see a number of megatrends gain momentum. These include an aging and declining population, digital transformation affecting all aspects of industry, and even more intense global competition. In the industrial field, we anticipate such changes as new forms of cross-sector collaboration, an evolution in business models, and the emergence of new ecosystems. The DBJ Group will continue to supply risk capital through integrated investment and loan services for new initiatives being undertaken by our customers, in an effort to lead the development of a more sustainable society.

Building a sustainable society is a global agenda, and it is important that we continue working to make that happen. The public and private sectors have joined forces in a growing movement to contribute toward the SDG global agenda for 2030. In financial markets, interest in

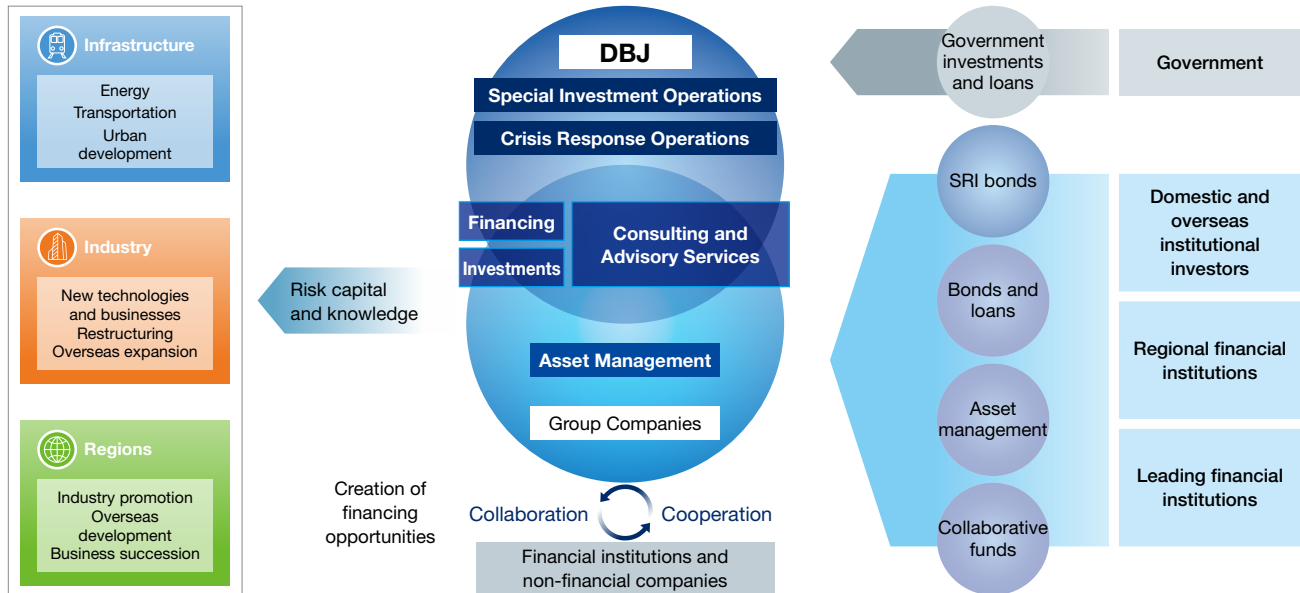
sustainable finance has increased. The DBJ Group has made strides toward the realization of a sustainable society by evaluating intangible assets through dialogue with customers in the course of our business, and especially through DBJ's various certification programs. Engaging in dialogue with stakeholders 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 Watamabe

President and CEO
August 2020

Invigoration and Stabilization of Financial Markets through Partnerships and Collaboration under the Medium-Term Management Plan

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.

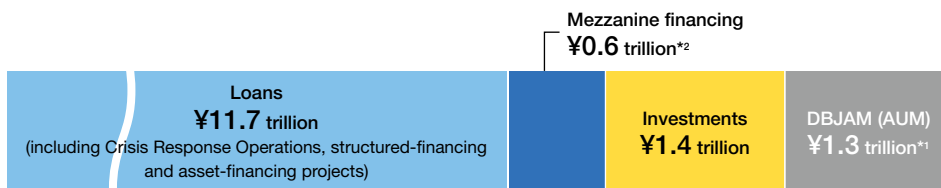
Crisis Response Operations and Special Investment Operations

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 ¥1.4 trillion) and loans (balance of approximately ¥12.3 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 ¥1.3 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.

(As of March 31, 2020)

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	<ul style="list-style-type: none"> January 30: Opened consulting service counters February 12: Added this crisis to its unique Regional Emergency Response Program March 16: Established Coronavirus Response Headquarters (headed by President and CEO Hajime Watanabe) March 19: Started Crisis Response Operations upon the Japanese government's declaration of a state of emergency over this crisis
Agreements with Regional Financial Institutions to Coordinate Disaster Response Operations*	<ul style="list-style-type: none"> Cooperative agreements signed with 74 regional financial institutions with objective of appropriately responding to this crisis and contributing to regional economic development
Status of Crisis Response Operations*	<ul style="list-style-type: none"> Crisis Response Operations (total): 130 loans, ¥1,621.2 billion Regional Emergency Response Program loans (total): 20 loans, ¥42.9 billion

*As of end-June 2020

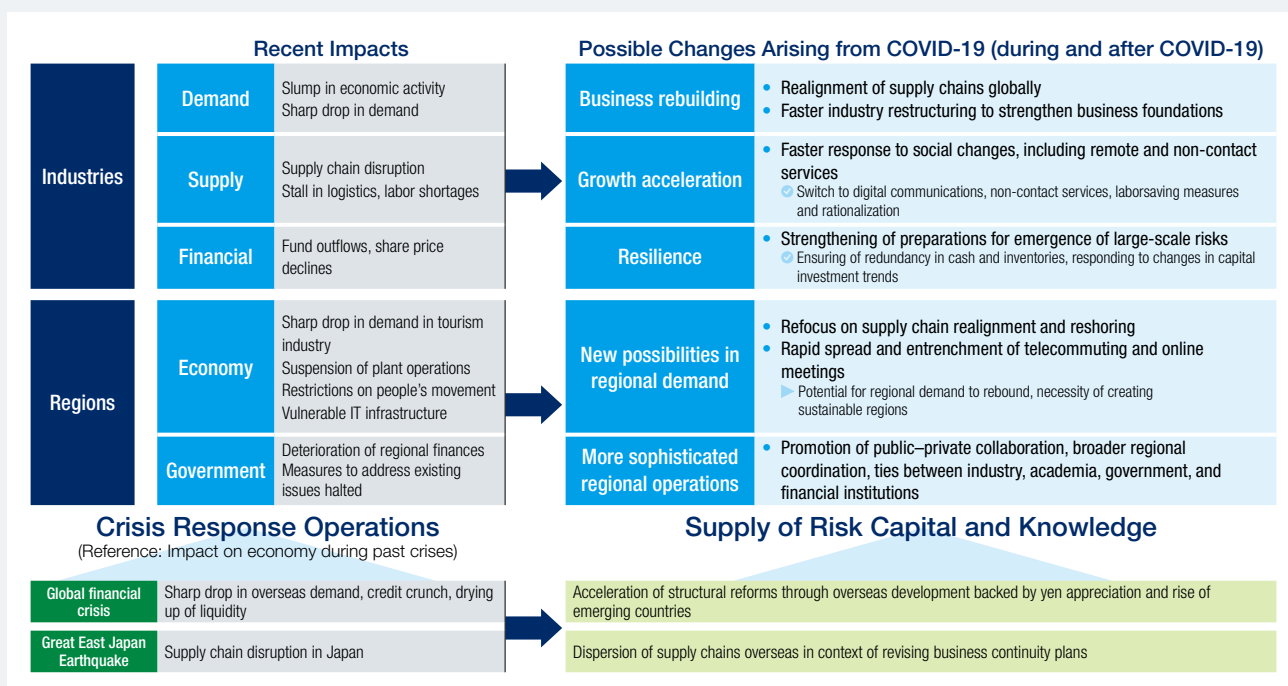
Impact from and Response to COVID-19

The global crisis that is caused by the COVID-19 pandemic may lead to sweeping social changes. It is currently having a major impact on existing social issues, accelerating the shift to digital technology, and increasing awareness of globalization, sustainability, and the decline in the Japanese working-age population.

Against this backdrop, the DBJ Group will continue to focus on supplying risk capital, including through Special Investment

Operations, and on providing knowledge while collaborating and coordinating with private financial institutions to directly address the aforementioned issues and new changes in society. As a part of these measures, DBJ has set up the Growth Fund for Coronavirus Revival with the intention of advancing initiatives to foster collaboration across different fields and help companies develop new businesses through Special Investment Operations.

Impact from COVID-19 on Industries and Regions



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 our company website for details on our Policy on Sustainability.

Main Initiatives

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
Establishment of DBJ Green Building Certification	Established in 2011, DBJ Green Building Certification system recognizes buildings with exceptional consideration for society and the environment and provides support to those who own and operate such real estate.	➔ See page 25
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 39
Establishment of DBJ Certification Programs	Through the use of its financing products that evaluate firms' non-financial information via a proprietary developed screening system, DBJ provides support for the environmental-, disaster prevention-, and health-related initiatives of its customers.	➔ See page 45
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 62
TCFD 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 62

Corporate Governance Framework

Establishment of Sustainability Committee	DBJ established the Sustainability Committee to identify important social issues from ESG and other perspectives, and incorporate these matters into its financing, asset management, and other business activities.	➔ See page 50
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CASE STUDY

Support for Innovation toward the Sustainable Development of Energy Infrastructure

Ireland is currently facing energy supply instability due to the surging demand for renewable energy. As a result, Exergy Power Systems, Inc. has partnered with energy suppliers to help reduce the gap between supply and demand by supplying its next-generation nickel-metal hydride batteries (Exergy batteries) to factories in Ireland to serve as a backup power supply. By building a track record in Europe, where the adoption of renewable energy is outpacing the rest of the world, and rolling out services to Japan and other regions in the future, Exergy Power Systems is expected to contribute to the creation of a resilient and sustainable society.

DBJ will support the activities of Exergy Power Systems by drawing on its Society 5.0 Investment Program and through its collective efforts with stakeholders to proactively promote the adoption of Exergy batteries in Japan and overseas, and help build a social infrastructure that facilitates sustainable energy supply.



https://www.dbj.jp/topics/dbj_news/2020/html/20200706_202678.html
Please refer to our company website for more details (Japanese only) on the Society 5.0 Investment Program.

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

- P22 ▶ Energy Sector
- P24 ▶ Transportation Sector
- P25 ▶ Urban Development Sector
- P26 ▶ Industrial Sectors

P 28 Area Strategy

- P28 ▶ Regions
- P31 ▶ Overseas

P 32 Function Strategy

- P32 ▶ Special Investment Operations and Crisis Response Operations
- P36 ▶ Syndication, Advisory, and Consulting Services
- P37 ▶ Asset Management

▶ Management Foundation Strategy

P 38 ▶ Financial Strategy

P 40 ▶ Human Resource Development

P 42 ▶ Knowledge and Collaboration

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.

Investments / Securities / Asset management

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

Research / Consulting

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

Real estate management / IT services

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

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, 2020

¥3.4 trillion

Longer-Term External Environment and Social Issues

Japan's energy industry is at a major crossroads. With changes in the macroeconomic structure, including the population decline, and advances in energy conservation, DBJ must promote the reduction of CO₂ emissions while dealing with deregulation in the electric power and gas markets.

Under these conditions, issues related to financial support for the energy industry entail the supply of capital funding to spur the spread of renewable energy and other new technologies and to address growing risks. Moreover, risks in project financing need to be clarified more clearly, and efforts should be undertaken to allow market participation by a broader range of companies.

Strategy

While maintaining strong relationships with customers, DBJ will focus on providing capital funding (risk money) and advisory services based on its international experience and knowledge to facilitate industry restructuring. Furthermore, DBJ will focus

on the smooth supply of capital by collaborating with a broad range of financial institutions to meet demand for investments in the deregulated electric power market in Japan, in addition to strengthening initiatives in project financing with clarified risk allocation. DBJ will also contribute to the realization of a decarbonized society through assistance for innovations in initiatives to develop and spread low-carbon technologies and achieve a low-carbon socioeconomic structure.

By reinforcing its asset management business in the energy field, the DBJ Group will nurture markets so that a broad range of financial institutions can participate in the domestic energy infrastructure market.

Overseas, DBJ aims to become more involved in markets that have taken the lead in fostering deregulation, and then return any knowledge gained to the domestic market to advance its development, while proactively supporting Japanese companies in their efforts to develop business overseas. Through these and other efforts, we aim to contribute to the realization of a decarbonized society on a global basis.

Efforts to Combat Climate Change in the Energy Field

Sustainability management means balancing economic value with social value. Based on this fundamental principle, the DBJ Group has worked for many years to ensure a reliable supply of energy while reducing environmental impact.

In the renewable energy field, in particular, DBJ supplies diverse risk capital, including project financing, mezzanine loans, and equity financing, to wind and solar power generation projects in Japan from their initial stages. DBJ also finances offshore wind power projects in Europe, with the aim of learning from cutting-edge initiatives overseas and applying those lessons in Japan.

In view of the global debate about climate change and the OECD's Arrangement on Officially Supported Export Credits, as well as Japan's energy policy based on the 3E+S* strategic plan, DBJ works to ensure reliable energy supply while combating

climate change. In renewable and alternative energy, we plan to increase the supply of risk capital for wind and solar power, new power grid, and hydrogen projects in order to encourage their introduction. For new projects involving coal-fired power plants, which emit large amounts of greenhouse gases, DBJ takes a more cautious approach. In the process for finance decisions, we evaluate each project from environmental perspectives, such as whether generation efficiency is at or above the ultra-super-critical level, in order to reduce environmental burdens as much as possible.

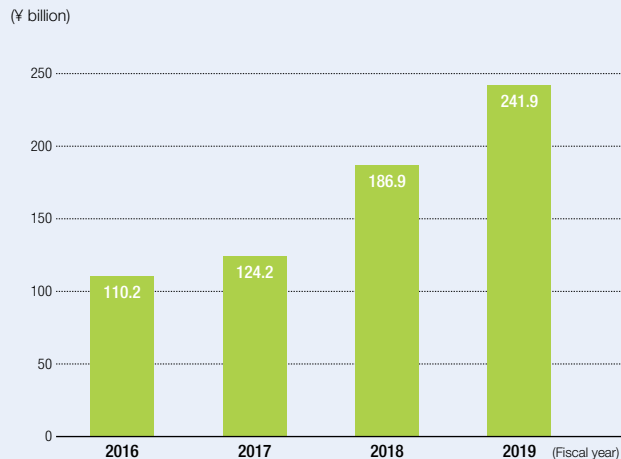
* Energy security, Economic efficiency, the Environment, and Safety, as stated in Japan's Basic Energy Plan.

Initiatives in the Renewable Energy Field

To increase the use of renewable energy, DBJ proactively supplies risk capital, and as of the end of fiscal 2019, the balance of related investments and loans stood at ¥241.9 billion. Through project financing, DBJ has contributed to the power grid business, addressing the major problem of growth in renewable energy stressing power grid capacity, while also getting involved in the initial stages of wind power and solar power installations in Japan. To bring back to Japan the benefits from leading initiatives overseas, DBJ also provides financing to offshore wind power plants in Europe.

In light of the trend toward decarbonization around the world, and growing interest in renewable energy, DBJ will contribute on the financial side toward the government's goal of 22–24% renewable energy in the power generation mix by 2030, while leveraging the special characteristics of solar power, onshore wind power, offshore wind power, biomass, and hydropower.

Renewable Energy* Investment and Loan Balance



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

Key Initiatives to Spread Renewable Energy in Japan

Capacity of DBJ's Domestic Investment Assets in Renewable Energy Facilities (derived from its equity stake)

Fiscal year	Capacity (MW)
2016	185
2017	307
2018	479
2019	558

DBJ's equity stake as of end-fiscal 2019

- 558 MW Total
- 25% Wind power
- 75% Solar power

Participation in Leading Projects Overseas (U.K.)

Gunfleet Sands Offshore wind power
 Facility power generation capacity: 172 MW (3.6 MW x 48 units)
 COD (Commercial Operation Date): Spring 2010

Key Initiatives in Japan:

- Hokkaido Hokubu Wind power grid project
- Green Power Tsugaru
- Aoyama Kougen Wind Farm
- SDT Solar Power
- CSD Solar



<https://www.dbj.jp/case/list/?field=energy>
 To see examples and case studies (Japanese only) in the energy sector, please go to DBJ's website.

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, 2020

¥2.3 trillion

Longer-Term External Environment and Social Issues

In the transportation sector, which has been heavily impacted by the COVID-19 pandemic, markets have temporarily contracted, but over the longer term, the movement of people and cargo will continue to increase, and transportation infrastructure will also continue to expand. In Japan, a country reliant on trade, it is imperative to maintain the reliable transportation of goods, address issues such as the declining and aging population, facilitate the influx of overseas visitors, and lessen the impact on the environment. Various issues await solutions for sustaining growth in the transportation sector and increasing the sophistication of transportation networks.

Keen to help its customers solve these issues, the DBJ Group will provide financial solutions tailored to diverse needs while acting as a bridge between financial markets in Japan and the global transportation financing 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 and various investment and loan products that utilize investment and securities functions.

Accomplishments and Initiatives to Date

Kawasaki Kisen Kaisha, Ltd.



Kanto Railway Co., Ltd.



Tokyo International Air Terminal Corporation



Fukuoka International Airport Co., Ltd.



Third Medium-Term Management Plan (through Fiscal 2016)

Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)



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

To see examples and case studies (Japanese only) in the urban development sector, please go to DBJ's website.

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, 2020

¥1.8 trillion

Longer-Term External Environment and 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 coming due for an upgrade.

Seamlessly upgrading urban infrastructure without interruption is important from the standpoint of creating communities that take into account the environment and society.

The real estate financing market, an essential part of creating communities, is prone to instability due to international exposure. The securitization market in particular was greatly affected by the global financial crisis, while the real estate financing market was thrown into disarray. In the face of such conditions, it is necessary to ensure a reliable supply of capital, spur growth in the real estate financing market, and promote urban development.

Amid the COVID-19 pandemic, it is essential that we consider new concepts for creating communities, while envisioning changes in society and the economy due to COVID-19, and working to stabilize the real estate financing market.

Strategy

DBJ will facilitate urban development through the supply of risk capital, including financing for developers and individual development projects. We also support the growth of REITs, which have become increasingly important entities for the stable management of properties.

DBJ will provide opportunities to invest in quality assets for institutional investors around the world as well as for regional financial institutions. By engaging in collaborative financing through proper risk-sharing agreements, we will create stable cash flows in the real estate financing market.

DBJ Green Building Certification was created in fiscal 2011 as a system for evaluating and certifying real estate from an environmental and social perspective. DBJ continues to operate this system along with the Japan Real Estate Institute, while endeavoring to improve the evaluation of environmental and social aspects of real estate.



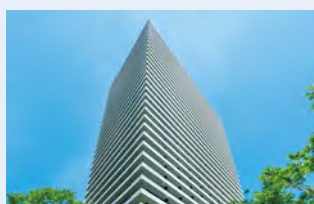
Accomplishments and Initiatives to Date

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Shin-Daibiru Building



Akasaka Intercity AIR



Hareza Ikebukuro



Third Medium-Term Management Plan (through Fiscal 2016)

Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)



<https://www.dbj.jp/case/list/?field=development>
To see examples and case studies (Japanese only) in the urban development sector, please go to DBJ's website.



https://www.dbj.jp/en/service/program/g_building/
To see more information about DBJ Green Building Certification, please go to DBJ's website.

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

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

- | | |
|--|--|
| <p>Provision of financing and advisory services for companies and projects in industrial sectors</p> | <ul style="list-style-type: none"> • Manufacturing • Communications, broadcasting, media • Retail and foods • Healthcare • Hotels, Japanese-style inns, tourism, etc. |
|--|--|

Longer-Term External Environment and Social Issues

Amid changes in the external environment, including population problems, globalization, and such technological innovations as digital technologies, which are gaining momentum during the COVID-19 pandemic, customers are dealing with a variety of issues that include the commercialization of new technologies and other innovations and business restructuring to enhance productivity and competitiveness. Customers are likely to focus on overseas business development while eyeing fresh growth opportunities over the medium to long term.

Meanwhile, the financial environment is likely to include diversification in capital providers, considering the ongoing surplus capital conditions and advances in fintech and other technologies. As it becomes easier to access capital, providing unique added value will become essential to helping customers solve their problems on the financial front.

Strategy

DBJ will offer solutions to the issues faced by customers—centered on the fields of business portfolio optimization, new business creation, overseas business development, financial strategy, and capital policy—by mobilizing its financing functions, knowledge, and unique network while leveraging its insight and expert knowledge of each industry. DBJ has created teams of specialists for establishing a solid business foundation in the aerospace, communications, and healthcare fields since 2017, and in the logistics field since 2018. While being deeply involved in each industry, DBJ keeps an eye on socioeconomic megatrends and changes in the landscape to facilitate innovation on various fronts of business development across industries (such as moving toward a hydrogen-based society) without being beholden to traditional frameworks.

Accomplishments and Initiatives to Date

Dexerials Corporation



Mitsubishi Heavy Industries Aero Engines, Ltd.



Nippon Charge Service LLC



DMG MORI CO., LTD.



□ Aerospace

DBJ has been assisting the aviation field for about three decades, ever since the era of Japan Development Bank. In April 2017, DBJ established the Aerospace Office with the aim of developing the outer space field, which is expected to grow as a new industry, in addition to the aircraft field, leveraging the abundant knowledge and networks it has accumulated.

Having signed a business cooperation agreement with Japan Aerospace Exploration Agency (JAXA) in both the aircraft and outer space fields, DBJ provides support for new technologies and ideas for the aircraft industry, and financial assistance to local companies keen to grow. In the outer space field, DBJ offers financial advice for market expansion, in addition to investing in a number of projects, including the inauguration of Space One Co., Ltd., an operating company that develops and launches small rockets.

□ Telecommunications

With 5G mobile communications systems poised to take off, communications networks are responsible for handling ever-increasing volumes of data and communications traffic, and their importance is only growing. Along with the arrival of a digital society where everything is connected together over networks, as key social infrastructure, communications networks will have to become more resilient and sophisticated. DBJ has advanced financing for core communications assets, such as communications towers and data centers. Looking ahead, DBJ will use the knowledge it has acquired via financing activities to collaborate with Japanese firms and aggressively advance initiatives for the benefit of Japan.

□ Healthcare

In the healthcare field, the DBJ Group has focused on medicine and nursing care, launching new initiatives in the life sciences field. DBJ has also invested in venture capital funds focusing on early-stage pharmaceutical companies. Through investments in similar venture capital funds, DBJ provides companies with growth opportunities by helping Japanese companies build networks with companies in Europe and the U.S.

□ Logistics

In May 2018, DBJ newly established the Global Logistics Office in order to sharpen its focus on the logistics field, in light of sweeping changes in the logistics industry being ushered in by technological innovations including AI and the Internet of Things (IoT). In terms of financial support, the Global Logistics Office facilitates improvements in competitiveness and productivity in the logistics field through assistance for creating new industries with the latest technologies, in the supply of risk capital to companies innovating on the technological front, and in investments and loans for the latest, high-function logistics facilities. With regard to information support, DBJ holds Logistics Innovation Workshops. In May 2019, these workshops produced reports about measures for spurring innovation, the state of collaboration and cooperation among companies and industries, and the roles that financial institutions should play.

□ Response to Innovation

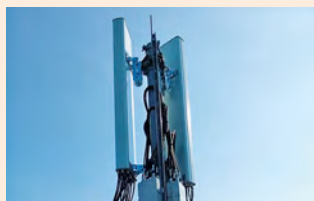
Over the past few years, there has been a sudden rise in technologies and innovations, such as in IT, new materials, new energy, bioscience, and robotics, with the potential to substantially change the existing fabric of industry and society. For these new technologies to help society and lead to the creation of new businesses, it is important to spread new value systems and lay down rules for collaboration across industries and between the public and private sectors. Accordingly, the DBJ Group created the Innovation Promotion Office under the Business Planning & Coordination Department in April 2017 to facilitate collaboration among these diverse players and take the long view for moving projects forward.

In addition, DBJ aims to create new industries with new value systems to solve social issues in Japan. With this in mind, DBJ created the Society 5.0 Investment Program as a new framework for investing in activities that contribute to the creation of a sustainable society.

Yanmar Holdings Co., Ltd.



Cellnex Telecom, S.A.



Space One Co., Ltd.



Japan H₂ Mobility, LLC



Photo provided by ENEOS Corporation

Regions

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



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, 2020

106

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 workstyles, 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 will provide services with two objectives in mind—namely, to create value by connecting regions throughout Japan to

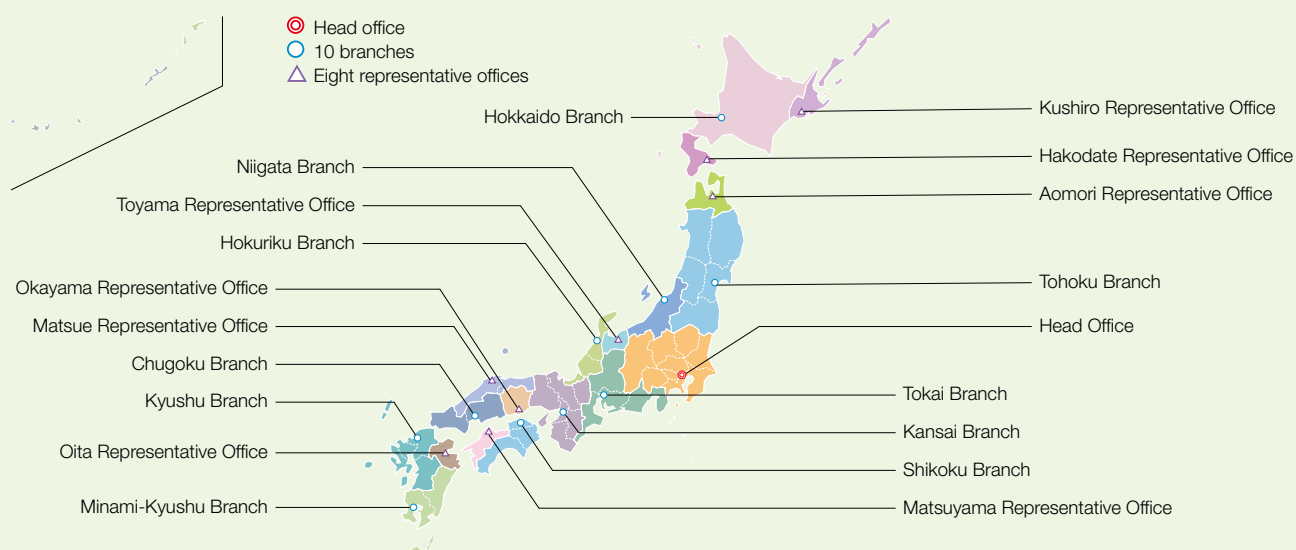
Tokyo, domestic regions to those overseas, and regions the world over to each other, and to solve problems through risk capital and consulting services.

More specifically, while taking into account regional characteristics, the themes of key objectives entail improving the productivity and growth strategies of regional companies through business restructuring and overseas business development, respectively, and cooperating with regional financial institutions to create opportunities in asset management. As a part of these initiatives, DBJ created the Regional Investment Department in the Strategic Finance Department under the Chief Investment Office in June 2020, for the purpose of facilitating the supply of risk capital in regions where DBJ collaborates with regional financial institutions.

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).

Accomplishments and Initiatives to Date

	Fiscal 2018	Fiscal 2019
Special Investment Operations	<ul style="list-style-type: none"> • Invigorated tourism resources in the Akan region through financing for Akan Adventure Tourism Corp. (Hokkaido) • Contributed to measures to stimulate regional industry through financing for Niigata Aerospace Corporation (Niigata) • Invigorated agriculture and rejuvenated deserted arable land through joint investment with Ishida Corporation (Tottori) 	<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
Supply of risk capital through collaboration and cooperation with regional financial institutions	<ul style="list-style-type: none"> • Formed funds with North Pacific Bank, Ltd. and The Hokkaido Bank, Ltd. in response to the Hokkaido Eastern Iburi Earthquake • Created funds with The Bank of Iwate, Ltd. and The Toho Bank, Ltd. to help with reconstruction in regions affected by disasters in the Tohoku region • Arranged a syndicated loan with The Hyakujushi Bank, Ltd. and reinforced the financial positions of local infrastructure companies through Special Investment Operations 	<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 	



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 engages in fact-finding to identify 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. Now in its 11th year, the PPP/PFI Academy has welcomed a cumulative total of about 8,000 people as participants.

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 alongside 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 (73 banks as of March 31, 2020).



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

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

Self-Reliance and Revitalization of Local Economies

Provision of Knowledge about Local Issues

Survey of Labor Shortage Problems in Regions

In March 2020, DBJ published a research report about addressing labor shortages in outlying regions.

Over the past few years, labor shortages have become severe problems across all regions and industries in Japan. This research report presented an analysis of labor shortages in regions, and then explained initiatives to encourage women and senior citizens to reenter the workforce, as well as employment conditions for non-Japanese laborers. The second half of the report introduces case studies of actual labor shortages based on interviews with about 40 companies and discusses the direction of measures to solve labor shortages in specific situations.

Green Infrastructure

DBJ published a report about realizing a sustainable society with impact financing, starting with green infrastructure. This report reviews research into case studies about Environmental Impact Bonds in the U.S. These bonds are a type of impact investment that focuses on the impact of “green infrastructure,” an approach to maintaining social capital that utilizes the diverse functions of nature. Environmental Impact Bonds are a way of raising capital with pay-for-success (PFS) contracts, which translates into the promotion of ESG investment with public–private collaboration. This research report analyzes the case studies and dives into the possibility of using these bonds in Japan.

DBJ promotes green infrastructure as a member of the steering committee for the Green Infrastructure Public–Private Collaboration Platform established by the Ministry of Land, Infrastructure, Transport and Tourism in March 2020.

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 March 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. In recent years, DBJ has published research reports, including 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, as well as “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



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

Please click on the link above to see the Regional, Industry and Economic Report on DBJ’s website (Japanese only).

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 stalled as a result of the COVID-19 pandemic, 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. At the same time, over the medium to long term, demand for capital should increase strongly from the infrastructure and transportation sectors against a backdrop of population growth and the increasing movement of people and physical goods. It is imperative that Japan's economy and industry sustain growth by effectively tapping into these overseas growth opportunities.

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) 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 2018	Fiscal 2019
Collaboration with other financial institutions	<ul style="list-style-type: none"> • Launched a joint investment program with The Bank of Kyoto, Ltd. for overseas private equity funds 	<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
Investment operations	<ul style="list-style-type: none"> • Made a preferred equity investment related to J-POWER's participation in the Triton Knoll offshore wind power project in the U.K. • Signed a financing contract for a venture capital fund that invests in early-stage pharmaceutical companies in Japan and Europe • Established a fund with Sumitomo Corporation that invests in overseas offshore wind power projects 	<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.
Others	<ul style="list-style-type: none"> • Addressed M&A needs of customers in Asia 	

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

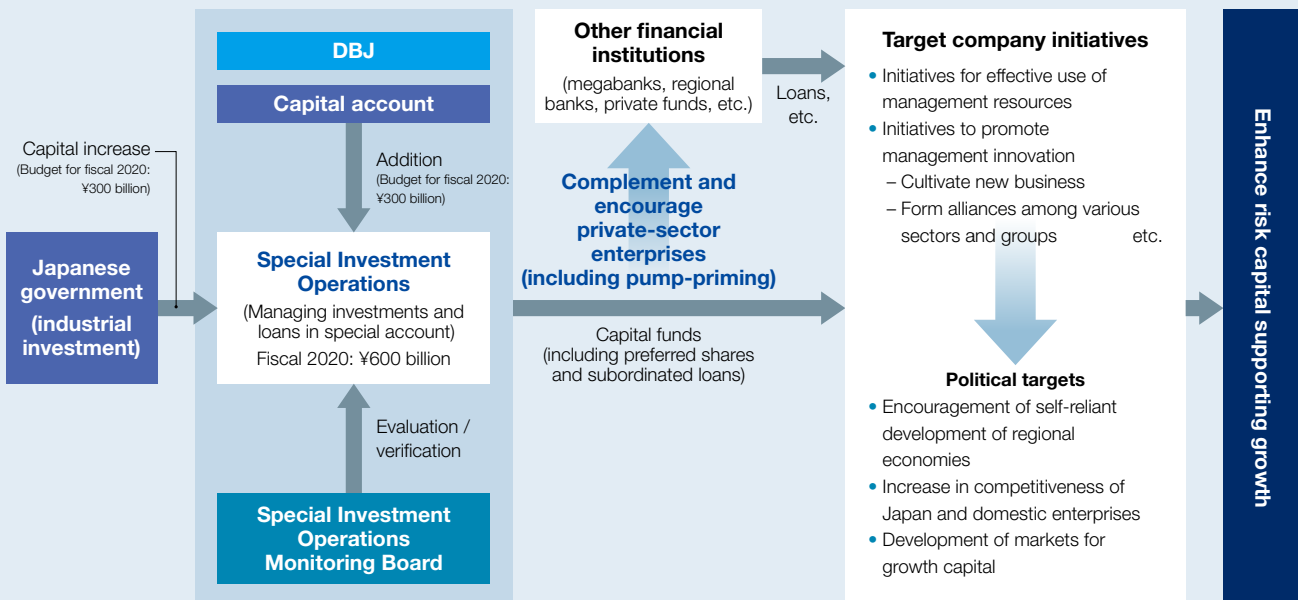
Special Investment Operations, established as an intensive but temporary scheme to supply growth capital* from the perspective of promoting the competitiveness of Japanese enterprises along with regional revitalization, draw only a portion of the investment (industrial investment) from the Japanese government, enough to encourage the private sector to supply growth capital. Since launching the aforementioned operations in June 2015, DBJ has (as of March 31, 2020) made ¥717.1 billion in investments and loans (100 projects in total), the first ¥590.2 billion of which has spurred ¥4,042 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 49).

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.



PROJECT SPOTLIGHT

Establishment of Joint Fund with Nihon M&A Center Inc. to Create Star Companies Locally

Japan Investment Fund Inc. (J-FUN), which was jointly established by DBJ and Nihon M&A Center Inc., created its first Japan investment fund, a limited partnership for investment (hereinafter, the “Fund”), in February 2018. The Fund will play a role in social infrastructure that builds a foundation fostering mid-tier firms and small- to medium-sized enterprises (SMEs) across the nation. The Fund will also support the growth of companies in which it has invested so they can become star performers in their respective regions. In this way, Special Investment Operations are being utilized to invigorate regional economies and strengthen the competitiveness of local companies.

The Fund has invested in FUJIBAMBI Co., Ltd., a confectionery maker founded over 70 years ago in Kumamoto Prefecture. FUJIBAMBI is a venerable company cherished by local residents, and its main product, “Raw Cane Sugar Donut Sticks,” is famous within Kumamoto Prefecture. However, the management team has reached an advanced age while facing the challenge of expanding sales nationwide. Starting with an introduction to FUJIBAMBI by its main bank, the Fund advised the company about business succession and a future growth strategy, which led to the signing of a capital as well as a business arrangement.

Since the investment in FUJIBAMBI by the Fund and the appointment of a new president, DBJ, the Fund, and FUJIBAMBI’s main bank have worked together to develop new sales channels, create new products, and strengthen the management structure.

DBJ, leveraging its extensive experience in fund operations and regional revitalization, as well as its influence in regional networks, is cooperating with experts from Nihon M&A Center to help Japanese mid-tier firms and SMEs expand their business.



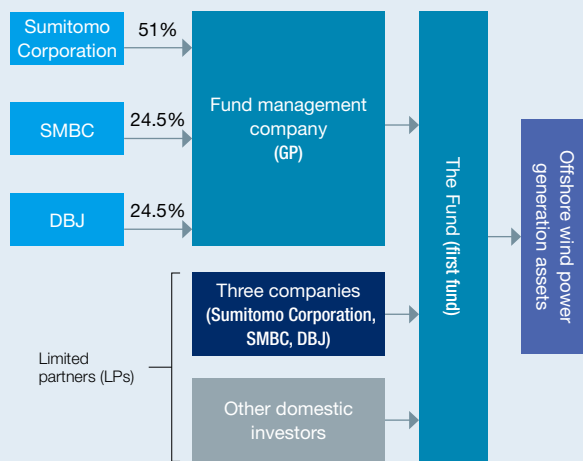
“Raw Cane Sugar Donut Sticks,” the main product made by FUJIBAMBI Co., Ltd.

Setting-Up of Overseas Renewable Energy Fund with Sumitomo Corporation and Sumitomo Mitsui Banking Corporation

DBJ, Sumitomo Corporation, and Sumitomo Mitsui Banking Corporation (SMBC) jointly established fund management company Spring Infrastructure Capital Co., Ltd., in order to administer the Spring Infrastructure I Investment Limited Partnership (hereinafter, “the Fund”).

The Fund raises money from Japanese investors and finances and invests in offshore wind power projects overseas. The Fund has already acquired and begun managing wind power facilities in the U.K. as seed assets from Sumitomo Corporation. In Europe, offshore wind power has rapidly proliferated, helping with the move toward a low-carbon society, while also providing excellent investment opportunities to investors. In Japan, a number of new offshore wind power projects are in the planning stages, underscoring the potential for growth in this market. Against this backdrop, DBJ provided financing through Special Investment Operations for the Fund, in recognition of its highly significant role in providing opportunities for domestic investors to invest in the renewable energy field, and helping accelerate business development therein at Sumitomo Corporation.

DBJ is using the knowledge it has gained from investing extensively in renewable energy to provide the fund management company with know-how and personnel, thereby facilitating smooth fund operations. DBJ contributes to the global low-carbon movement by financially encouraging the spread of renewable energy across the world.



Overview of the Fund



<https://www.dbj.jp/service/invest/special/index.html>

To learn more about Special Investment Operations, please go to DBJ’s website (Japanese only).

Crisis Response Operations

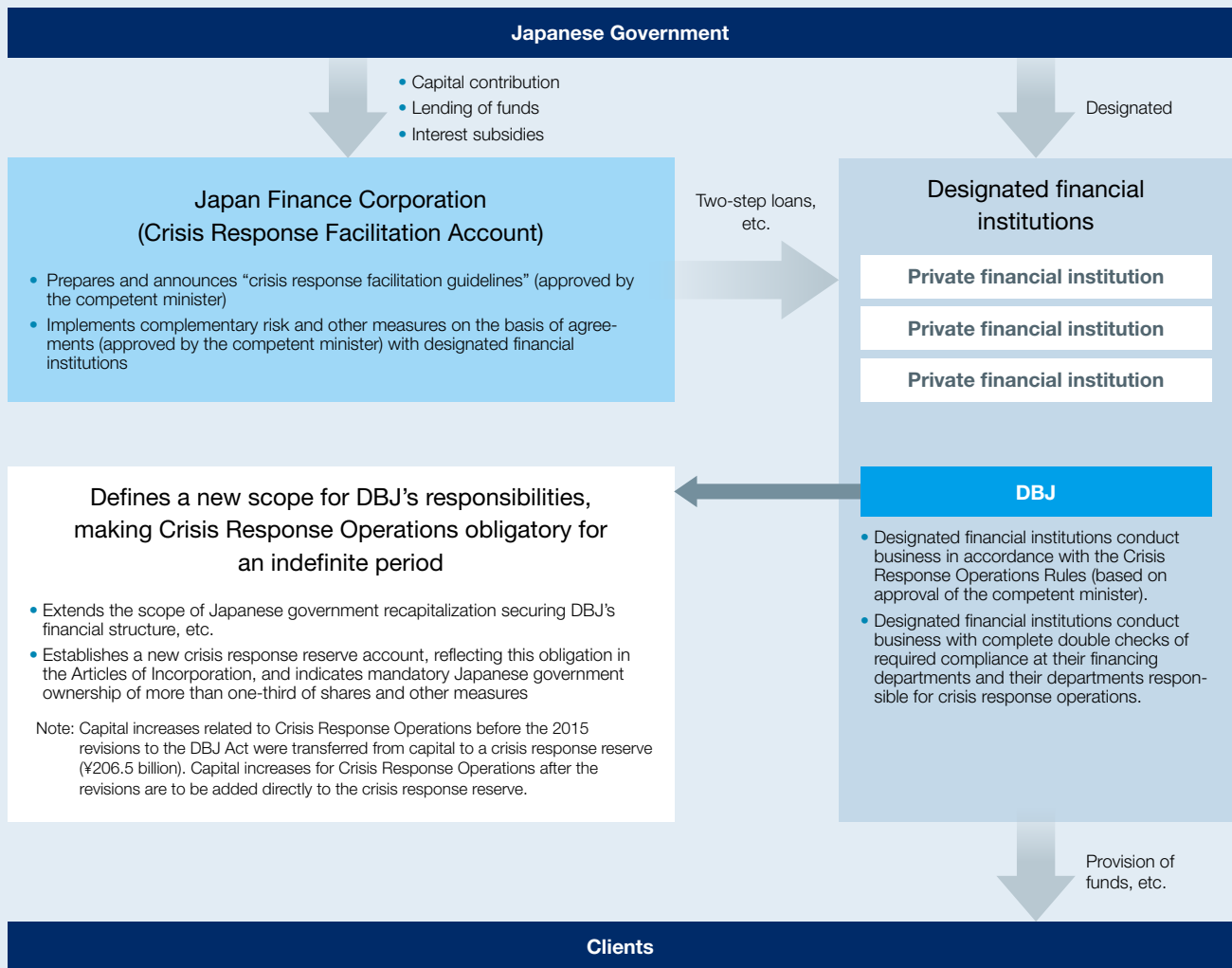
DBJ's Crisis Response Operations function as a stabilizing force during periods of instability in the economy, society, and markets.

Crisis Response Operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, including later revisions), consist 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

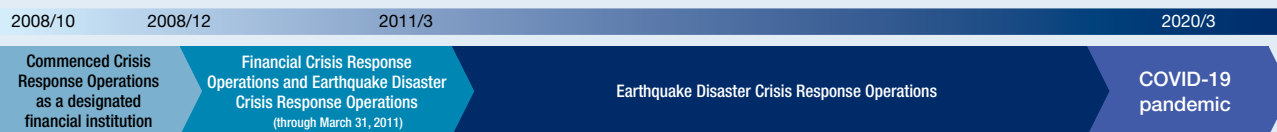
damage, Japan Finance Corporation provides two-step loans as a complementary risk measure, among other measures, to government-designated financial institutions that supply necessary funds to address crisis-related damage.

In March 2020, the COVID-19 pandemic was designated a crisis (see "Our Response to COVID-19" on page 19). 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



Main events that were designated a crisis:

- Turmoil in international financial markets (Global financial crisis)
- Great East Japan Earthquake
- Damage from heavy rainfall during Typhoon #18 in 2015
- Kumamoto earthquakes in 2016
- COVID-19 pandemic

Total funds raised by the government in Crisis Response Operations

¥206,529 million (As of June 30, 2020)

Total loans for Crisis Response Operations, loans with loss guarantee agreements, and commercial paper purchases

- Loans: ¥7,837.3 billion (1,279 projects)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

Total Crisis Response Operations related to COVID-19

¥1,621.2 billion (130 projects) (As of June 30, 2020)

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)



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.

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 such original DBJ financing products as DBJ certification programs.

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 measure 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. 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. is also a comprehensive think tank that 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

Backed by the DBJ Group philosophy and comprehensive financial expertise, DBJ Asset Management Co., Ltd. (DBJAM) provides investment and asset management services that meet clients' best interests.

By stimulating the flow of funds and appropriately addressing diverse investment needs, DBJAM aims to spur the development of capital markets in Japan.

Outline

An investment management company that primarily handles investments (alternative investments) in the fields of real estate, private equity, and infrastructure

- Real estate
- Private equity
- Infrastructure

Longer-Term External Environment and Social Issues

Japan is a nation with considerable assets, including over ¥1,800 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 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.

DBJAM acknowledges the importance of such policy objectives and believes that its services are well aligned with the public interest.

Strategy

DBJAM, as a fiduciary investment manager, works in the best interests of its institutional investor clients with the aim of achieving longer-term growth in returns on each investment, being aware of the profits flowing to the ultimate beneficiaries. DBJAM also works to help its clients increase their asset management capabilities.

To achieve these aims, DBJAM develops a deep understanding of the financial condition, investment policies, and risk-and-return preferences of its clients through active, thorough, and faithful engagement.

DBJAM believes that such an attitude allows it to provide investment and asset management services that are truly optimized for the client. Through these services and operations, DBJAM contributes to the development of financial markets in Japan by energizing new money flows, as well as the conversion of fund flows into the reliable formation of assets for the nation's citizens.

Accomplishments and Initiatives to Date

DBJAM was established in November 2006 for the purpose of energizing the real estate financing market in Japan. Since then, DBJAM has provided domestic real estate fund management and asset management services. In 2016, it formed and began asset management in DBJ Private REIT Inc., an unlisted private real estate investment trust. In addition, since 2013, DBJAM has been providing discretionary investment services and investment advisory services related to alternative investments in overseas and domestic private equity and infrastructure and overseas real estate.

In its efforts to seek out and provide investment opportunities, DBJAM has set up seven co-investment programs targeted at regional financial institutions and foreign private equity funds as of July 2020. In 2018, Japan's Government Pension Investment Fund appointed DBJAM as an investment manager focusing mainly on Japanese infrastructure.

As a result of these activities, DBJAM had ¥1,760 billion in assets under management as of March 31, 2020.

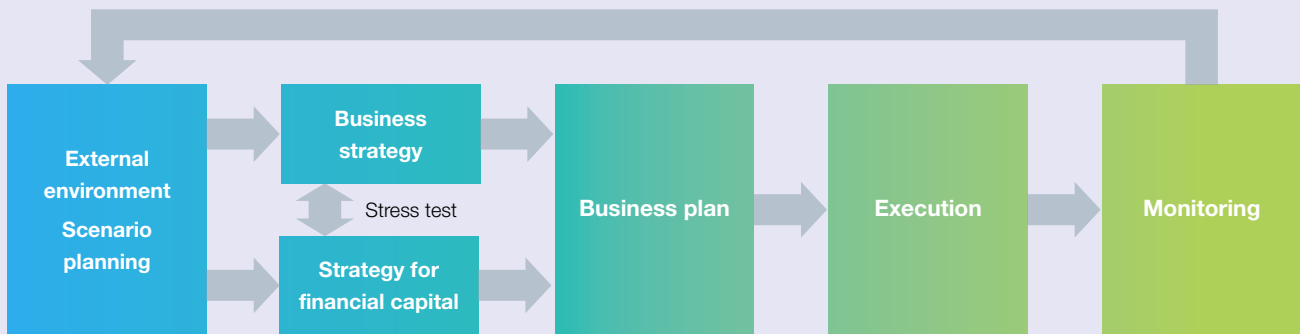
Financial Strategy

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 32). 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, 2020)
Common equity Tier 1 risk-weighted capital ratio	17.26%	(As of March 31, 2020)

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 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. DBJ’s \$1 billion issuance in fiscal 2019 was one of the largest-ever sustainability bonds

denominated in the U.S. dollar issued by DBJ. The raised funds are allocated toward the creation of a sustainable society through DBJ Green Building Certification and the Environmentally Rated Loan Program. Information on the management and allocation of funds is evaluated by third parties to increase transparency.

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

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

Capital Procurement (Non-Consolidated)

(¥ billion)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Funds raised (flow)	4,012.6	3,153.4	3,790.8	3,951.8
Fiscal Investment and Loan Program	1,127.7	922.7	643.3	1,142.9
Of which, borrowings from FILP*	800.0	580.0	300.0	800.0
Of which, government-guaranteed bonds (domestic)	150.4	150.2	150.2	150.2
Of which, government-guaranteed bonds (overseas)	177.3	192.5	193.0	192.7
Government-guaranteed bonds with maturity of less than five years (domestic)	—	100.2	100.3	100.2
Corporate bonds (FILP bonds)	497.1	535.8	549.4	579.3
Long-term debt	861.5	589.5	446.3	583.1
Of which, recovered, etc.	1,526.1	1,005.0	2,051.4	1,546.1

* Borrowings from FILP in fiscal 2016 included ¥500.0 billion in the supplementary budget for "economic stimulus measures for investments in the future."

MESSAGE FROM EMPLOYEES

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 fund-raising 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 fund-raising 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/>

For more information related to investor relations, please go to DBJ's website.

Human Resource Development

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

Number of Employees (Consolidated)

As of March 31, 2020

1,703

Number of Employees (Non-Consolidated)

As of March 31, 2020

1,195

Average Length of Service (Non-Consolidated)

As of March 31, 2020

13.4 years

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 DBJ 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.

Career Development

Rank-based	Career development / management / leadership		Training for new employees	
			Management / leadership Career development program	
In-house training	Strategic human resource development through job rotation and on-the-job training			
	Work skills	Front office		
		Functional department Management department Middle / Back office		
Shared skills				
Dispatch outside DBJ	Domestic			
	Strategic global human resource development			
Self-study	Overseas			
	Knowledge and skills			

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 plans to continue to proactively enhance the flexibility and sophistication of classroom training environments.



New-employee training program (online)

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.

- DBJ aims to enhance its work and leave systems for child-rearing and elderly care, such as telecommuting, reduced work hours, and flex time, in addition to holding seminars guided by experts for finding and enrolling in facilities for childcare and elderly care.
- DBJ creates and distributes a guide to balancing work with child-rearing and elderly care, and holds so-called "iku-boss" seminars for members of management to enable them to support employees using these systems while improving team productivity. DBJ also holds seminars for furthering understanding of people with disabilities and promotes the building of cooperative relationships among staff, including employees who use these systems.
- DBJ set up the Work Shift Promotion Headquarters with the intention of increasing work efficiency from a work shift standpoint and promoted awareness reforms and related initiatives across the Group.
- DBJ supports the physical and mental well-being of its officers and employees with courses about coping with stress and managing sleep, as well as by offering a counseling system staffed by outside professionals, in addition to periodic health checkups. DBJ greatly relaxed rules about working from home and staggered working hours to mitigate the spread of COVID-19 and continues to place the highest priority on the health and safety of its executives and employees while upgrading work environments.

Motivation and Engagement

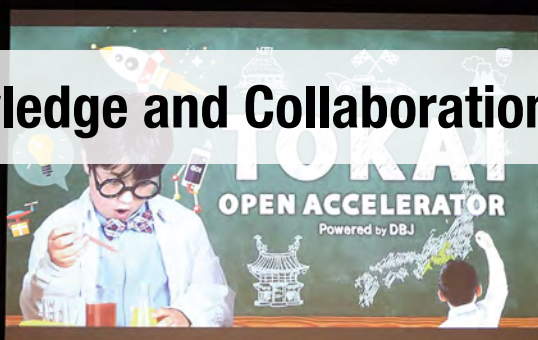
We constantly ask ourselves if we have laid the proper foundation for genuinely motivating officers and employees to take the initiative in accordance with the DBJ Group's corporate philosophy.

- 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 2019)	32/34 (94%)
Ratio of male employees taking childcare leave (employees who had a newborn child in fiscal 2018)	71.8%
Rehiring system (number of registrants as of March 31, 2020)	33
Reduced work hours and flex time for employees raising children and caring for elderly relatives	131
"iku-boss" training participants (cumulative total)	About 200
Seminars for finding childcare facilities (cumulative total)	About 180

Knowledge and Collaboration



To improve intellectual capital and relationship and social capital, 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 and placed under it the Economic & Industrial Research Department and the Sustainability Planning & Intellectual Capital Support Department. Furthermore, we provide

knowledge-based solutions to customers in various industries, including solutions from the perspectives of environmental, social, and governance (ESG) issues and the Sustainable Development Goals (SDGs), based on our wide-ranging knowledge of industry.



<https://www.dbj.jp/en/investigate/>
For details, please follow the link above to the DBJ website.

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.

Cross-sector Conference

Cross-sector innovation is accelerating and the number of themes that must be analyzed by industrial surveys is increasing. Against this background, to pursue deep industry knowledge while maintaining a cross-sector perspective, the DBJ Group set up the Cross-sector Conference in fiscal 2017 as a platform for sharing information among the Economic & Industrial Research Department, business offices, and Group companies. To discover and share cross-sector knowledge through lectures and workshop formats, as well as via other means, we convened the Cross-sector Conference in fiscal 2019 with such themes as mobility as a service (MaaS) and logistics in China.

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

Work Shift Promotion Headquarters

The Work Shift Promotion Headquarters was created in fiscal 2018 with the deputy president as its chair and members representing other departments. From the standpoint of increasing the value added it provides to customers, the DBJ Group is keen to make bold workstyle reforms, streamline work processes, and improve productivity. Our initiatives have included rationalizing investment management processes, increasing back-office work efficiency with robotic process automation (RPA), upgrading remote access environments, and moving away from paper.

Concrete Measures to Increase the Value of Relationship and Social Capital

Collaboration and Dialogue with Stakeholders

Customers	<ul style="list-style-type: none"> • Provided certification 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	

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.

Since eighth competition, first-place awards have been 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 operations. Furthermore, DBJ assists initiatives to support women entrepreneurs in regional locations, helping expand the breadth of women entrepreneurs.



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

For more details about the DBJ Women Entrepreneurs Center, please go to DBJ's website (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>

For more information, please go to DBJ's website (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 launch a new initiative, 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 potential outcomes in short periods of time and human resources as all parties aim to start experimental projects.

In fiscal 2019, the CHUDEN CTI & STARTUP PROGRAM attracted approximately 40 proposals for start-up firms, and two of these proposals turned into collaborations between start-ups and Chuden CTI Co., Ltd.



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

For more information, please go to DBJ's website (Japanese only).

Participation in and Evaluation of Outside Initiatives

DBJ and DBJ Asset Management Co., Ltd. in December 2016 became signatories of the United Nations–supported Principles for Responsible Investment (PRI) and since February 2018 have served as members of the PRI Infrastructure Advisory Committee. 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.

DBJ Certification Programs

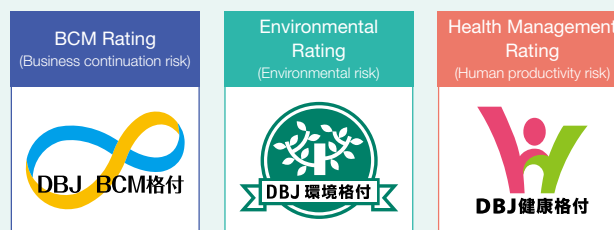
Using its independently developed screening system, DBJ certification programs set the terms and conditions of loans based on corporations' non-financial information.

DBJ launched the Environmentally Rated Loan Program in 2004, the first such program in the world. In 2006, DBJ launched the BCM Rated Loan Program to evaluate disaster preparedness and measures to ensure business continuation. Furthermore, in 2012, DBJ began to offer the Employees' Health Management Rated Loan Program, which evaluates measures in health management. A major defining characteristic of DBJ certification programs is the assessment process that emphasizes face-to-face discussions, during which we directly inquire about clients' initiatives that are not evident in their publicly disclosed information. Our screening sheet is reviewed every year in deliberations by the Advisory Committee, composed of outside experts, who also take into consideration the latest issues and trends around the world.

As follow-up services, we create venues in the form of post-assessment award ceremonies at which companies' top management can exchange their opinions with each other. We also provide feedback and details about the assessment results and directly convey information about anticipated matters and examples of outstanding efforts at other companies, with the view of supporting more sophisticated initiatives in the future.

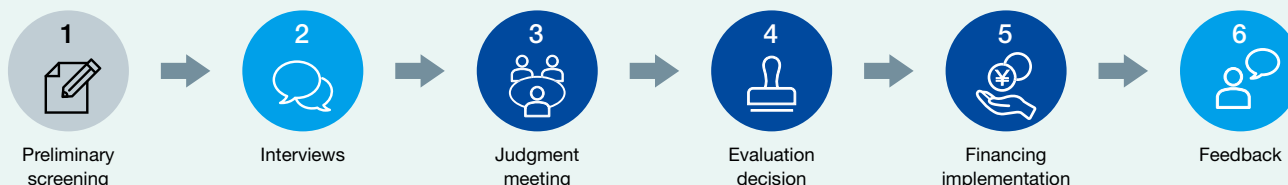
For customers using the BCM Rated Loan Program, we hold an annual event called the BCM Rated Loan Club as a venue for crisis managers to exchange opinions and information. Through its certification programs, DBJ broadly supports the initiatives of its customers while contributing to the formation of a sustainable society.

In recognition of these initiatives, DBJ took the Silver Award in the Ministry of the Environment's inaugural ESG Finance Awards in 2019.

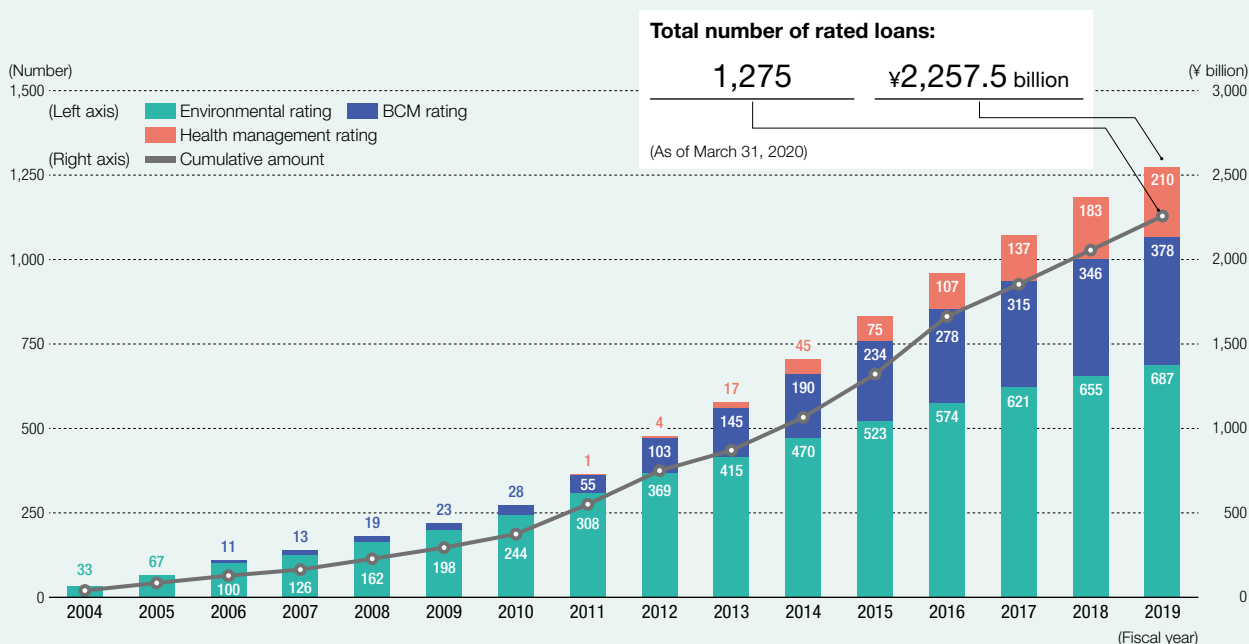


<https://www.dbj-sustainability-rating.jp/>
For details on DBJ certification programs, please see the DBJ website (Japanese only).

Assessment Flow of DBJ Certification Programs



DBJ Rated Loans



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.

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

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 promote 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 private financial institutions in an environment of fair competition. 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 49) 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 proper competitive relationships.

The opinions we obtain through social events with private financial institutions and 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 49). 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 issues 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 developments, the DBJ Group established the Sustainability Committee to deal with the growing need to review corporate management from a sustainability standpoint. The Sustainability Committee discusses changes in social issues and other matters important for management. In fiscal 2019, directors engaged in lively debate on the Group's initiatives related to energy, climate change, and the SDGs. In fiscal 2020, deliberations have focused on medium- to long-term issues on the global agenda, such as ESG matters and building of a sustainable society, while monitoring the impact from COVID-19.

To realize a sustainable society while balancing economic and social value, the DBJ Group offers solutions to issues faced by society and the 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 2020

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.

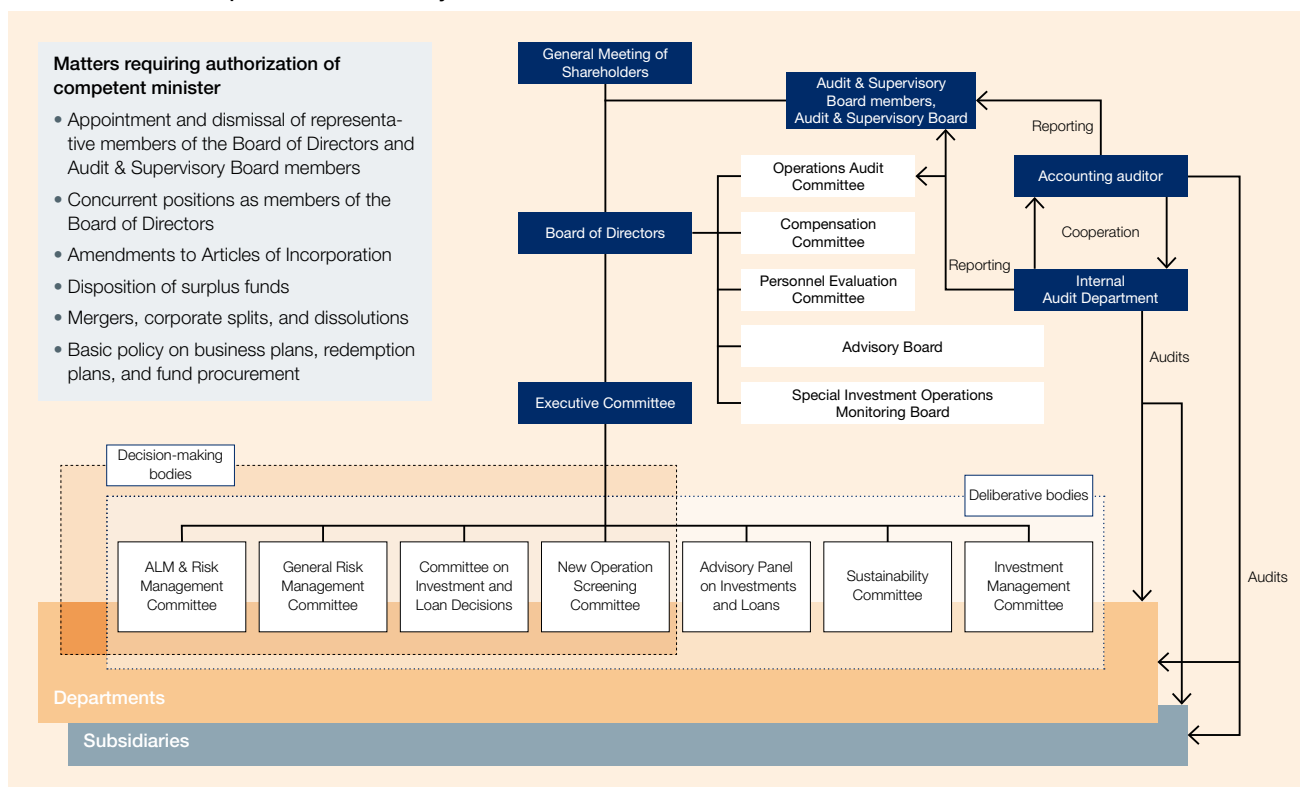
Specifically, the 2015 revisions to the DBJ Act established Special Investment Operations and obligatory measures to be considered, requiring that DBJ conduct its operations in a manner that does not obstruct appropriate competitive relations with other entities, in particular, applying these requirements 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 2019	13
Number of Audit & Supervisory Board members	5
Of whom are outside Audit & Supervisory Board members	3
Number of Audit & Supervisory Board meetings in fiscal 2019	14
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu LLC

Overview of DBJ’s Corporate Governance System



- Matters requiring authorization of competent minister**
- Appointment and dismissal of representative members of the Board of Directors and Audit & Supervisory Board members
 - Concurrent positions as members of the Board of Directors
 - Amendments to Articles of Incorporation
 - Disposition of surplus funds
 - Mergers, corporate splits, and dissolutions
 - Basic policy on business plans, redemption plans, and fund procurement

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, 2020.

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, 2020. 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. Managing Director & Senior Partner
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, 2020.

Moreover, in order to examine whether appropriate competitive relations with other entities are being maintained, round-table 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 2019, 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
Fumiaki Watari	Honorary Executive Consultant of ENEOS Holdings, Inc.

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 29 times during the fiscal year ended March 31, 2020.

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, and discusses planned proposals for investment policies.

Internal Audits

DBJ has established the Internal Audit Department under the direct supervision of the president and CEO 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 26, 2020, 21 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.

Detailed information about DBJ's corporate governance is presented below for reference.



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

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



Policy on Sustainability

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

Internal Control System Basic Policy
(Japanese only)

https://www.dbj.jp/co/info/governance_policy.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.
- (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 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 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 2019

	Number of meetings held in fiscal 2019
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 2019

Category	Number of people	Compensation, etc. (¥ million)
Members of the Board of Directors (Excluding Outside Members of the Board of Directors)	9	204
Audit & Supervisory Board members (Excluding Outside Audit & Supervisory Board Members)	2	39
Outside Executives	5	63
Total	16	307

Notes: 1. Compensation amounts include provisions to reserves for executive retirement benefits (¥17 million for members of the Board of Directors, and ¥4 million for Audit & Supervisory Board members).

2. Numbers of persons to be paid and compensation amounts include one member of the Board of Directors who retired during fiscal 2019.

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

(as of the end of July 2020)

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



Member of the Board of Directors,
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

Eiichiro Yamane

In charge of Treasury Department,
Syndication & Credit Trading Department,
Sustainability Planning & Support Department
1988: Joined the Ministry of Finance
2017: Councillor, Secretariat of the Headquarters for
Administrative Reform, Cabinet Secretariat
2019: 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 Business Planning & Coordination
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



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

Kenkichi Fukuda

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

1983: Joined Japan Development Bank
2009: General Manager, Head of Chugoku Branch
2012: Executive Officer, Head of Human Resources Management Department
2014: Managing Executive Officer, Head of Kansai Branch
2016: 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



Outside Member of the Board of Directors

Akio Mimura

Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation;
Chairman of Tokyo Chamber of Commerce and Industry;
Chairman of 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;
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.

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,
Nagashima Ohno & Tsunematsu Law Office
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

Yoshinao Ikeda

In charge of Corporate Finance
Department, Divisions 1 and 2

Managing Executive Officer
(Head of Kansai Branch)

Hiroshi Shimizu

In charge of Kansai Branch,
Chugoku Branch, Shikoku Branch

Managing Executive Officer

Michihiro Kishimoto

In charge of Corporate Finance
Department, Division 5

Managing Executive Officer

Ryusei Segawa

In charge of Economic & Industrial
Research Department, Hokkaido
Branch, Niigata Branch, Tokai Branch

Managing Executive Officer

Tsutomu Murakami

In charge of Urban Development
Department; Real Estate Finance
Department; Corporate Finance
Department, Division 3; Structured
Finance Department

Managing Executive Officer

Kazufusa Matsushima

In charge of Corporate Finance
Department, Division 6,
Tohoku Branch

Managing Executive Officer

Masashi Kumagae

In charge of Financial Institutions
Department, Regional Planning
Department, Hokuriku Branch,
Kyushu Branch, Minami-Kyushu
Branch

Managing Executive Officer

Keita Arakaki

In charge of Corporate Finance
Department, Division 4

Executive Officer

Keisuke Takegahara

Deputy Chief Research Officer,
Chief Manager of Sustainability
Management Office, Corporate
Planning & Coordination Department

Executive Officer

Toshiyasu Takazawa

Head of Corporate Planning &
Coordination Department

Executive Officer

Katsushi Kitajo

Head of Human Resources
Management Department

Executive Officer

Kazushige Ikeda

In charge of Internal Audit

Executive Officer

Masao Masuda

Head of Business Planning &
Coordination 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.

With no end in sight to the COVID-19 pandemic, the outlook is still uncertain. However, Japan's strengths and problems have become more apparent due to the COVID-19 crisis. As a nation, Japan needs to address its slow adoption of digital technologies, the risk of over-concentration in the Tokyo metropolitan area, and the need to increase the resilience of supply chains at companies.

Dialogue and cooperation with stakeholders is essential for DBJ to be able to help solve the many issues that arise in our rapidly changing society. I will continue to carry out my corporate governance responsibilities by advising and facilitating such dialogue.

Career

April 1963:	Joined Fuji Iron & Steel Co., Ltd.
April 2000:	Representative Director and Executive Vice President of Nippon Steel Corporation
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
June 2013:	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) (current position)

Strengthening Corporate Governance for the Advancement of Sustainability Management

Kazuo Ueda

Outside Member of the Board of Directors



International interest in sustainability, as seen in measures such as ESG initiatives and the Sustainable Development Goals, has grown rapidly since the adoption of the Paris Agreement. The COVID-19 pandemic is likely to refocus attention on the social aspect of ESG from an employee health standpoint, in addition to the environmental aspect. In step with the times and changing social issues, DBJ's solutions have included developing evaluation-based lending programs and providing risk capital through collaboration with private companies and financial institutions. I want to see DBJ expand yet further its initiatives to balance economic and social value while keeping aware of the international mood, especially during the COVID-19 crisis.

DBJ's medium- to long-term goals for facilitating social and economic development and achieving a sustainable society require that it continue to implement these initiatives. 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 compliance is at the heart of our corporate management and also, together with our business model and strategy, form 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 various financial services such as financing, investment, consulting and advisory services, and asset management, among others. 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, and these initiatives are executed while work is performed in compliance with all laws and regulations. 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. 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

For providing 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 DBJ and its Group companies provide customers with such financial services as financing, investment, consulting and advisory, and asset management, the DBJ Group has 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 accurate and appropriate information to our customers.

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 personal information. Please access DBJ's website for more details about this declaration.

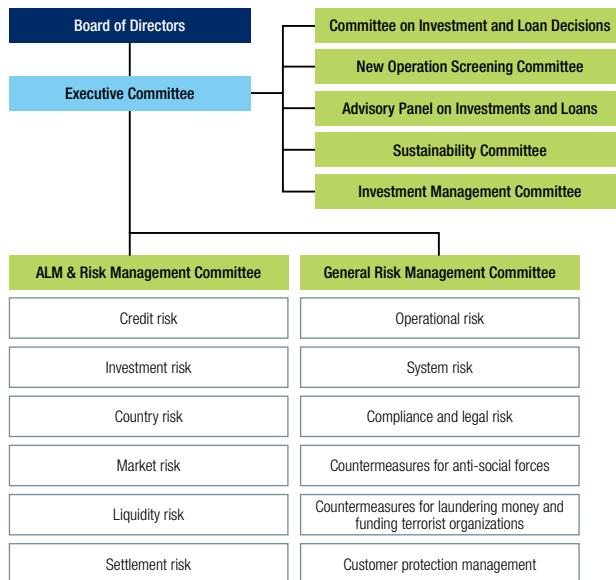
Risk Management

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 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 the 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.

Credit risk and amounts are monitored to confirm that they are within the limits established for individual borrowers.

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 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.

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. DBJ makes investment decisions and manages individual investments as well as its bank-wide portfolio accordingly.

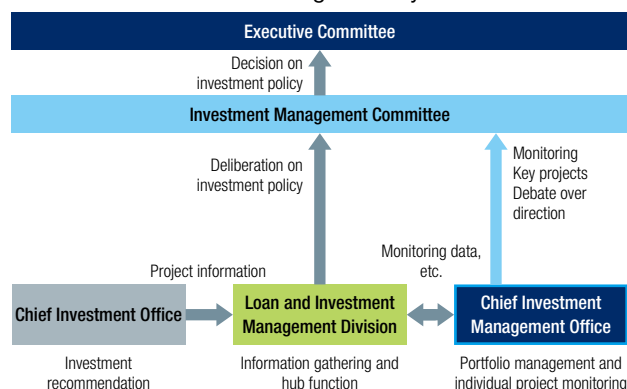
Type	Major risks	Returns
Corporate mezzanine financing	Credit risk, etc.	Dividends, etc.
Corporate investment (including listed shares)	Business risk Market risk	Capital gains
Real estate and infrastructure, etc.	Risk of change in asset value Operating risk at operating entities	Income gains

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 exchange risk. DBJ classifies market risk as passive risk pertaining to investment and loan activities. DBJ does not have any trading-related risk because it does not engage in trading (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 and financial liquidity risk.

DBJ engages in interest rate swaps to control interest rate risk. Counterparty risk in these swap transactions is managed within the limits of the creditworthiness of the counterparty. DBJ also seeks to reduce risk through margin transfers by means of a centralized exchange and mutual credit support annex.

Exchange Risk

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. Exchange risk derives from financing in foreign currencies and issuing foreign currency bonds. However, DBJ uses exchange swaps and other instruments to limit this risk in terms of assets and liabilities denominated in foreign currencies at a net-base position.

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 and 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 the like. 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 to evaluate 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 the examination of possible responses to various management issues.

Based on the latest forecasts for economic conditions, these stress tests involve scenarios that also take into account DBJ's financial position. We also verify the adequacy of our cash liquidity risk management, through reevaluations of our capital adequacy by factoring in various scenarios for how risk exposure increases as a result of erosion in our own capital and of changes in our portfolio of loans and investments.

Business Continuity Initiatives

DBJ has prepared a business continuity plan (BCP) to protect the interests of its stakeholders, including its clients, its shareholder, 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

Since the adoption of the Paris Agreement in 2015, addressing climate change has become a major issue for Japan and the rest of the world. Climate change is one of the management issues that takes priority at DBJ as part of its sustainability management efforts. While engaging in dialogue with its customers and other stakeholders, DBJ has endeavored to reduce greenhouse gas emissions in its business activities through its

Environmentally Rated Loan Program (page 45) and DBJ Green Building Certification (page 25).

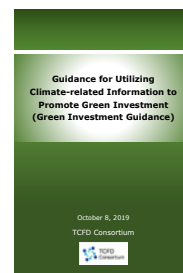
DBJ will continue to enact climate change countermeasures and, as a financial institution, we will support our customers' efforts focusing on the transition to a low-carbon or decarbonized society.

Promotion of Climate-Related Information Disclosure Based on the TCFD's Recommendations

In June 2018, stemming from an awareness of the importance of disclosing financial information related to climate change, DBJ declared its agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB). In May 2019, DBJ became a member of the TCFD Consortium of Japan, a new platform for financial institutions and business corporations to discuss and promote the TCFD's recommendations. DBJ played a leading role in discussions about creating Guidance for Utilizing Climate-related Information to Promote Green Investment (Green Investment Guidance).^{*} While receiving support from the Ministry of the Environment's program for

analyzing climate risks and opportunities in line with the TCFD's recommendations, DBJ continuously strives to identify its own risks and opportunities associated with climate change and examine ways to augment the disclosure of information based on the TCFD's framework.

^{*} Announced at the TCFD Summit held on October 8, 2019, as a guide on the perspectives needed by investors and other stakeholders for understanding the information disclosed based on the recommendations of the TCFD



Green Investment Guidance

Governance	<p>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 50), 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.</p>
Strategy	<p>When crafting its long-term vision, Vision 2030 (see page 9), DBJ identified climate change and natural resources and energy as externalities that could have a major impact on the 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.</p> <p>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 the transitional opportunities (Please refer to the next page for details.). DBJ will continue to refine and upgrade its analysis and expand information disclosure within a comprehensive framework that includes consideration of physical risks and other factors.</p>
Risk Management	<p>DBJ identifies, evaluates, monitors, and controls various risks associated with climate change. In April 2019, in recognition of the need to consciously evaluate and monitor environmental and social risks related to large-scale projects, DBJ created the Environmental & Social Assessment Office within the Structured Finance Department. Based on the Equator Principles, DBJ identifies, evaluates, and manages environmental and social risks.</p>
Metrics and Targets	<p>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.</p>

Initiatives in Fiscal 2019: Start of Scenario Analysis

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.

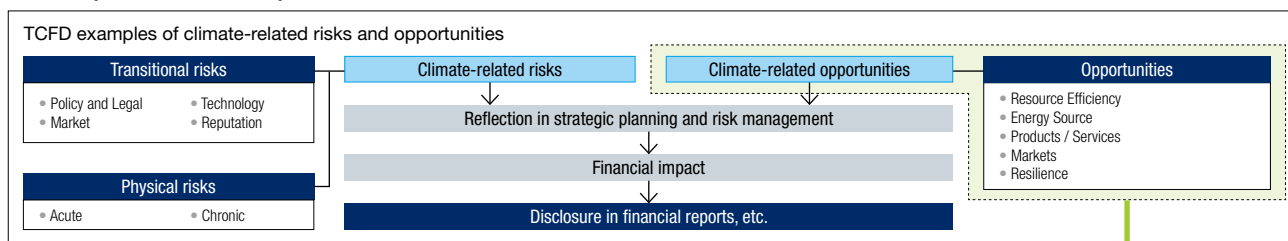
* Shared Socioeconomic Pathways (SSPs): SSPs are socioeconomic scenarios for climate change that factor in changes in the external environment, such as population demographics and GDP, created by a consortium of five international research institutions, including the National Institute for Environmental Studies (based in Japan). The diverse avenues for possible development in society and the economy are put into five categories that reflect the level of difficulty in mitigating and adapting to climate change.

Analysis and Evaluation of Growth Opportunities by Scenario in Each Sector

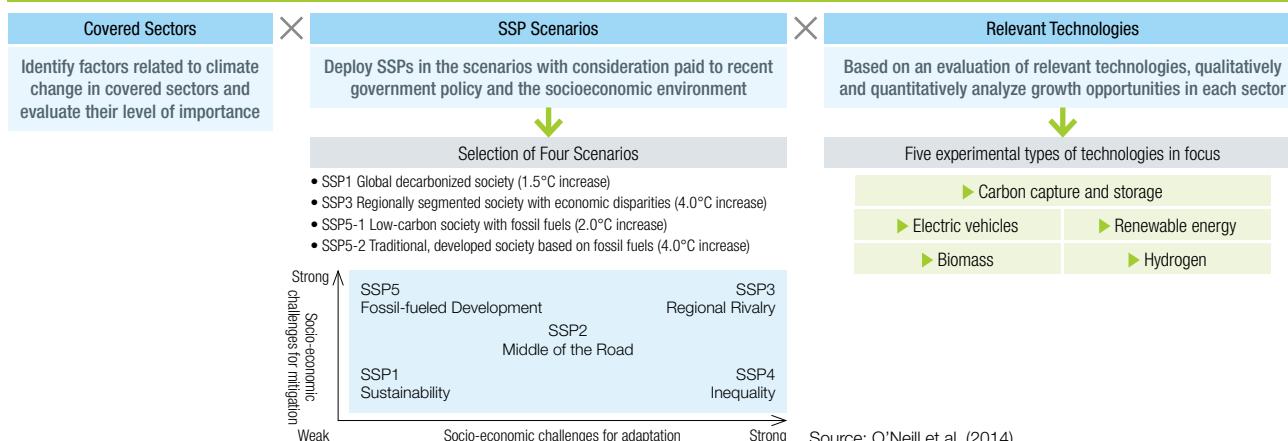
For each envisioned scenario, DBJ analyzes the degree of impact from the five aforementioned types of technologies in both qualitative and quantitative terms, and conducts a comprehensive evaluation of growth opportunities and business resilience in each analyzed sector, with consideration made for Japan's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

Starting with this analysis, DBJ will continue to refine and advance analytical methods in an attempt to better its understanding of climate change and related risks in the external environment. 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 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

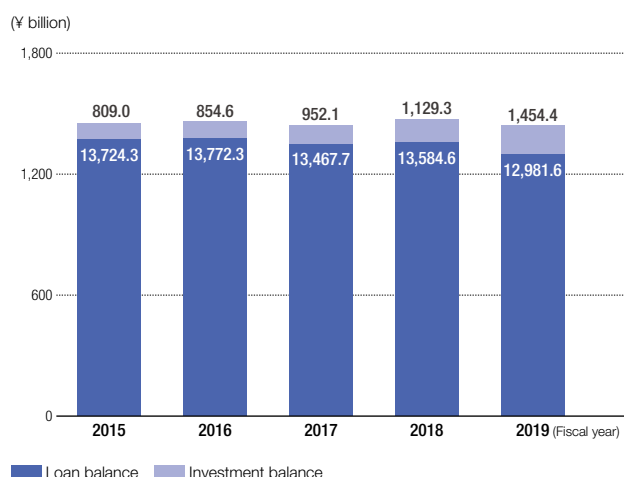


Source: O'Neill et al. (2014)

Financial and Non-Financial Highlights

Financial Highlights

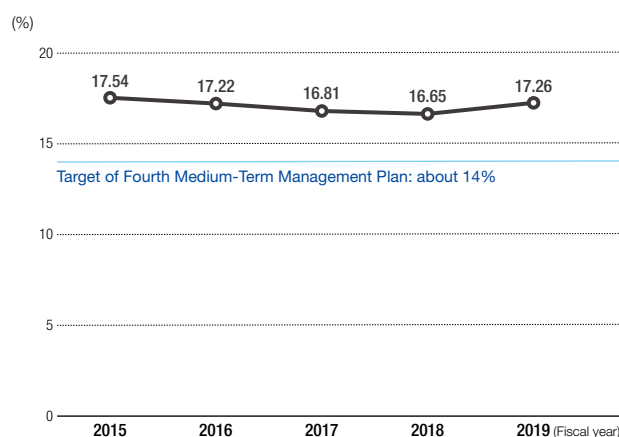
Balance of Investments and Loans (Non-Consolidated)



The balance of investments and loans (non-consolidated) was approximately ¥14.4 trillion as of the end of fiscal 2019. The loan balance totaled or around ¥13.0 trillion as of the end of fiscal 2019, reflecting an increase in the balance of mezzanine financing and certification program loans, and a decrease in general loans outstanding, including Crisis Response Operations, as of March 31, 2020.

As a result of focusing on investment operations, the investment balance has increased about ¥650.0 billion over the past five fiscal years, reaching roughly ¥1.5 trillion as of the end of fiscal 2019.

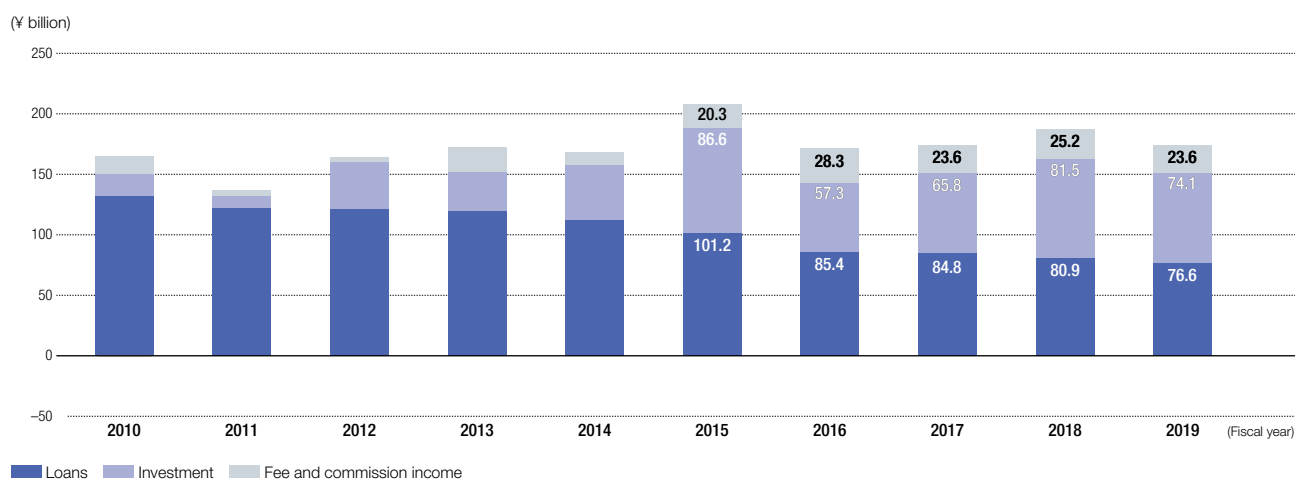
Capital Adequacy Ratio* (Consolidated)



* Common equity Tier 1 risk-weighted capital ratio

The capital adequacy ratio (consolidated) was 17.26% as of the end of fiscal 2019. This ratio may decrease as we supply risk capital for purposes including strengthening our investment operations, but we will nonetheless do our best to maintain a sound capital adequacy ratio.

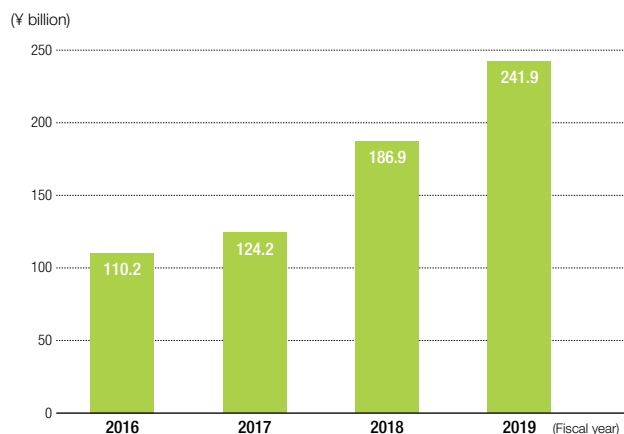
Gross Ordinary Income (Consolidated)



In fiscal 2019, DBJ focused on high-value-added loans in loan operations, but lending yields declined owing to the low interest rate environment, and the average loan balance contracted, leading to a decrease in loan profits. In investment operations, profits declined, but DBJ worked to build a portfolio that generates stable earnings on investments in infrastructure and other areas, and recorded capital gains of ¥74.1 billion upon exiting a number of investments. Accordingly, gross ordinary income was ¥174.4 billion.

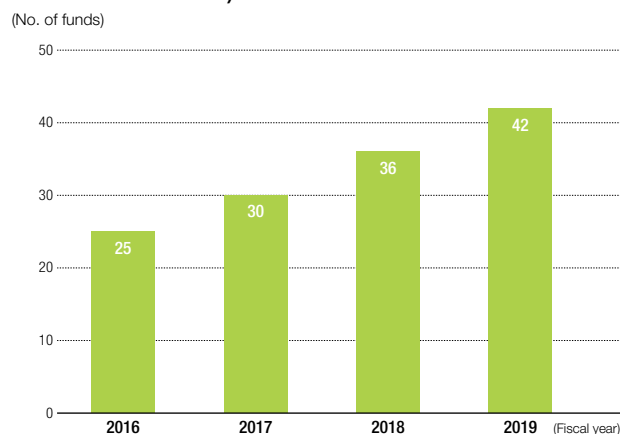
Non-Financial Highlights

Balance of Investments and Loans in Renewable Energy



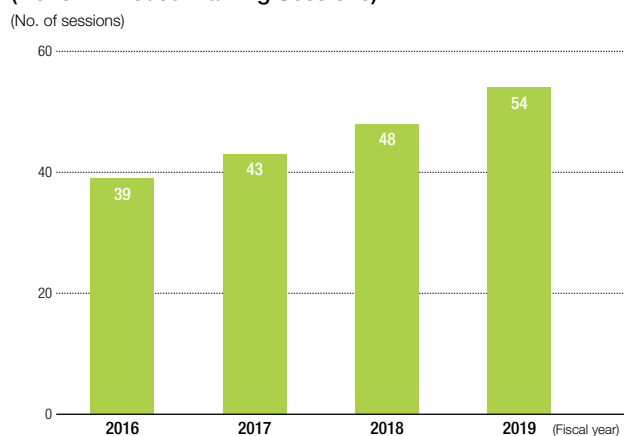
The balance of investments and loans in renewable energy stood at ¥241.9 billion as of the end of fiscal 2019. With renewable energy drawing more attention as the world moves away from carbon-based energy sources, the DBJ Group will provide financial support to ventures in solar power, onshore and offshore 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 a 22%–24% ratio of renewable energy by 2030.

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



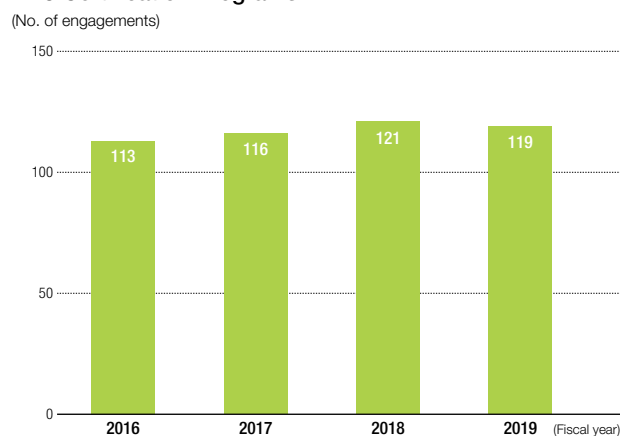
As of the end of fiscal 2019, the DBJ Group had created 42 collaborative funds with regional financial institutions. The DBJ Group and regional financial institutions, each with its local customer base, supply risk capital to local companies. We draw on the respective strengths of each financial institution with the aim of spurring initiatives to address regional issues.

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



The DBJ Group provides abundant opportunities for training through combinations of rank-based and business-related training programs. In fiscal 2019, DBJ updated its training programs to foster globally minded personnel, and held seminars about balancing work with child-rearing and elderly care, while also offering training in support of the diverse workstyle of its employees. We will continue to train our human resources while utilizing online courses and other resources.

No. of Engagements with Customers for DBJ Certification Programs



At the request of our customers, the DBJ Group helps customers participating in DBJ certification programs (see page 45) identify the issues they need to address and develop more sophisticated management by providing objective, face-to-face feedback regarding their assessment results. Through dialogue on more than 100 occasions in a typical year, we help these customers make further strides in the practice of sustainability management.

Consolidated Financial Summary

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

	2008–2010		2011–2013	
	First Medium-Term Management Plan: CHALLENGE 2010		Second Medium-Term Management Plan: Endeavor 2013	
	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
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
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

(¥ billion)

	2014-2016				2017-2019		
	Third Medium-Term Management Plan: Supporting Japan's Sustained Growth as a Global Innovator				Fourth Medium-Term Management Plan: Initiate Change, Create the Future		
	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)
	361.6	339.0	358.6	285.4	291.7	301.2	289.1
	165.7	153.0	185.1	122.5	127.1	128.1	78.9
	30.3	32.1	70.8	41.1	39.7	40.5	7.2
	0.2	0.6	1.5	(0.0)	2.2	(1.3)	4.0
	166.0	153.6	186.7	122.4	129.4	126.7	83.0
	(40.8)	(58.9)	(57.6)	(34.6)	(35.0)	(33.5)	(31.5)
	124.3	92.7	128.9	87.6	91.9	91.9	50.4
	30.8	22.5	29.2	19.7	22.1	21.0	9.9
	16,310.7	16,360.6	15,907.1	16,570.4	16,952.2	17,079.5	17,693.6
	13,838.4	13,261.3	12,952.5	13,039.5	12,725.2	12,923.9	12,415.9
	1,637.5	1,887.9	1,803.0	1,750.3	1,866.4	1,961.0	2,374.2
	13,682.9	13,613.3	13,022.9	13,584.2	13,842.1	13,783.2	14,259.6
	9,182.6	8,598.2	7,892.1	8,472.3	8,574.1	7,987.8	8,070.9
	4,237.4	4,569.3	4,727.9	4,711.8	4,932.9	5,296.9	5,696.8
	2,627.7	2,747.2	2,884.2	2,986.2	3,110.1	3,296.3	3,434.0
	1,206.9	1,206.9	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%
	0.99%	0.77%	0.64%	0.54%	0.47%	0.40%	0.46%
	0.76%	0.57%	0.80%	0.54%	0.55%	0.54%	0.29%
	4.83%	3.47%	4.60%	2.99%	3.03%	2.88%	1.51%
	1,391	1,407	1,435	1,546	1,631	1,650	1,703
	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8
	2,805.1	2,262.7	2,861.3	3,805.8	2,973.6	3,490.4	3,401.5
	138.2	281.4	166.3	206.7	179.7	300.4	550.3
	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8
	1,307.5	1,129.9	1,639.7	1,526.1	1,005.0	2,051.4	1,546.1

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, 2020

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	100.00
Total	—	43,632	100.00

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 joint-stock 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

- 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

- Conducting Crisis Response Operations as a designated financial institution
- Enabling Japanese government recapitalization in crisis response by March 31, 2015

After revision

- 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

- 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

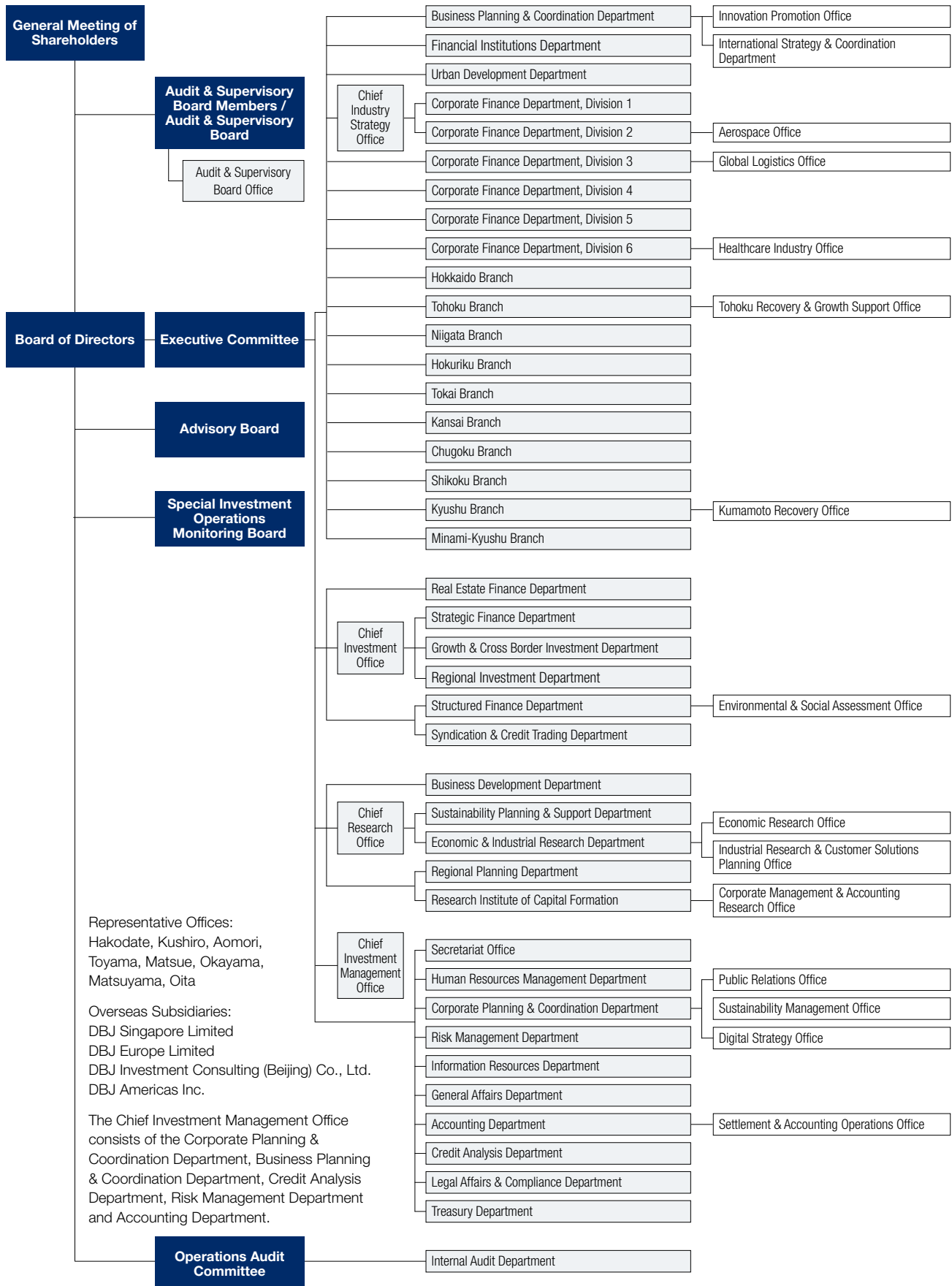
Before revision

As per the Third Medium-Term Management Plan, sustenance of close communications, maintaining a focus on operations in collaboration with other financial institutions

After revision

- 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, 2020)



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	1,703 (non-consolidated 1,195)

(As of March 31, 2020)

Group Companies

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

Overseas locations

DBJ Singapore Limited	DBJ Europe Limited	DBJ Investment Consulting (Beijing) Co., Ltd.	DBJ Americas Inc.
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 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. 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.	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 Investment Advisory Co., Ltd.	DBJ Securities Co., Ltd.	DBJ Asset Management 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 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. 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 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.

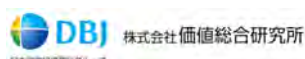
DBJキャピタル株式会社

DBJ証券株式会社



Research / Consulting

Japan Economic Research Institute Inc.	Value Management 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.	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.



Real estate management / IT services

DBJ Real Estate Co., Ltd.	Consist, Inc.
DBJ Real Estate Co., Ltd. handles administrative functions for the DBJ Group for office building leasing, rental conference rooms, and business libraries.	Consist, Inc. provides one-stop consulting services for developing, maintaining, and operating IT, using technology to help solve social issues.





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