DBJ Development Bank of Japan

# 2020

# Integrated Report

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



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

Environment Social Governance
Guidance for Collaborative Value Creation

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

### Business Strategy



### Management Foundation Strategy



### Corporate Governance



### Risk Management



# Corporate Data



# Data Section



# 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

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

DBJ環境格付
DBJ BCM格付
DBJ健康格付

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 $H_2$ 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

# Realizing a sustainable society

## Our Three Priority Areas

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

### Rebuilding and Reinforcement of Infrastructure

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

- Rebuild energy and transportation infrastructure, upgrade public infrastructure
- Promote urban growth

### Creation, Conversion, and Growth in Industry

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

- New technologies and businesses (promote innovation)
- Reorganization
- Overseas expansion

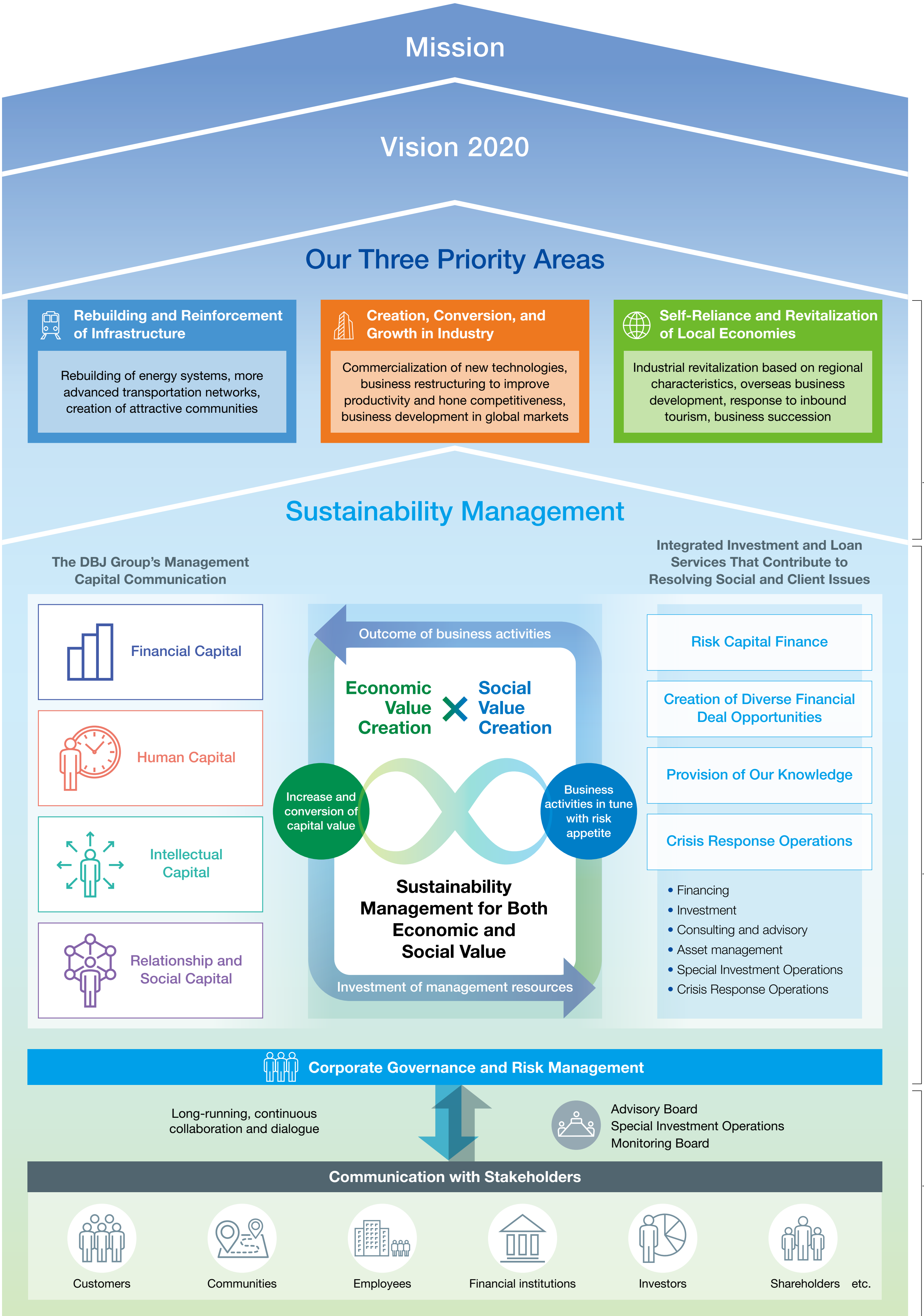
### Self-Reliance and Revitalization of Local Economies

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

- Solve issues specific to each region
- Play a role connecting regions to Tokyo, regions to regions, and regions to the world

# Sustainability Management

## Value Creation Process



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

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

## Solving Challenges in Priority Areas through Sustainability Management

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

SUSTAINABLE DEVELOPMENT GOALS


## Balancing Economic and Social Value

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

As mandated under the DBJ Act, we also rapidly and accurately undertake Crisis Response Operations as required by events such as major natural disasters and financial market instability. We contribute to the sustained growth of society through Group measures to create new industries and support while responding to crisis events, always taking the needs of our customers and the community into consideration.

Implementing the DBJ Group's business model requires unique resources. While sound financial capital is a vital support, we also strive for the integrated expansion of financial and 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.

# 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 institutions 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.

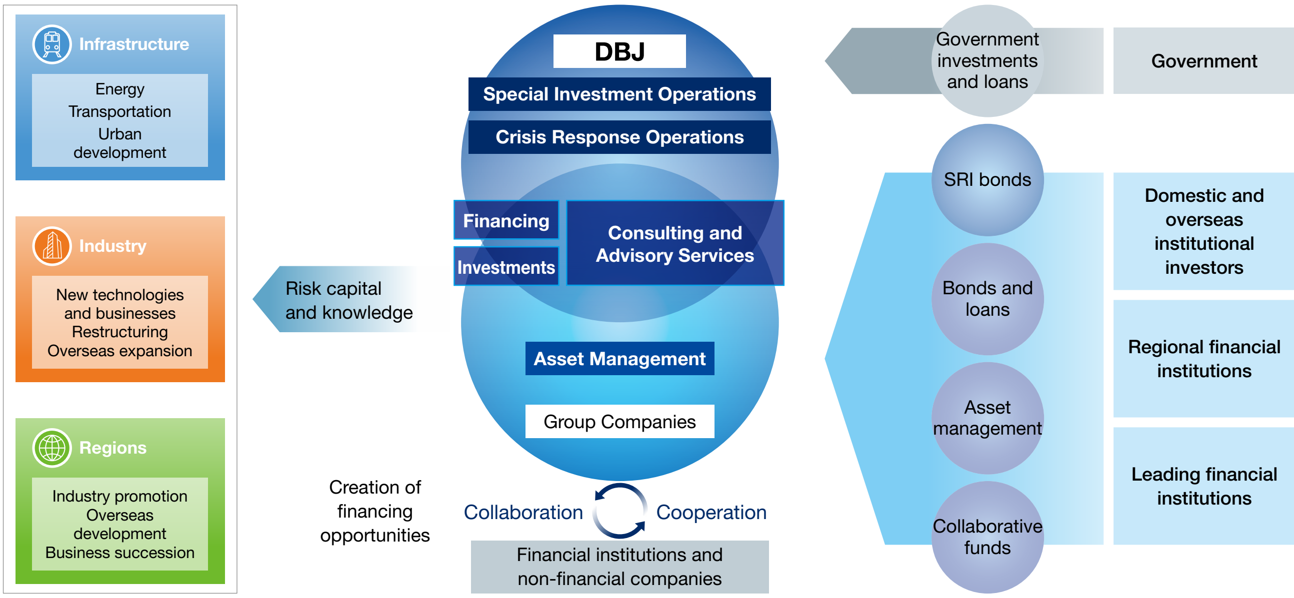
Building a sustainable society is a global agenda, and it is important that we continue working to make that happen. The public and private sectors have joined forces in a growing movement to contribute toward the SDG global agenda for 2030. In financial markets, interest in sustainable finance has increased.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

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

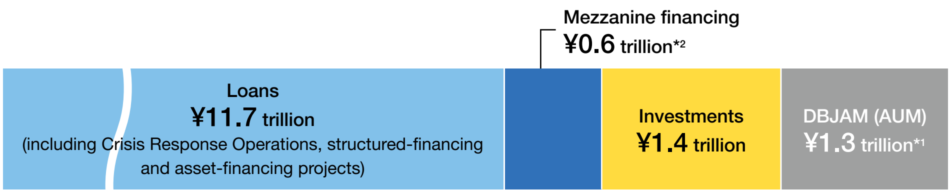
Backed by its experience and know-how in industrial and infrastructure fields as well as in risk analysis and structuring, the DBJ Group creates added value through the provision of knowledge in such forms as surveys and analyses.

### 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.




(As of March 31, 2020)

*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.

# 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 | • 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* | • 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* | • Crisis Response Operations (total): 130 loans, ¥1,621.2 billion |
| | • Regional Emergency Response Program loans (total): 20 loans, ¥42.9 billion |

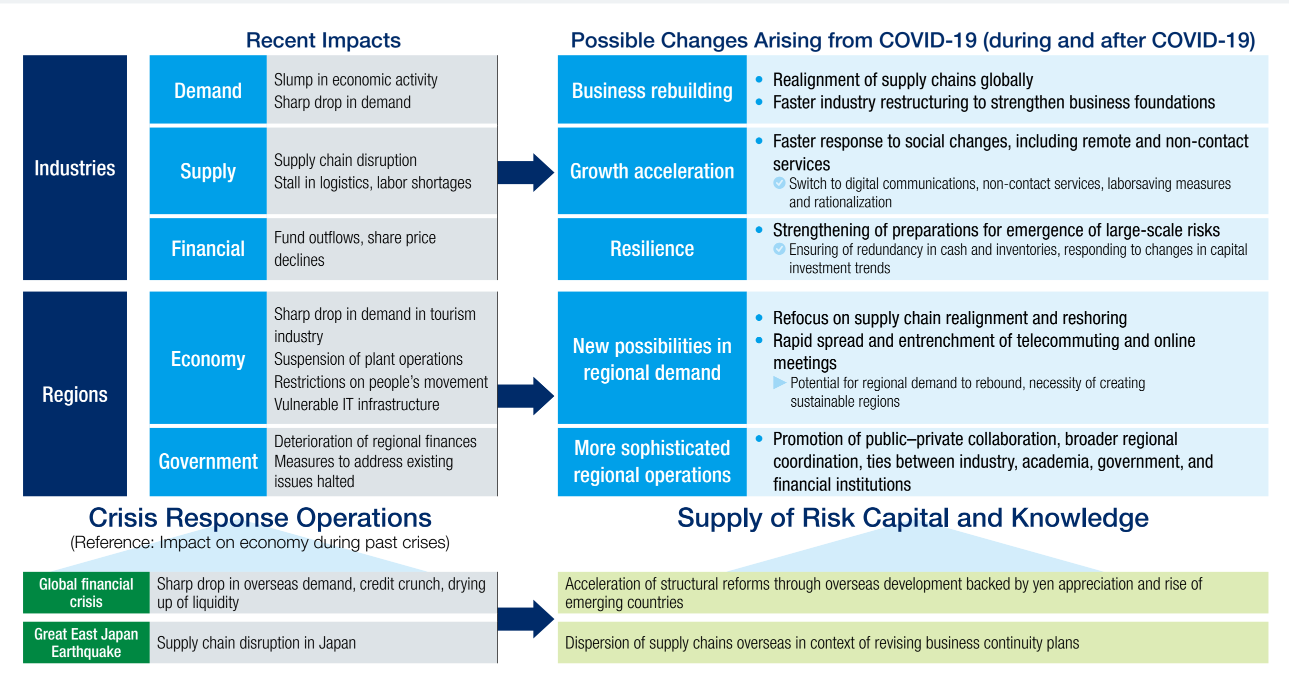
*As of end-June 2020

## 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 proprietarily 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 |

### 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



## Management Foundation Strategy



## 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<br>• Gas<br>• 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 $CO_2$ 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.

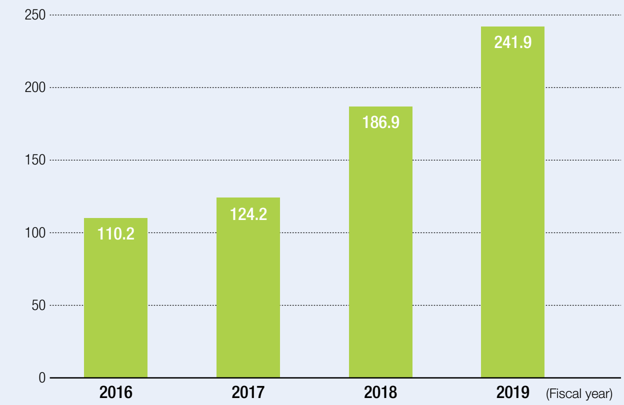
## Initiatives in the Renewable Energy Field

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

(¥ billion)




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

### Key Initiatives to Spread Renewable Energy in Japan

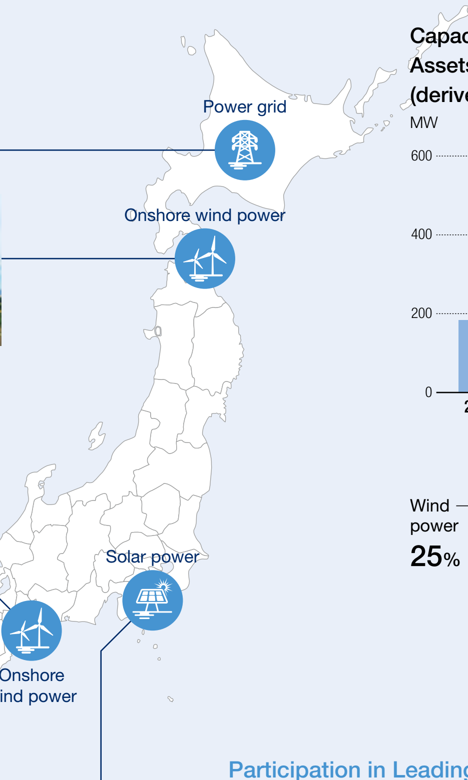

Hokkaido Hokubu Wind power grid project


Green Power Tsugaru


Aoyama Kougen Wind Farm

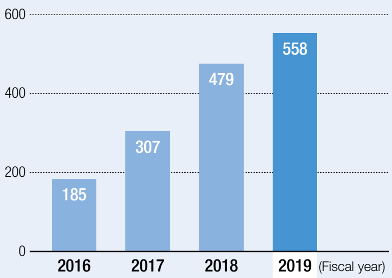

SDT Solar Power

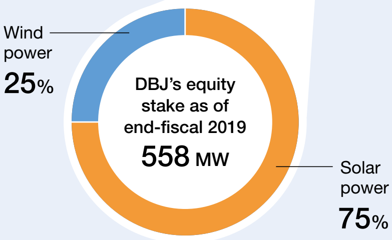

CSD Solar




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

MW




### 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

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<br>• Marine transportation<br>• 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.

DBJ Green Building

## Accomplishments and Initiatives to Date

**TOKYO SKYTREE®**

©TOKYO-SKYTREE

**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.

**Priority Areas** Creation, Conversion, and Growth in Industry

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

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

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

## 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.**

Third Medium-Term Management Plan (through Fiscal 2016)

https://www.dbj.jp/case/list/?field=industry
Please go to DBJ's website to see examples and case studies (Japanese only) in industrial sectors.

## 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 $H_2$ Mobility, LLC**


Photo provided by ENEOS Corporation

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

Self-Reliance and Revitalization of Local Economies

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

# Regions

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS

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<br>• Consulting services<br>• 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

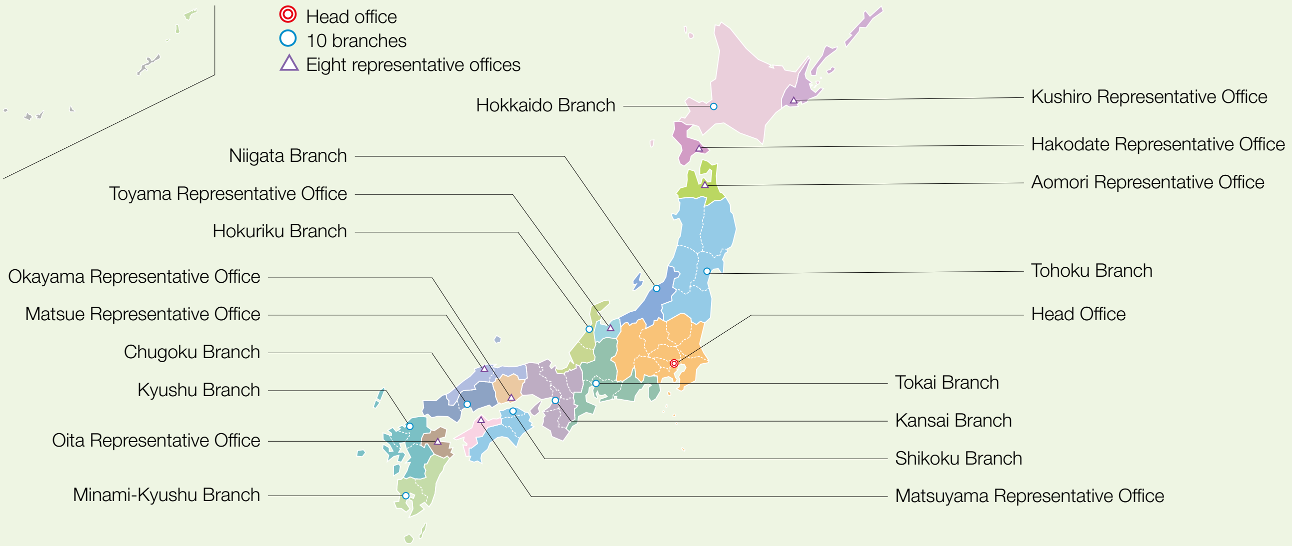
DBJ will provide services with two objectives in mind—namely, to create value by connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other, and to solve problems through risk capital and consulting services.

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 | • Invigorated tourism resources in the Akan region through financing for Akan Adventure Tourism Corp. (Hokkaido)<br>• Contributed to measures to stimulate regional industry through financing for Niigata Aerospace Corporation (Niigata)<br>• Invigorated agriculture and rejuvenated deserted arable land through joint investment with Ishida Corporation (Tottori) | • 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<br>• 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 | • Formed funds with North Pacific Bank, Ltd. and The Hokkaido Bank, Ltd. in response to the Hokkaido Eastern Iburi Earthquake<br>• 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<br>• Arranged a syndicated loan with The Hyakujushi Bank, Ltd. and reinforced the financial positions of local infrastructure companies through Special Investment Operations | • Signed cooperative agreement for disaster response operations with regional financial institutions in response to COVID-19<br>• Cooperated with regional financial institutions through funds |
| Others | • Issued reports about solving regional issues<br>• Promoted PPP/PFI projects and made proposals for rebuilding public infrastructure<br>• Offered advisory services to local public organizations related to comprehensive government policies<br>• 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).

The DBJ Group's Value Creation Story
The DBJ Group's Strategy
The DBJ Group's Corporate Governance
Corporate Data
Data Section

## 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

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 17 PARTNERSHIPS FOR THE GOALS

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 | • Launched a joint investment program with The Bank of Kyoto, Ltd. for overseas private equity funds | • 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 | • Made a preferred equity investment related to J-POWER's participation in the Triton Knoll offshore wind power project in the U.K.<br>• Signed a financing contract for a venture capital fund that invests in early-stage pharmaceutical companies in Japan and Europe<br>• Established a fund with Sumitomo Corporation that invests in overseas offshore wind power projects | • Preferred equity financing for developing renewable energy projects overseas (offshore wind power plants in Taiwan) with JERA Co., Inc.<br>• Joint investment with Aica Kogyo Co., Ltd. (Aichi) to aggressively invest in Asia<br>• Signed financing agreement for a fund to invest in medical equipment venture firms in Japan and the U.S. |
| Others | • 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

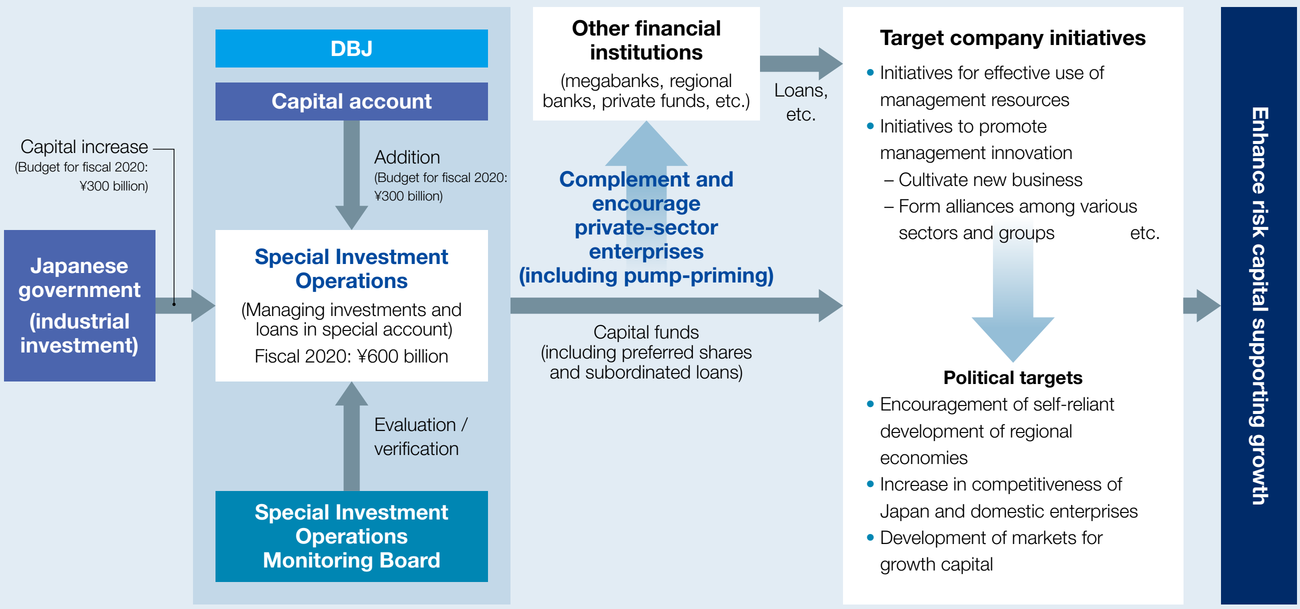
### Special Investment Operations

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.

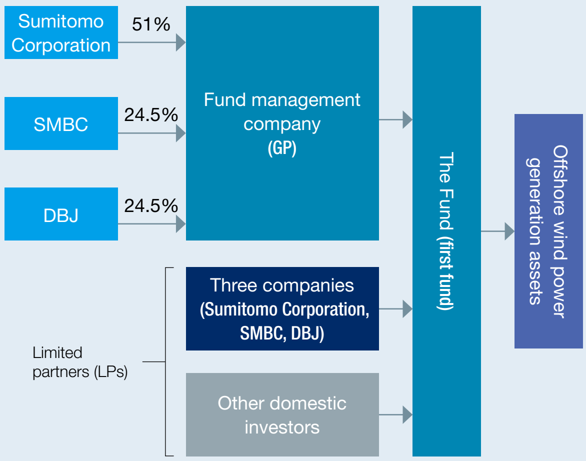
"Raw Cane Sugar Donut Sticks," the main product made by FUJIBAMBI Co., Ltd.

## 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).

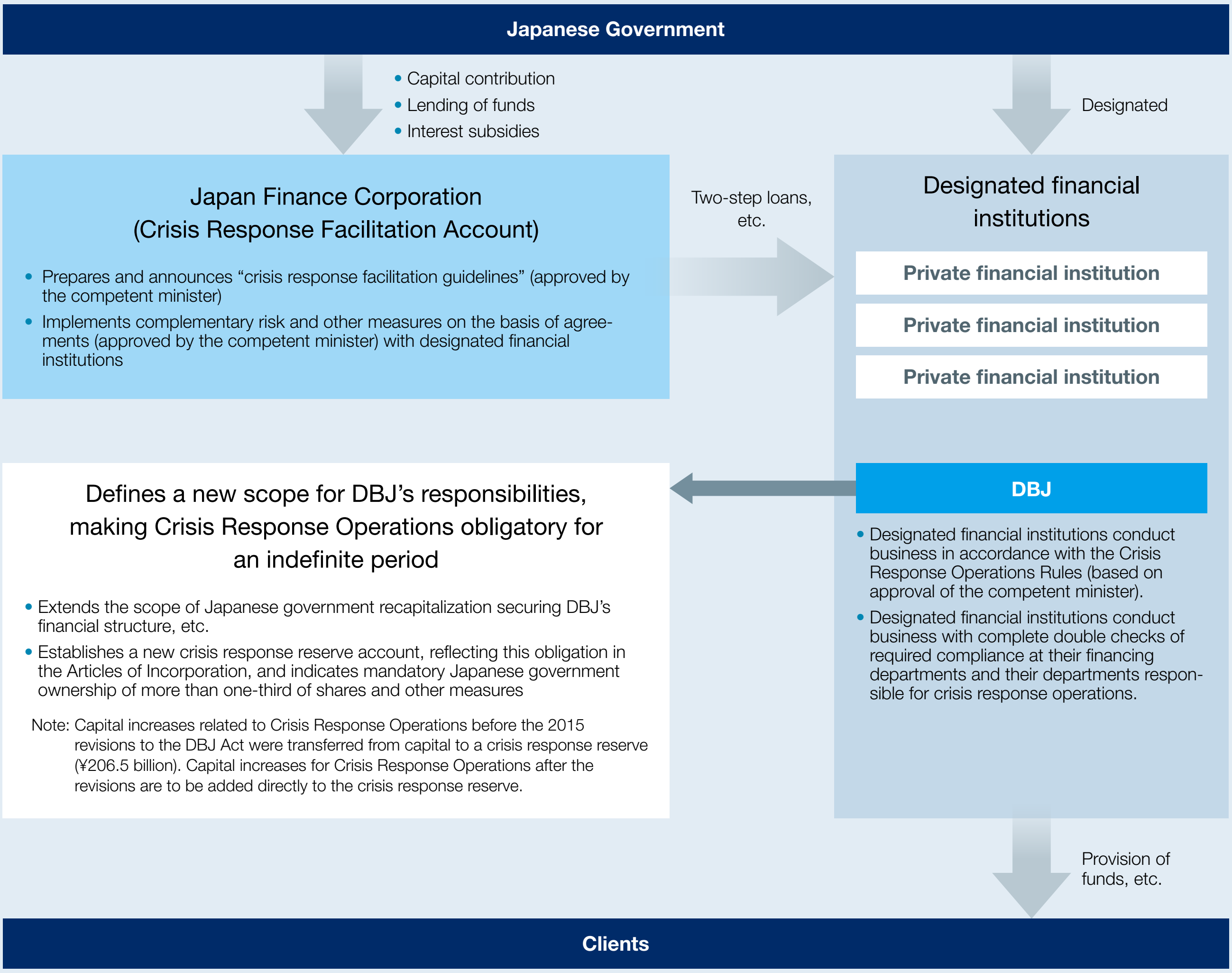
## Crisis Response Operations

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

| 2008/10 | 2008/12 | 2011/3 | | 2020/3 |
|---|---|---|---|---|
| Commenced Crisis Response Operations as a designated financial institution | Financial Crisis Response Operations and Earthquake Disaster Crisis Response Operations (through March 31, 2011) | Earthquake Disaster Crisis Response Operations | | COVID-19 pandemic |

### 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<br>• Private equity<br>• 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.

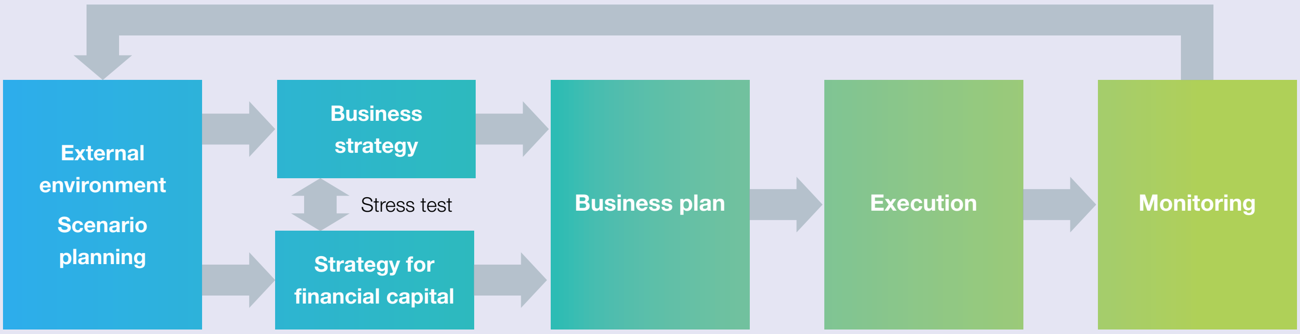
# Financial Strategy

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.

The Green Bond Principles

**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.

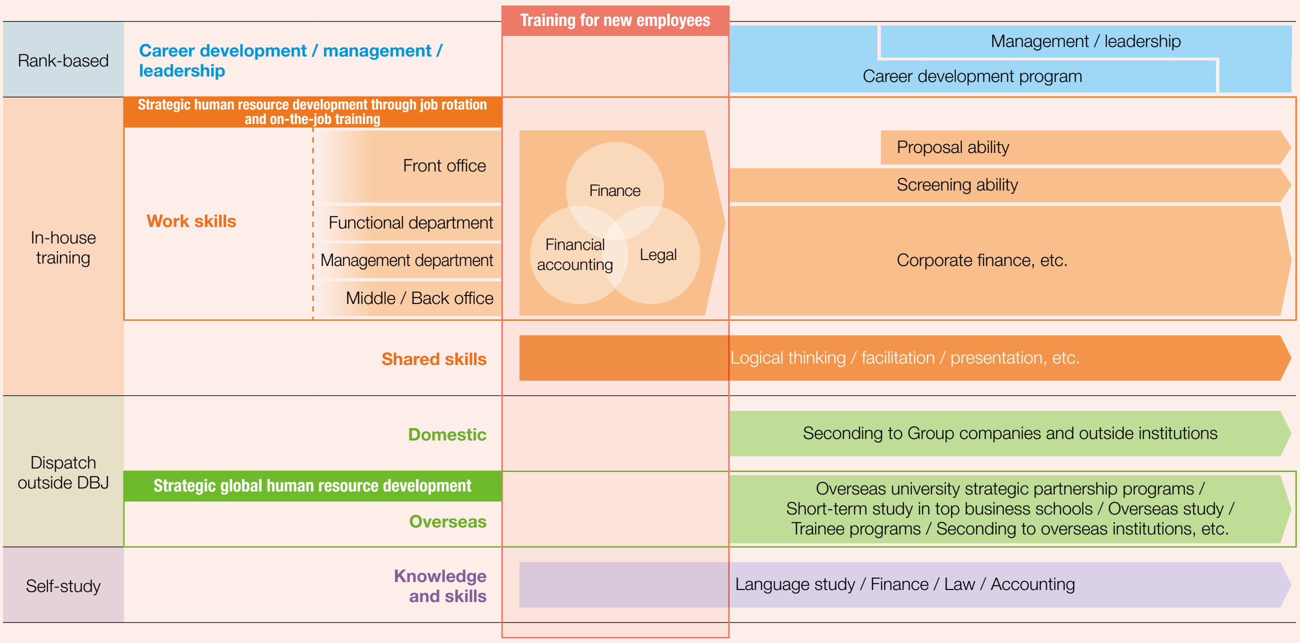
To this end, we think it is important to create structures in which employees will be highly motivated. Improving the value of human capital is one of our most important priorities, and DBJ is taking concrete steps to achieve this goal.

## 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



## 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<br>DBJ Green Building Certification |
| (2) Social infrastructure | Energy, transportation, urban infrastructure, industrial value chains | Loans and investments for infrastructure and industrial projects<br>BCM Rated Loan Program |
| (3) System capital | Stabilization and stimulation of the financial system, development and invigoration of financial markets | Crisis Response Operations<br>Supply of risk capital<br>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 | • Provided certification programs<br>• Held a business plan competition for women<br>• Provided platforms via DBJ Connect<br>• Supported innovation with iHub |
| Financial institutions | • Collaborated with LTIC<br>• Coordinated operations with Bridges Fund Management Ltd. in the United Kingdom |
| Government | • Participated in high-level panel about ESG finance<br>• Participated in TCFD scenario analysis support project |
| Research institutions | • 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.

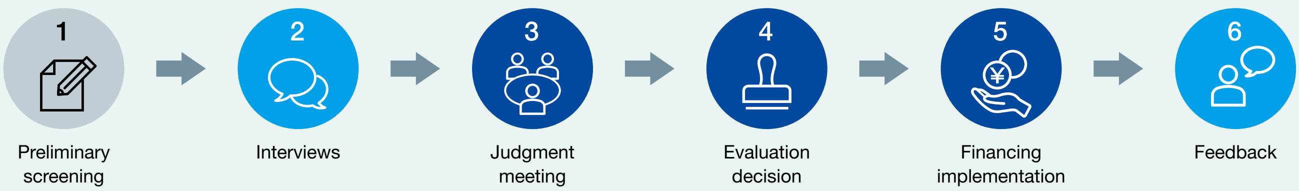
In recognition of these initiatives, DBJ took the Silver Award in the Ministry of the Environment's inaugural ESG Finance Awards in 2019.

2020 ESG FINANCE AWARDS JAPAN SILVER

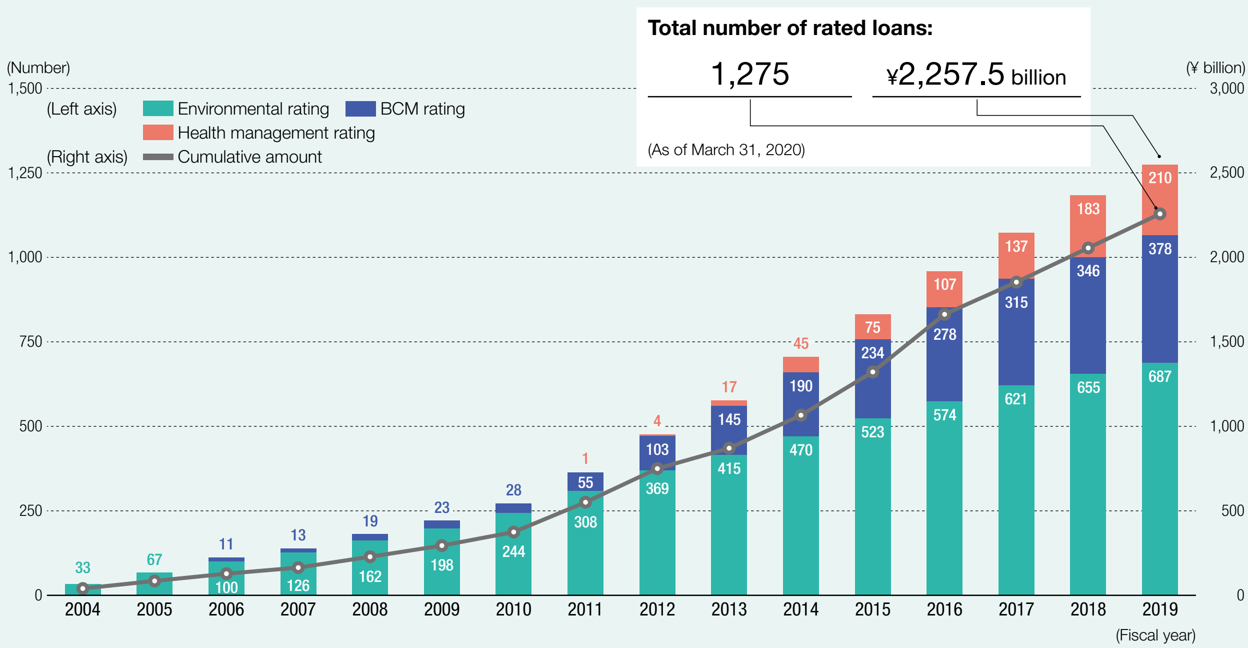
| BCM Rating (Business continuation risk) | Environmental Rating (Environmental risk) | Health Management Rating (Human productivity risk) |
|---|---|---|
| DBJ BCM格付 | DBJ 環境格付 | DBJ健康格付 |

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



## 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.

Yasushi Kinoshita

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.

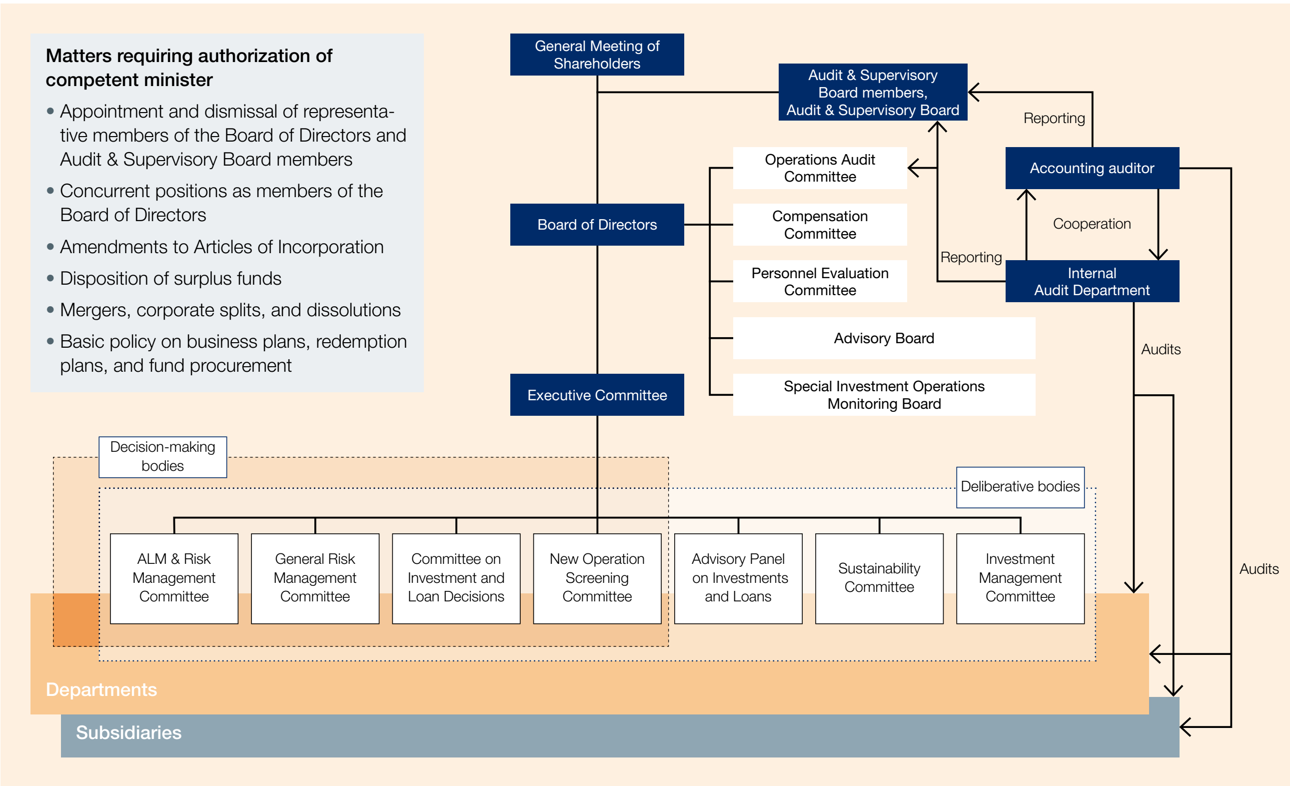
DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board), through a business model built upon features such as integrated investments and loans and proper execution of the 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**



## 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.<br>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<br>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, roundtable discussions are held regularly with the Japanese Bankers Association, the Regional Banks Association of Japan, and the Second Association of Regional Banks, including these entities' private financial institution members. Each group met twice in fiscal 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<br>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<br>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

(¥ million)

| Category | Number of people | Compensation, etc. |
|---|---|---|
| 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<br>Chairman of the Tokyo Chamber of Commerce and Industry (current position)<br>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<br>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)<br>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.

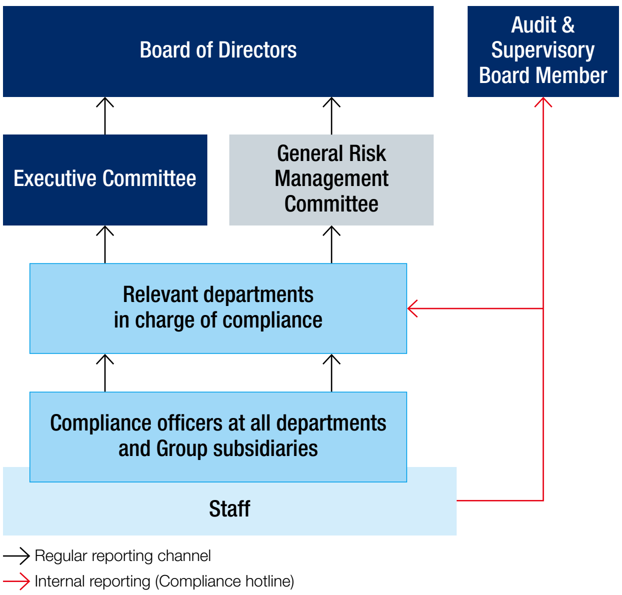
### Compliance Framework

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.

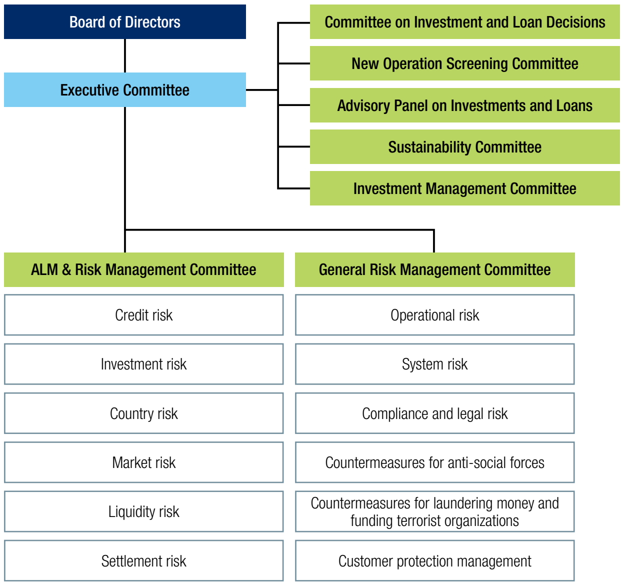
# Risk Management

## 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 week or unstable business conditions, or are having issues with their finances. These borrowers need to be managed with caution. | |
| Substandard borrowers | 12 | Either some or all of the debt of these borrowers requiring caution is under management. | Substandard claims |
| Borrowers in danger of bankruptcy | 13 | Borrowers in this category are having financial difficulties but are not bankrupt. Management improvement plans and the like are progressing poorly, and these borrowers are highly likely to fall into bankruptcy. | Doubtful claims |
| Effectively bankrupt borrowers | 14 | Although not legally or formally in bankruptcy, these borrowers are experiencing severe financial difficulties and are realistically falling into bankruptcy as their lack of potential for restructuring has been confirmed. | Claims in bankruptcy, reorganization claims, and similar claims |
| Bankrupt borrowers | 15 | These borrowers are in bankruptcy, legally and formally. Specifically, these borrowers are in bankruptcy or liquidation, under corporate reorganization, bankruptcy proceedings or civil rehabilitation, or have had transactions suspended by a bill clearinghouse. | |

### Portfolio Management

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

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

## Investment Risk

Investment risk refers to the risk of sustaining losses resulting from a decline in or loss of the economic value of assets due to worsening financial conditions for entities receiving funds and to changing market environments. DBJ's investments include the provision of mezzanine and equity financing, particularly to unlisted entities, such as corporations, funds, infrastructure, and real estate. As a source of profits, investments represent one of DBJ's most significant risk categories. 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<br>Market risk | Capital gains |
| Real estate and infrastructure, etc. | Risk of change in asset value<br>Operating risk at operating entities | Income gains |

### Investment Policy

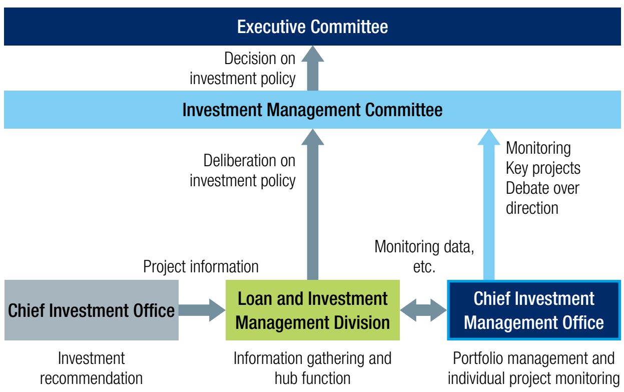
The Executive Committee determines our investment policy following deliberations each fiscal year by the Investment Management Committee, based on our corporate philosophy of striking a balance between social value and economic value. This policy takes into consideration the balance in risks and returns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

### Credit Management of Individual Projects

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

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

**Overview of Investment Management System**



### Portfolio Management

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

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

## Market Risk

The primary focuses in terms of market risk are interest rate risk and 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

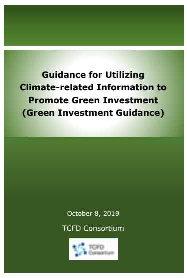
Since the adoption of the Paris Agreement in 2015, addressing climate change has become a major issue for Japan and the rest of the world. Climate change is one of the management issues that takes priority at DBJ as part of its sustainability management efforts. While engaging in dialogue with its customers 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** | 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. |
| **Strategy** | 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.<br>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. |
| **Risk Management** | 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. |
| **Metrics and Targets** | DBJ gauges the progress of its environmental initiatives in terms of the Greenhouse Gas Protocol's Scope 1 (direct) and Scope 2 (indirect) categories, which are concerned with the amount of greenhouse gas (GHG) emissions associated with corporate activities. Specific targets are set for DBJ and for each department in regard to the environmental aspects of investment and loan operations and environmental protection initiatives such as educational programs that encourage dialogue on relevant issues. In these ways, DBJ works systematically and consistently to help preserve the environment. |

## 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.

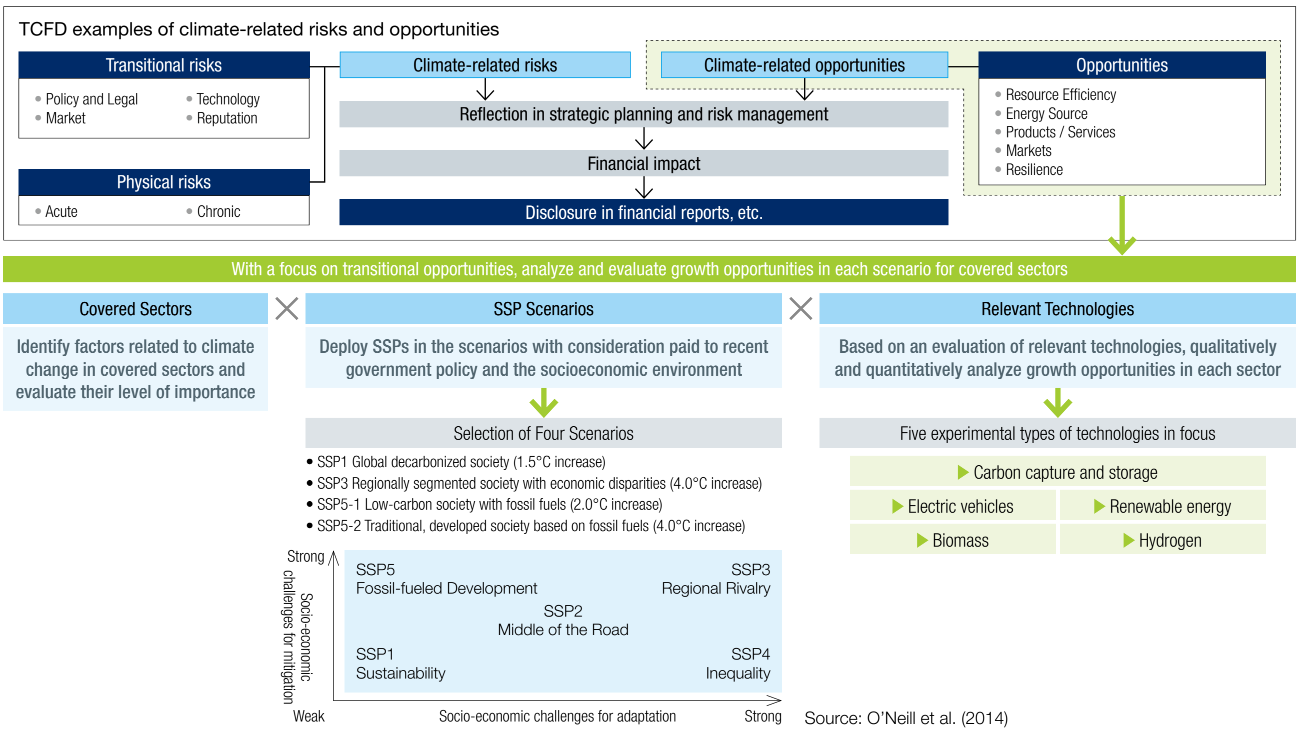
* Shared Socioeconomic Pathways (SSPs): SSPs are socioeconomic scenarios for climate change that factor in changes in the external environment, such as population demographics and GDP, created by a consortium of five international research institutions, including the National Institute for Environmental 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

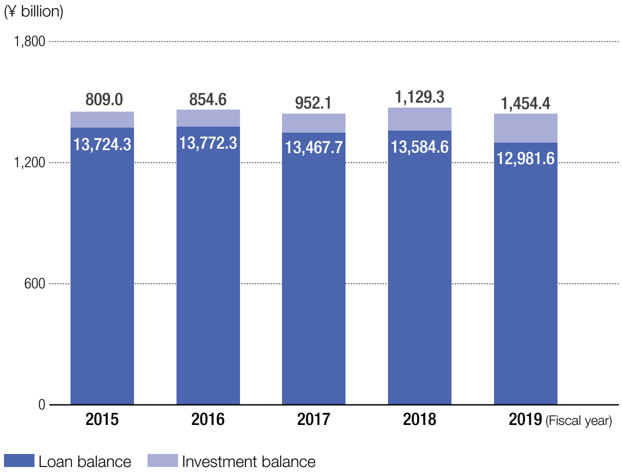



Source: O'Neill et al. (2014)

# Financial and Non-Financial Highlights

## Financial Highlights

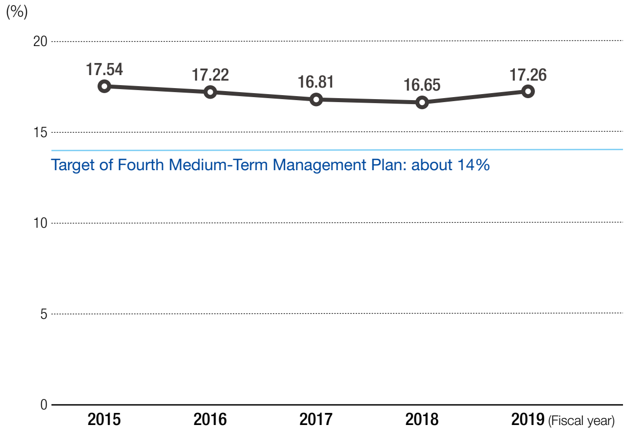
### Balance of Investments and Loans (Non-Consolidated)




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 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.

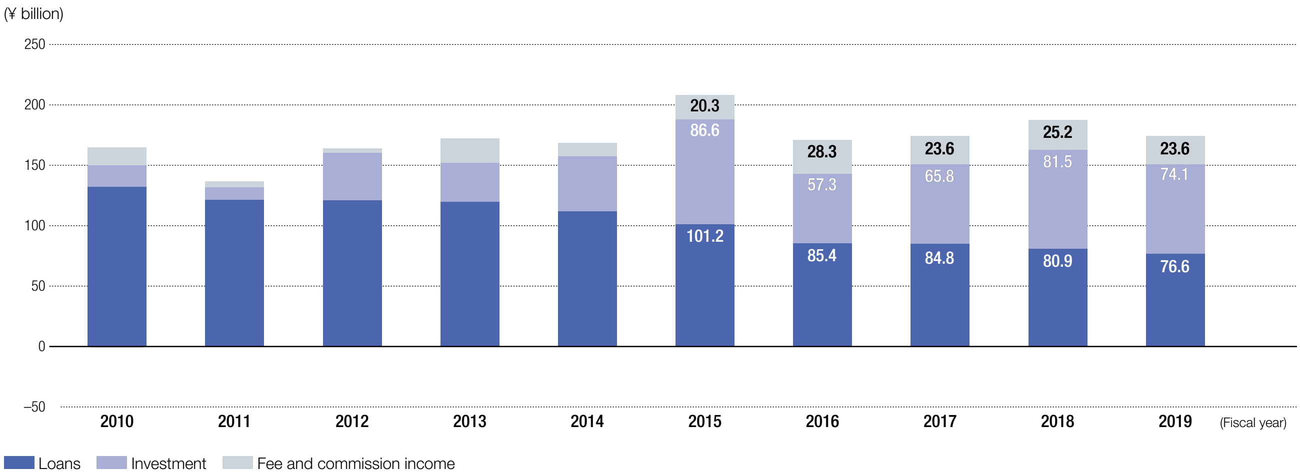
### Capital Adequacy Ratio* (Consolidated)




* 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)

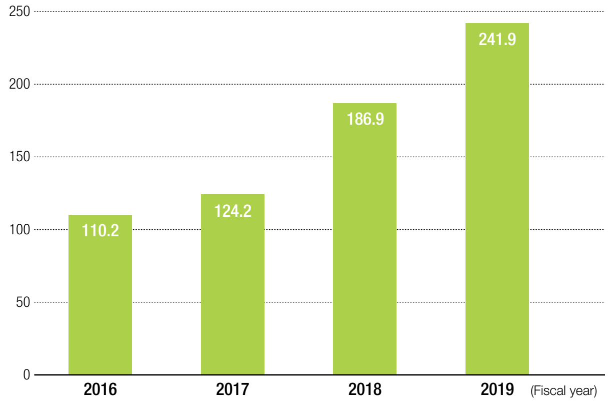



In fiscal 2019, DBJ focused on high-value-added loans in loan operations, but lending yields declined owing to the low interest rate environment, and the average loan balance contracted, leading to a decrease in loan profits. In investment operations, profits declined, but DBJ worked to build a portfolio 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

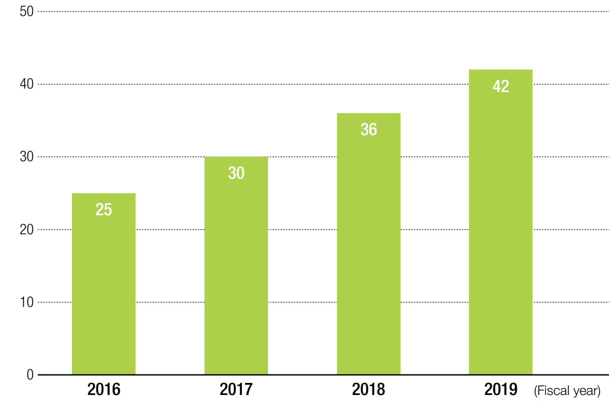
(¥ billion)




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)

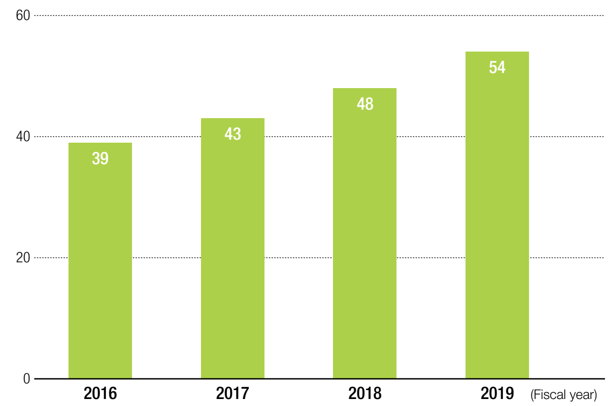
(No. of funds)




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)

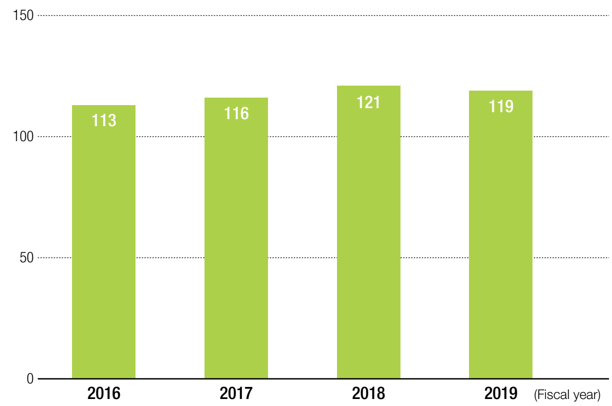
(No. of sessions)




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

(No. of engagements)




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)

| Consolidated | 2008–2010 First Medium-Term Management Plan: CHALLENGE 2010 | | 2011–2013 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) |
| 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) | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 |
|---|---|---|---|---|
| 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<br>Third Medium-Term Management Plan:<br>Supporting Japan's Sustained Growth as a Global Innovator | | | 2017–2019<br>Fourth Medium-Term Management Plan:<br>Initiate Change, Create the Future | | |
|---|---|---|---|---|---|---|---|
| | Fiscal 2013<br>(April 1, 2013 to March 31, 2014) | Fiscal 2014<br>(April 1, 2014 to March 31, 2015) | Fiscal 2015<br>(April 1, 2015 to March 31, 2016) | Fiscal 2016<br>(April 1, 2016 to March 31, 2017) | Fiscal 2017<br>(April 1, 2017 to March 31, 2018) | Fiscal 2018<br>(April 1, 2018 to March 31, 2019) | Fiscal 2019<br>(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<br>1) Investment function (pertaining to business in such areas as research and development, urban development, and energy use stipulated by government ordinance) added<br>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<br>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<br>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<br>Special Investment Operations started<br>Advisory Board positioned as an advisory body to the Board of Directors<br>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<br>• 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<br>• 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)<br>• 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.)<br>• Obligation that the Japanese government shall hold one-half or more of shares until the conclusion of Special Investment Operations |

**4. Provisions referencing consideration for private financial institutions through ongoing Japanese government involvement**

| | | | |
|---|---|---|---|
| Before revision | As per the Third Medium-Term Management Plan, sustainment of close communications, maintaining a focus on operations in collaboration with other financial institutions | After revision | • 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<br>• 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)

- General Meeting of Shareholders
  - Audit & Supervisory Board Members / Audit & Supervisory Board
    - Audit & Supervisory Board Office
  - Board of Directors
    - Executive Committee
      - Chief Industry Strategy Office
      - Business Planning & Coordination Department
        - Innovation Promotion Office
        - International Strategy & Coordination Department
      - Financial Institutions Department
      - Urban Development Department
      - Corporate Finance Department, Division 1
      - Corporate Finance Department, Division 2
        - Aerospace Office
      - Corporate Finance Department, Division 3
        - Global Logistics Office
      - Corporate Finance Department, Division 4
      - Corporate Finance Department, Division 5
      - Corporate Finance Department, Division 6
        - Healthcare Industry Office
      - Hokkaido Branch
      - Tohoku Branch
        - Tohoku Recovery & Growth Support Office
      - Niigata Branch
      - Hokuriku Branch
      - Tokai Branch
      - Kansai Branch
      - Chugoku Branch
      - Shikoku Branch
      - Kyushu Branch
        - Kumamoto Recovery Office
      - Minami-Kyushu Branch
      - Chief Investment Office
      - Real Estate Finance Department
      - Strategic Finance Department
      - Growth & Cross Border Investment Department
      - Regional Investment Department
      - Structured Finance Department
        - Environmental & Social Assessment Office
      - Syndication & Credit Trading Department
      - Chief Research Office
      - Business Development Department
      - Sustainability Planning & Support Department
      - Economic & Industrial Research Department
        - Economic Research Office
        - Industrial Research & Customer Solutions Planning Office
      - Regional Planning Department
      - Research Institute of Capital Formation
        - Corporate Management & Accounting Research Office
      - Chief Investment Management Office
      - Secretariat Office
      - Human Resources Management Department
      - Corporate Planning & Coordination Department
        - Public Relations Office
        - Sustainability Management Office
        - Digital Strategy Office
      - Risk Management Department
      - Information Resources Department
      - General Affairs Department
      - Accounting Department
        - Settlement & Accounting Operations Office
      - Credit Analysis Department
      - Legal Affairs & Compliance Department
      - Treasury Department
    - Advisory Board
    - Special Investment Operations Monitoring Board
    - Operations Audit Committee
      - Internal Audit Department

Representative Offices:
Hakodate, Kushiro, Aomori, Toyama, Matsue, Okayama, Matsuyama, Oita

Overseas Subsidiaries:
DBJ Singapore Limited
DBJ Europe Limited
DBJ Investment Consulting (Beijing) Co., Ltd.
DBJ Americas Inc.

The Chief Investment Management Office consists of the Corporate Planning & Coordination Department, Business Planning & Coordination Department, Credit Analysis Department, Risk Management Department and Accounting Department.

# Data Section

# The Development Bank of Japan Inc. Act

(Act No. 85 of 2007)

Promulgated : June 13, 2007 by Act No. 85 of 2007
Enforced : May 22, 2020
Last Amended : May 22, 2020 by Act No. 29 of 2020



## Chapter I General Provisions

### Article 1 Purpose

Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint stock company (*kabushiki-kaisha*) whose object is to maintain the foundations of investment and financing functions of long-term business funds as the Development Bank of Japan by conducting business activities utilizing the methods of combining investments and financing and other sophisticated financial methodologies, while maintaining the autonomy of management with the goal of realizing full-scale privatization, thereby contributing to smooth supply of funds to those who need long-term business funds, as well as to the sophistication of financial functions.

### Article 2 Restriction on Use of Trade Name

1. Any entity other than the Corporation shall not use the characters of Development Bank of Japan Inc. (*Kabushiki Kaisha Nippon Seisaku Toshi Ginko*), in its trade name.
2. The provision of Article 6, Paragraph 2 of the Banking Act (Act No. 59 of 1981) shall not apply to the Corporation.

## Chapter II Business Operations

### Article 3 Scope of Business Operations

1. The Corporation shall engage in the following business operations to attain its objectives:
   (1) To accept deposits (limited to certificates of deposit (CDs) and other deposits stipulated in the Cabinet Order);
   (2) To lend money;
   (3) To make capital contributions;
   (4) To guarantee the due performance of debts and obligations;
   (5) To sell and purchase Securities (other than those that fall within monetary claims represented by certificates set forth in Item (7), Short-term Notes, Etc.; the same in Item (8)) (other than those that fall within securities-related derivatives transactions (the securities-related derivatives transactions set forth in Article 28, Paragraph 8, Item (6) of the Financial Instruments and Exchange Act (Act No. 25 of 1948); hereinafter in this Item and Item (11) the same), or enter into securities-related derivatives transactions (limited to those made for investment purposes), except in cases where these business operations fall within those operations referred to in Item (3);
   (6) To lend Securities;
   (7) To acquire or transfer monetary claims (including claims represented by certificates stipulated in the Ministry of Finance Ordinance such as negotiable bank deposit certificates);
   (8) To subscribe for Specified Bonds or Preferred Investment Securities issued by a Specified Purpose Company (limited to the cases where the Specified Purpose Company acquires only monetary claims (excluding negotiable instruments payable to order set forth in Part III, Chapter I, Section 7, Subsection 1 of the Civil Code (Act No. 89 of 1896), registered negotiable instrument payable to holder set forth in Subsection 2 of the same Section, other registered negotiable instruments set forth in Subsection 3 of the same Section and claims regarding bearer instruments set forth in Subsection 4 of the same Section and electronically recorded monetary claims set forth in Article 2, Paragraph (1) of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007); hereinafter the same in this Item) or beneficial interests in trusts with which monetary claims are entrusted with cash proceeds derived from issue of those Specified Bonds or Preferred Investment Securities as set forth in the Asset Liquidation Plans, and except for, in case of Specified Bonds, Specified Short-term Notes; hereinafter the same in this Item), and other securities similar to Specified Bonds or Preferred Investment Securities stipulated in the Ministry of Finance Ordinance (hereinafter in this Item referred to as the "Specified Bonds") (except in cases where it is intended for secondary distribution (*uridashi*)), or to handle primary offering (*boshu*) of the Specified Bonds so subscribed;
   (9) To acquire or transfer Short-term Notes, Etc.;
   (10) To act as an agent or intermediary for execution of agreements which provides for lending money on behalf of banks (the banks set forth in Article 2, Paragraph 1 of the Banking Act (Act No. 59 of 1981); hereinafter the same) and other entities engaged in the financial business stipulated in the Cabinet Order;
   (11) To enter into derivatives transactions set forth in Article 2, Paragraph 20 of the Financial Instruments and Exchange Act (other than those that fall within the securities-related derivatives transactions), except in cases where these business operations fall within those operations referred to in Item (7);
   (12) To do the activities referred to in Article 2, Paragraph 8, Item (7) of the Financial Instruments and Exchange Act;
   (13) To do the activities referred to in Article 2, Paragraph 8, Item (9) of the Financial Instruments and Exchange Act (limited, in the case of the handling of primary offering or secondary distribution, to those to be conducted upon entrustment by financial instruments firms engaged in the type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Act (the financial instruments firms set forth in Article 2, Paragraph 9 of the Financial Instruments and Exchange Act; hereinafter the same), and for such financial instruments firms);
   (14) To do the activities referred to in Article 2, Paragraph 8, Item (11) of the Financial Instruments and Exchange Act;
   (15) To do the activities referred to in Article 2, Paragraph 8, Item (13) of the Financial Instruments and Exchange Act;
   (16) To do the activities referred to in Article 2, Paragraph 8, Item (15) of the Financial Instruments and Exchange Act;
   (17) With respect to securities (including, if such securities are not issued, rights to be represented by such securities) or transactions referred to in each Item of Paragraph 2 of Article 33 of the Financial Instruments and Exchange Act, to do the activities set forth in each Item of the said Paragraph (other than those referred to in Items (3), (5), (7) through (9), (11) and (13));
   (18) To provide other entities with consulting services regarding business transfer, merger, corporate split, share-for-share exchange (*kabushiki kokan*) or share transfer (kabushiki iten), or to act as a broker for these transactions;
   (19) To provide other entities with consulting services regarding management, and to conduct investigations or provide

information as required for the business operations of other entities;

(20) To conduct investigations, research or training regarding financial and other economic issues; and

(21) To do activities incidental to each of the foregoing Items.

2. In addition to the business operations of the preceding Paragraph, the Corporation may engage in such business activities as necessary to attain its object, subject to authorization of the Minister of Finance.
3. "Securities" in Items (5) and (6) of Paragraph 1 and Paragraph 5 mean the securities set forth in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act, and the rights which are deemed as securities as set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act.
4. "Short-term Notes, Etc." in Items (5) and (9) of Paragraph 1, and the next following Paragraph mean:

(1) Short-term notes Etc. set forth in Article 66, Item (1) of the Act Concerning the Central Depositary System of Corporate Debentures, Shares, Etc. (Act No. 75 of 2001);

(2) Short-term investment corporation notes set forth in Article 139-12, Paragraph 1 of the Act Concerning Investment Trusts and Investment Corporations (Act No. 198 of 1951);

(3) Specified short-term notes set forth in Article 2, Paragraph 8 of the Act concerning Liquidation of Assets (Act No. 105 of 1998);

(4) Rights to be indicated on debt securities (other than those having the nature of corporate debentures with stock acquisition rights (*shinkabu-yoyaku-ken-tsuki shasai*)) to be issued by foreign corporations, the ownership rights of which shall be determined based on the entries or recordings in the central depositary account register as prescribed by the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc., which satisfy all of the following requirements:

a. The amount of each right is not less than JPY100 million;

b. It is stipulated that the principal amount of such debt securities shall be redeemed on a definitely specified date which occurs a year after the date on which the aggregate amount of such rights is paid, and further that no payment shall be made in installments; and

c. It is stipulated that interest shall become due and payable on the same date as the maturity date of the principal amount in Sub-item b.

5. The business operations referred to in Paragraph 1, Item (7) (in the case of monetary claims represented by the certificates set forth in the said Item which fall within Securities) and the business operations referred to in Paragraph 1, Item (9) (in the case of Short-term Notes, Etc.) shall include the business operations to do the activities referred to in Article 2, Paragraph 8, Items (1) through (6), and (8) through (10) of the Financial Instruments and Exchange Act.
6. The terms "Specified Purpose Company," "Asset Liquidation Plan," "Specified Bonds," "Specified Short-term Notes" or "Preferred Investment Securities" referred to in Paragraph 1, Item (8) mean the specified purpose company, asset liquidation plan, specified bonds, specified short-term debentures or preferred investment securities set forth in Article 2, Paragraphs 3, 4 or 7 through 9 of the Act concerning Liquidation of Assets, respectively.
7. If the Corporation engages in the business activity referred to Paragraph 1, Item (10), the provision of Article 52-36, Paragraph 1 of the Banking Act and other provisions equivalent to that provision of the said Paragraph which apply to those who engage in the financial business stipulated in the Cabinet Order set forth in Paragraph 1, Item (10) and are prescribed in the Cabinet Order, shall not apply.

### Article 4 Application by Changing the Provisions of the Financial Instruments and Exchange Act to Read

1. For the purpose of application of the provisions of the Financial Instruments and Exchange Act to the Corporation, the words and phrases indicated in the center columns of the table below in the provisions of that Act in the left columns shall be changed to read the words and phrases indicated in the right column, respectively:

| | | |
|---|---|---|
| Article 2, Paragraph 8 | (referred to as the "Cooperative Financial Institutions") | (referred to as the "Cooperative Financial Institutions"), Development Bank of Japan Inc. |
| Article 2, Paragraph 11; Article 27-28, Paragraph 3; Article 28, Paragraph 4; Article 33, Paragraph 1; Article 33-5, Paragraph 2; Article 33-7; Article 58; Article 60-14, Paragraph 1; Article 66, and Article 202, Paragraph 2, Items (1) and (2) | Cooperative Financial Institutions | Cooperative Financial Institutions, Development Bank of Japan Inc. |
| Article 33-8, Paragraph 1 | are the financial institutions | are the financial institutions, or if Development Bank of Japan Inc. conducts the business activity referred to in Article 3, Paragraph 1, Item (16) of The Development Bank of Japan Inc. Act (Act No. 85 of 2007) |

2. Any directors, accounting counsel (*kaikei sanyo*) (including, if an accounting counsel is a firm, its members who should perform the duties as such; hereinafter in this Paragraph the same), statutory auditors, executive officers (*shikkoyaku*) or employees shall notify the Minister of Finance without delay as set forth in the Minister of Finance Ordinance if they take up a position of director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm (limited to the firms that engages in the securities-related business set forth in Article 28, Paragraph 8 of the Financial Instruments and Exchange Act; hereinafter in this Paragraph the same) (including the cases where a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm come to concurrently hold a position of director, accounting counsel, statutory auditor or executive officer of the Corporation), or they resign a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm.

### Article 5 Issue of the Development Bank of Japan Bonds

1. The Corporation may issue the Development Bank of Japan Bonds.
2. The provision of Article 702 of the Companies Act (Act No. 86 of 2005) shall not apply where the Corporation issues the Development Bank of Japan Bonds.
3. Only with respect to the Development Bank of Japan Bonds issued outside of Japan, the Corporation may issue certificates representing the Development Bank of Japan Bonds (including interest coupons appertaining thereto; hereinafter in this Paragraph, and Article 13, Paragraphs 3 and 4, Item (1), the same), as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.

### Article 6 Method of Issue of the Development Bank of Japan Bonds

1. If the Corporation issues certificates representing the Development Bank of Japan Bonds, such certificates shall be in bearer form; provided, however, that the Corporation may issue those certificates in registered form upon request of a subscriber or owner of the Bonds.
2. If the Corporation issues the Development Bank of Japan Bonds, the Corporation shall not enter into a custody agreement with a subscriber of the Bonds in which matters set forth in the Ministry of Finance Ordinance and the Cabinet Office Ordinance are contained.

3. The Corporation may issue certificates representing the Development Bank of Japan Bonds by way of a secondary distribution (*uridashi*). In that case, the Corporation shall determine the distribution period.
4. If the Corporation issues certificates representing the Development Bank of Japan Bonds, the Corporation shall indicate the following matters on the face of those certificates:
   (1) Trade name of the Corporation;
   (2) Amount of the Bonds represented by the certificate;
   (3) Interest rates on the Development Bank of Japan Bonds represented by the certificate;
   (4) Method of redemption and maturity date of the Development Bank of Japan Bonds represented by the certificate; and
   (5) Numbers of the certificate.
5. If the Corporation intends to issue the Development Bank of Japan Bonds by way of a secondary distribution, the Corporation shall give public notice of the following matters:
   (1) Distribution period;
   (2) Aggregate amount of the Development Bank of Japan Bonds;
   (3) If payment for the Development Bank of Japan Bonds is made in more than one installment, the amount of, and time schedule for, such payments;
   (4) Issue price or minimum price of the Development Bank of Japan Bonds;
   (5) If the Corporation intends to issue the Development Bank of Japan Bonds, the ownership rights of which shall be determined based on the entries or recordings in the central depositary account register as prescribed by the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc., description to the effect that the Development Bank of Japan Bonds are subject to the said Act; and
   (6) Matters referred to in Items (1) through (4) of the immediately preceding Paragraph.
6. The Corporation may issue the Development Bank of Japan Bonds at a discount.

### Article 7 Extinctive Prescription of the Development Bank of Japan Bonds

The extinctive prescription periods of the principal of, and interest on, the Development Bank of Japan Bonds to be issued by the Corporation shall be fifteen (15) years and five (5) years, respectively, from the time when it has become possible to exercise the rights under such Bonds.

### Article 8 *Mutatis Mutandis* Application of the Currency and Securities Counterfeiting Control Act

The Currency and Securities Counterfeiting Control Act (Act No. 28 of 1895) shall be applied *mutatis mutandis* to the counterfeiting of certificates representing the Development Bank of Japan to be issued by the Corporation.

### Article 9 Special Rules When Starting Acceptance of Deposits, Etc.

1. If the Corporation intends to start acceptance of deposits set forth in Article 3, Paragraph 1, Item (1) or issue of the Development Bank of Japan Bonds, the Corporation shall obtain the prior approval of the Minister of Finance.
2. If the Minister of Finance intends to give the approval referred to in the preceding Paragraph, the Minister of Finance shall, in advance, have a discussion with the Prime Minister and obtain his/her consent.
3. The Prime Minister may request the Minister of Finance to provide the Prime Minister with the required materials and explanations, whenever the Prime Minister deems necessary after the discussion referred to in the immediately preceding Paragraph.
4. The Prime Minister may request the Corporation to cooperate with the Prime Minister such as providing materials and explanations, to the required extent, whenever the Prime Minister deems especially necessary after the discussion referred to in Paragraph 2.
5. The provisions of Article 4, Paragraph 1 of the Banking Act and Article 4, Paragraph 1 of the Long-Term Credit Bank Act (Act No. 187 of 1952) shall not apply to the business operations to be conducted by the Corporation in the case that the Corporation obtains the approval referred to in Paragraph 1.

### Article 10 *Mutatis Mutandis* Application of the Banking Act

1. The provisions of Articles 12-2 (other than Paragraph 3), 13, 13-2, 13-4, 14, 14-2, 20, 21, 23 and 57-4 (limited to the portions relating to Item (1)) of the Banking Act shall apply *mutatis mutandis* to the Corporation when the Corporation obtains the approval referred to in Paragraph 1 of the immediately preceding Article. For this purpose, references to the "Prime Minister" and "Cabinet Office Ordinance" in these provisions (other than the second sentence of Article 13-4 and Article 20, Paragraph 7 of the Banking Act) shall be changed to read the "Minister of Finance and the Prime Minister" and the "Ministry of Finance Ordinance and the Cabinet Office Ordinance," respectively, and reference to "Article 38, Items (1), (2), (7)" in Article 13-4 of the Banking Act shall be changed to read "Article 38, Item (7)" and other necessary technical changes to read shall be prescribed in the Cabinet Order.
2. For the purpose of application of the provisions of the Financial Instruments and Exchange Act which shall be applied *mutatis mutandis* after changing to read in Article 13-4 of the Banking Act which is applied *mutatis mutandis* after changing to read in the preceding Paragraph, reference to the "Cabinet Office Ordinance" in those provisions shall be changed to read the "Ministry of Finance Ordinance and Cabinet Office Ordinance."
3. If the Government stipulates an ordinance pursuant to the provisions of the Banking Act which shall be applied *mutatis mutandis* after changing to read in Paragraph 1, the Government shall pay attention so that interests of users of business operations of the Corporation such as money lending, when it gives the approval referred to in Paragraph 1 of the immediately preceding Article may not be unreasonably infringed.

### Article 11 Fiscal Year

The fiscal year of the Corporation shall commence on April 1 of each year and end on March 31 of the following year.

### Article 12 Shares

1. If the Corporation intends to solicit those who will subscribe for shares offered for sale set forth in Article 199, Paragraph 1 of the Companies Act (Act No. 86 of 2005) (hereinafter in Article 34, Item (4) referred to as the "Shares Offered for Sale") or stock acquisition rights offered set forth in Article 238, Paragraph 1 of the Companies Act (hereinafter in Article 34, Item (4) referred to the "Stock Acquisition Rights Offered"), or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, the Corporation shall obtain authorization of the Minister of Finance.
2. Without delay after the delivery of shares upon exercise of stock acquisition rights, the Corporation shall submit a report thereon to the Minister of Finance.

### Article 13 Corporate Debentures, Development Bank of Japan Bonds and Borrowings

1. Prior to the beginning of each fiscal year, the Corporation shall prepare its basic policy regarding the issue of corporate debentures (*shasai*) (other than the Development Bank of Japan Bonds, "Corporate Debentures"; hereinafter the same) and the Development Bank of Japan Bonds (excluding the short-term notes set forth in Article 66, Item (1) of the Act Concerning the Central Depositary System of Corporate Debentures, Shares, Etc. (Act No. 75 of 2001) from both the Corporate Debentures and the Development Bank of Japan Bonds, respectively; hereinafter in this Article and Article 18 the same), as well as regarding the borrowings (limited to those with more than one year to maturity; hereinafter in this Article and Article 18 the same), which provides

for matters relating to the issue of the Corporate Debentures and the Development Bank of Japan Bonds, and the borrowing of money, such as the amounts of issue and borrowings, denominated currency of the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings, as stipulated in the Ministry of Finance Ordinance, and obtain authorization of the Minister of Finance. If the Corporation intends to revise it, the same shall apply.

2. If the Corporation issues the Corporate Debentures or the Development Bank of Japan Bonds, or borrows money, the Corporation shall submit a report thereon to the Minister of Finance without delay, as stipulated in the Minister of Finance Ordinance.
3. Only with respect to the Corporate Debentures issued outside of Japan, the Corporation may issue certificates representing the Corporate Debentures, as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.
4. The provisions of the second sentence of Paragraph 1, and Paragraph 2 shall not apply to the following cases:
   (1) When the Corporation issues certificates representing the Corporate Debentures or the Development Bank of Japan Bonds (hereinafter in the following Item and Article 25, Paragraph 2 referred to as the “Bond Certificates, Etc.”) upon request for reissue which will be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act; and
   (2) When the Corporation issues the Bond Certificates Etc. as set forth in Article 5, Paragraph 3 or the immediately preceding Paragraph.

### Article 14 Limits on Borrowing and Limitation on Extension of Credit

1. The aggregate amount of the items identified below shall not exceed the amount equal to fourteen (14) times the total amount of paid-in capital and reserves (capital reserve and earned surplus reserve; hereinafter in this Article the same); provided, however, that if it is necessary, to refinance the issued old bank debentures (the bank debentures set forth in Article 43, Paragraph 1 of the Development Bank of Japan Act (Act No. 73 of 1999; hereinafter referred to as the “Old DBJ Act”) before abolishment as set forth in Article 26 of the Supplementary Provisions which were issued pursuant to the provision of Article 43, Paragraph 1 or Paragraph 4 of the Old DBJ Act, the “Old Bank Debentures”; hereinafter the same), the Corporate Debentures or the Development of Bank of Japan Bonds, the Corporation may issue the Corporate Debentures and the Development Bank of Japan Bonds, in excess of such amount only within the period of time required for such refinancing:
   (1) Outstanding amount of deposits;
   (2) Outstanding amount of borrowings;
   (3) Outstanding amount of funds deposited pursuant to the provision of Article 42, Paragraph 5 of the Old DBJ Act;
   (4) Outstanding amount of the obligations representing the principals of the Old Bank Debentures;
   (5) Outstanding amount of the obligations representing the principals of the Corporate Debentures and the Development Bank of Japan Bonds issued; and
   (6) Outstanding amount of those items which have the same economic nature as those referred to in each of the foregoing, howsoever described.
2. The aggregate amount of the items identified below shall not exceed the sum of: (i) the amount of paid-in capital and reserves and (ii) the upper limit set forth in the main sentence of the preceding Paragraph:
   (1) Outstanding amount of the amounts of loans made and claims acquired (other than those relating to Securities set forth in Item (3));
   (2) Outstanding amount of obligations of guarantee;
   (3) Outstanding amount of Securities acquired (the Securities set forth in Article 3, Paragraph 3 and exclude the Securities referred to in Article 2, Paragraph 1, Items (1) and (2) of the Financial Instruments and Exchange Act (including the rights to be represented on such securities when such Securities are not issued), and those relating to capital contributions under the next following Item); and
   (4) Outstanding amount of capital contributions.

### Article 15 Resolution for Election of Representative Directors and Other Officers

Resolutions for appointment and dismissal of the representative directors or representative executive officers of the Corporation, appointment and dismissal of statutory auditors, or appointment and dismissal of audit committee members (*kansaiin*) shall not become effective without authorization of the Minister of Finance.

### Article 16 Authorization of Concurrent Positions of Directors

1. Any director (or, if the Corporation is a company maintaining committees (*iinkai secchi kaisha*), any executive officer) who performs the day-to-day business of the Corporation shall not perform the day-to-day business of any other corporation without authorization of the Minister of Finance.
2. The Minister of Finance shall, upon receipt of an application for the authorization referred to in the preceding Paragraph, grant his/her authorization, except in cases where it is determined that any matter so applied may interfere with sound and proper management of the Corporation.

### Article 17 Business Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out a business plan for the new fiscal year and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

### Article 18 Redemption Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out redemption plans for the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

### Article 19 Subsidiaries Subject to Authorization

If the Corporation intends to make any of the following entities (other than individuals in the cases of those referred to in Items (3), (4) and (7); hereinafter referred to as the “Subsidiaries Subject to Authorization”) its subsidiary (the subsidiary set forth in Article 2, Item (3) of the Companies Act), the Corporation shall obtain authorization of the Minister of Finance in advance:
(1) Banks;
(2) Long-term credit banks (the long-term credit banks set forth in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952));
(3) Financial Instruments Firms (limited to those who engage in type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Act);
(4) Money lenders (the money lenders set forth in Article 2, Paragraph 2 of the Money Lending Business Act (Act No. 32 of 1983), and exclude those who concurrently conduct the business referred to in the preceding Items or fall within other requirements stipulated in the Ministry of Finance Ordinance);
(5) Trust companies (the trust companies set forth in Article 2, Paragraph 2 of the Trust Business Act (Act No. 154 of 2004));
(6) Insurance companies (the insurance companies set forth in Article 2, Paragraph 2 of the Insurance Business Act (Act No. 105 of 1995)); and

(7) Those stipulated by the Ministry of Finance Ordinance as those who are similar to each of the foregoing.

### Article 20 Amendment to the Articles of Incorporation, Etc.

1. Resolutions for amendment to the Articles of Incorporation of the Corporation, disposition of surplus funds (other than disposition of losses) such as distribution, merger, corporate split, and dissolution shall not become effective without authorization of the Minister of Finance.
2. If the Minister of Finance intends to grant the authorization referred to in the preceding Paragraph (limited to resolutions for merger, corporate split and dissolution), the Minister of Finance shall have a discussion with the Minister of Land, Infrastructure and Transport.

### Article 21 Submission of Balance Sheet and Other Financial Statements

For each fiscal year, the Corporation shall submit to the Minister of Finance, as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for the interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year.

### Article 22 Special Exemptions from Management of Fiscal Loan Funds

Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Act (Act No. 100 of 1951), the fiscal loan funds (the fiscal loan funds set forth in Article 2 of the Fiscal Loan Funds Act; hereinafter the same) may be appropriated for loans (hereinafter in Article 24 referred to simply as the "Loans") to the Corporation when the Corporation borrows money for appropriation for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.

### Article 23

1. Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Act, the fiscal loan funds may be appropriated for the Corporate Debentures and the Development Bank of Japan Bonds (hereinafter in the following Paragraph, immediately following Article and Article 25, Paragraph 1 referred to as the "Debentures, Etc.") to be issued by the Corporation to appropriate the resulting proceeds for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.
2. If the fiscal loan fund is invested in the Debentures, Etc. or the Old Bank Debentures, the fiscal loan fund shall not be used to underwrite, subscribe for or purchase (limited, in the case of the Old Bank Debentures, to purchase; hereinafter in this Paragraph referred to as the "Subscribe") the Debentures, Etc. or the Old Bank Debentures in excess of five-tenths (5/10) of the outstanding amount of the Debentures, Etc. and the Old Bank Debentures or six-tenths (6/10) of the total amount of the Debentures, Etc. to be issued by the Corporation at a time. In this case, the Debentures, Etc. or the Old Bank Debentures to be Subscribed with the fiscal loan funds shall be the same as those otherwise Subscribed for with respect to the terms such as interest rate, collateral, method of redemption and maturity.

### Article 24

For the purpose of application of the provisions of the Act Concerning Special Measures for Long-term Management of Fiscal Loan Funds (Act No. 7 of 1973) to the fiscal loan funds to be invested in making loans as set forth in Article 22 or the fiscal loan funds to be invested in the Debentures, Etc. as set forth in Paragraph 1 of the immediately preceding Article, the Corporation shall be deemed as the corporation set forth in Article 10, Paragraph 1, Item (7) of the Fiscal Loan Funds Act.

### Article 25 Guarantee of Obligations

1. Notwithstanding the provision of Article 3 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations (Act No. 24 of 1946), the Government may enter into a guarantee agreement for the obligations relating to the Debentures, Etc., to the extent of the amount approved by the resolutions of the Diet.
2. In addition to the provision of the preceding Paragraph, the Government may enter into a guarantee agreement for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation upon request for reissue to be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act, for delivery to those who have lost the Bond Certificates, Etc., or for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation as set forth in Article 5, Paragraph 3 or Article 13, Paragraph 3.

## Chapter III Miscellaneous Provisions

### Article 26 Supervisory Measures

1. The competent minister shall oversee and supervise the Corporation in accordance with the provisions of this Act.
2. Whenever the competent minister deems necessary to secure sound and proper management of the Corporation in light of the condition of the business operations or properties of the Corporation, or the properties of the Corporation and its subsidiaries (which are limited to those subsidiaries set forth in Article 2, Item (3) of the Companies Act, which fall within the Subsidiaries Subject to Authorization; hereinafter in Paragraphs 2 and 5 of the immediately following Article, and Article 33, Paragraph 2, the same) or to otherwise effectuate this Act, the competent minister may request the Corporation to submit an improvement plan to secure its sound management by indicating those matters for which the Corporation should take measures and the deadline for submission or direct the Corporation to revise the improvement plan once submitted, or direct, to the extent necessary, the Corporation to suspend its business operations in whole or in part during the designated period of time or to deposit its properties to the competent deposit office, or give other orders concerning business necessary for supervision.

### Article 27 Reports and Inspections

1. If the competent minister deems necessary to secure sound and proper management of the Corporation and otherwise deems necessary to effectuate this Act, the competent minister may cause the Corporation to make a report, or have any of officials of the competent ministry enter into premises of the Corporation such as its office to inspect the condition of business or books, documents and other properties required.
2. If the competent minister deems especially necessary to secure sound and proper management of the Corporation and otherwise deems especially necessary to effectuate this Act, the competent minister may, to the extent necessary, cause any of the subsidiaries or entities engaged by the Corporation for any services of the Corporation (hereinafter in this Paragraph, Paragraph 5 and Article 33, Paragraph 2 referred to as the "Contractors") to make reports relevant to the condition of business of the Corporation or have any officials of the competent ministry enter into offices or other premises of the subsidiaries or the Contractors of the Corporation to inspect the condition of business or books, documents and other properties required which may serve as reference relating to the condition of business of the Corporation.

3. When the officials conduct on-site inspection pursuant to the provisions of the preceding two Paragraphs, those officials shall carry a certificate showing their identities and present it to the parties concerned.
4. The authority of the officials to conduct on-site inspections pursuant to the provisions of Paragraphs 1 and 2 shall not be interpreted as that for a criminal investigation.
5. The subsidiaries and the Contractors of the Corporation may reject the report or on-site inspection pursuant to the provision of Paragraph 2, if there is any reasonable cause.

### Article 28 Delegation of Authority

1. The Minister of Finance may delegate a part of the authority to conduct on-site inspections pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article to the Prime Minister, as stipulated in the Cabinet Order.
2. If the Prime Minister has had the on-site inspections conducted pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article based on the delegation of the authority under the preceding Paragraph, the Prime Minister shall promptly report the Minister of Finance on results of such inspections.
3. The Prime Minister shall delegate the authority delegated pursuant to the provision of Paragraph 1 and the authority pursuant to the provision of the immediately preceding Paragraph to the Commissioner of the Financial Services Agency.
4. The Commissioner of the Financial Services Agency may delegate all or a part of the authority delegated pursuant to the provision of the immediately preceding Paragraph to the director of the competent local financial bureau or local finance branch bureau, as stipulated in the Cabinet Order.
5. If the Corporation obtains the approval referred to in Article 9, Paragraph 1, each provision of the preceding Paragraphs shall not apply.

### Article 29 Competent Ministers

1. The competent minister under this Act shall be the Minister of Finance provided, however, that in the case that the Corporation obtains the approval referred to in Article 9, Paragraph 1, the competent ministers for the following matters shall be the Minister of Finance and the Prime Minister:
   (1) Matters regarding the provisions of the Banking Act which are applied *mutatis mutandis* after changing to read in Article 10;
   (2) Matters regarding the directions and orders under Article 26, Paragraph 2 (limited to those to be given when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph);
   (3) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 1 (limited to those to be made and conducted when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph); and
   (4) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 2 (limited to those to be made and conducted when it is deemed especially necessary to secure sound and proper management of the Corporation set forth in the said Paragraph).
2. The Minister of Finance or the Prime Minister shall not be precluded from individually exercising the authority relating to the matters referred to in Item (3) or (4) of the preceding Paragraph as set forth in the proviso of the preceding Paragraph.
3. If each minister referred to in each of the following Items exercises his/her authority pursuant to the provision of the immediately preceding Paragraph, he/she shall promptly inform the results thereof to the minister set forth opposite to him/her in each of the following Items:
   (1) Minister of Finance: Prime Minister
   (2) Prime Minister: Minister of Finance
4. In the cases stipulated in the proviso of Paragraph 1, reference to the “Minister of Finance” in Article 3, Paragraph 2 shall be changed to read the “Minister of Finance and the Prime Minister”; reference to the “Minister of Finance” in Article 13, Paragraph 2 shall be changed to read the “Minister of Finance (or, in relation to issue of the Development Bank of Japan Bonds, the Minister of Finance and the Prime Minister)”; reference to the “Minister of Land, Infrastructure and Transport” in Article 20, Paragraph 2 shall be changed to read the “Minister of Land, Infrastructure and Transport and the Prime Minister”; reference to the “, as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year” in Article 21 shall be changed to read the “, as stipulated in the Ministry of Finance Ordinance (or, in relation to the fiscal year and interim fiscal year (the period from April 1 to September 30 of the current fiscal year; hereinafter in this Article the same) in and after the fiscal year in which the date on which the approval referred to in Article 9, Paragraph 1 is obtained is included, the Minister of Finance Ordinance and the Cabinet Officer Ordinance), its balance sheet, profit and loss statement and business report for interim fiscal year of the current fiscal year”, and reference to the “Minister of Finance” in Article 21 shall be changed to read the “Minister of Finance (or, in relation to the fiscal year and interim fiscal year in after the fiscal year in which the date on which the approval referred to in the said Paragraph is obtained is included, the Minister of Finance and the Prime Minister).”
5. In the case of the proviso of Paragraph 1, if the Minister of Finance intends to amend the Minister of Finance Ordinance referred to in Article 3, Paragraph 1, Item (7) or (8) he/she shall obtain the prior consent of the Prime Minister.
6. The Prime Minister shall delegate the authorities under this Act (other than those authorities pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article, and other authorities set forth in the Cabinet Order) to the Commissioner of the Financial Services Agency.
7. The Commissioner of the Financial Services Agency may delegate a part of the authorities delegated to him/her pursuant to the provision of the immediately preceding Paragraph to the director of local finance bureau or local finance branch bureau.

## Chapter IV  Penal Provisions

### Article 30

1. If any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees accept, solicit or promise to accept a bribe in connection with their duties, they shall be punished by imprisonment with work for not exceeding three (3) years. If they conduct improper activities or fail to conduct proper activities with the bribe, they shall be punished by imprisonment with work for not exceeding five (5) years.
2. In the case of the immediately preceding Paragraph, the bribe accepted by the criminal person shall be confiscated. If the bribe in whole or in part cannot be confiscated, such amount shall be collected.

### Article 31

1. Any person who gives, offers or promises to give a bribe referred to in Paragraph 1 of the immediately preceding Article shall be punished with imprisonment for not exceeding three (3) years or a fine not exceeding 1,000,000 yen.

2. If the person who committed the crime referred to in the immediately preceding Paragraph surrendered to justice, his/her penalty may be reduced or he/she may be exempted from the punishment.

### Article 32

1. The crime referred to in Article 30, Paragraph 1 shall comply with Article 4 of the Criminal Code (Act No. 45 of 1907).
2. The crime referred to in Paragraph 1 of the immediately preceding Article shall comply with Article 2 of the Criminal Code.

### Article 33

1. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the Corporation who fail to make reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 1, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.
2. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the subsidiaries of the Corporation or the Contractors who fail to make reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 2, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.

### Article 34

In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) or its members who should perform the duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:

(1) When he/she has conducted business activities in violation of the provision of Article 3, Paragraph 2;
(2) When he/she has not notified of his/her concurrent position in violation of the provision of Article 4, Paragraph 2;
(3) When he/she has started acceptance of deposits or issue of the Development Bank of Japan Bonds in violation of the provision of Article 9, Paragraph 1;
(4) When he/she has solicited those who will subscribe for Shares Offered for Sale or Stock Acquisition Rights Offered, or delivered shares or stock acquisition rights in connection with a share-for-share exchange in violation of the provision of Article 12, Paragraph 1;
(5) When he/she has not submitted a report on the delivery of shares in violation of the provision of Article 12, Paragraph 2;
(6) When he/she has not obtained authorization for its basic policy in violation of the provision of Article 13, Paragraph 1;
(7) When he/she has not submitted a report on issue of the Corporate Debentures or the Development Bank of Japan Bonds, or borrowing money in violation of the provision of Article 13, Paragraph 2;
(8) When he/she has exceeded the limit or the total referred to in Article 14, Paragraph 1 or Paragraph 2 in violation of the provision thereof;
(9) When he/she has not obtained authorization for his/her concurrent position in violation of the provision of Article 16, Paragraph 1;
(10) When he/she has not obtained authorization for its business plan in violation of the provision of Article 17;
(11) When he/she has not obtained authorization for its redemption plans in violation of the provision of Article 18;
(12) When he/she has made Subsidiaries Subject to Authorization its subsidiary in violation of the provision of Article 19;
(13) When he/she has not submitted its balance sheet, profit and loss statement or business report, or has submitted the one which includes false statements or records in violation of the provision of Article 21;
(14) When he/she has violated the orders referred to in Article 26, Paragraph 2.

### Article 35

Any person who violates the provision of Article 2, Paragraph 1 shall be punished with a non-penal fine not exceeding 100,000 yen.

## Supplementary Provisions (Extract)

### Article 1 Enforcement Date

This Act shall come into force from the date of promulgation; provided, however, that the provisions set forth in the following Items shall take effect from the date set forth in each Item:

(1) The provisions of Paragraph 1, Items (5), and (11) through (17), Paragraph 3, Paragraph 4, Item (2), Paragraph 5 of Article 3, Article 4, Article 10, Article 14, Paragraph 2, Item (3), Article 19, Item (3), and Article 21 of the Supplementary Provisions: Date on which the Act Concerning Amendment to Parts of the Securities and Exchange Act (Act No. 65 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
(2) Provision of Article 19, Item (4): Date on which the Act Concerning Amendment to Parts of the Act Concerning the Regulations on the Money Lending Business (Act No. 115 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
(3) Provisions of Articles 26 through 60 and 62 through 65 of the Supplementary Provisions: October 1, 2008.

### Article 2 Disposition of Government-Owned Shares

1. Pursuant to the provision of Article 6, Paragraph 2 of the Act Concerning Promotion of Administrative Reform for Realizing the Simple and Effective Government (Act No. 47 of 2006), the Government shall make efforts to reduce the number of shares held by it in the Corporation (hereinafter in the following Paragraph and the Article 3 of the Supplementary Provisions referred to as "Government-Owned Shares"), taking into account the effect on the attainment of the objectives of the Corporation, as well as the market situation, and shall dispose all of them as soon as practicable.
2. For a period from the effectuation of this Act until the Government disposes of all of the Government-Owned Shares, the Government shall from time to time review matters, such as matters regarding the method in which the Government-Owned Shares should be disposed of and take the required measures based on the result of such review, so that the foundation of the Corporation's investment and financing functions for long-term business funds will be maintained.

### Article 2-2 Capital Contribution by the Government

The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary, until March 31, 2012.

### Article 2-3 Issue of the Government Bonds

1. The Government may issue the government bonds to use for securement of capital that become necessary to secure soundness of financial conditions of the Corporation in performing crisis response business set forth in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007) (hereinafter referred to as the "crisis response business"), until March 31, 2012.

2. The Government, as set forth in the immediately preceding Paragraph, shall issue the government bonds and deliver them to the Corporation, to the extent of the amount approved by the budget.
3. The government bonds to be issued as set forth in Paragraph 1 shall be non interest-bearing.
4. The government bonds to be issued as set forth in Paragraph 1 may not be transferred, pledged as security, or otherwise disposed.
5. In addition to those set forth in the preceding three Paragraphs, other matters necessary for the government bonds to be issued as set forth in Paragraph 1 shall be stipulated by the Ministry of Finance Ordinance.

### Article 2-4 Redemption of the Government Bonds

1. The Corporation may request the redemption of the government bonds delivered as set forth in Paragraph 2 of the immediately preceding Article, only within the amount calculated as stipulated by the Ministry of Finance Ordinance that become necessary as the amount of the capital in response to the increase of assets related to its crisis response business (limited to those conducted by March 31, 2012).
2. If the Government is requested by the Corporation to redeem all or a part of the government bonds delivered pursuant to the provision of Paragraph 2 of the immediately preceding Article, the Government shall promptly redeem them.
3. When the redemption has been made pursuant to the provision of the immediately preceding Paragraph, the amount of the capital of the Corporation shall be the aggregate sum of the amount of the capital immediately preceding such redemption and the amount of such redemption.
4. As for application of the provision of Article 445, Paragraph 1 of the Companies Act in the case where the provision of the immediately preceding Paragraph applies, “Unless it is otherwise provided for in this Act” therein shall be deemed to be changed to read “Unless it is otherwise provided for in this Act and in cases where the provision of Article 2-4, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) applies.”
5. In addition to those set forth in each of the preceding Paragraphs, other matters required for the redemption of the government bonds delivered by the Government as set forth in Paragraph 2 of the immediately preceding Article, shall be stipulated in the Ministry of Finance Ordinance.

### Article 2-5 Return of the Government Bonds

1. If there are any government bonds delivered as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, those which are not redeemed as of July 1, 2012, the Corporation shall return the unredeemed government bonds to the Government.
2. The Government shall immediately cancel the government bonds when the government bonds are returned as set forth in the immediately preceding Paragraph.
3. In addition to those set forth in the preceding two Paragraphs, other matters required for the return and the cancellation of the government bonds delivered by the Government as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, shall be stipulated in the Ministry of Finance Ordinance.

### Article 2-6 Special Rules for Taxation of the Registration License Tax

In case of the investment as set forth in Article 2-2 of the Supplementary Provisions, or the redemption as set forth in Article 2-4, Paragraph 2 of the Supplementary Provisions, no registration license tax shall be assessed on registration of the increase in the amount of the capital of the Corporation, limited to only those registered as set forth in the Minister of Finance Ordinance.

### Article 2-7 Corporation’s Obligation to Conduct Crisis Response Business

The Corporation shall, in order to attain its objectives, in accordance with the provisions set forth in Articles 2-10, 2-11, 2-22 and Articles 2-24 to 2-30 of the Supplementary Provisions, be obligated to conduct crisis response business, for an indefinite period, to secure a smooth supply of funds to those who need funds to address the damages set forth in Article 2, Item (4) of the Japan Finance Corporation Act.

### Article 2-8 Government’s Holding of Shares with Regard to Crisis Response Business

With a view to ensure proper conduct of crisis response business by the Corporation, the Government shall, for an indefinite period, hold more than one-third of the total number of issued shares of the Corporation (excluding shares in respect of which voting rights may not be exercised for all matters that may be resolved at a general meeting of shareholders; the same shall apply in Article 2-13 of the Supplementary Provisions).

### Article 2-9 Capital Contribution by the Government with Regard to Crisis Response Business

The Government may, for an indefinite period, make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of crisis response business by the Corporation.

### Article 2-10 Implementation of Crisis Response Business

1. The Corporation shall conduct crisis response business at the head office or any other office designated by the Minister of Finance (hereinafter in the following Paragraph and Article 2-31, Paragraph 1, Item (1) of the Supplementary Provisions referred to as the “designated office”).
2. The Corporation shall neither suspend nor cease to conduct crisis response business at the designated office, except in cases where crisis response business is temporarily suspended, in whole or in part, at the designated office due to Acts of God or other reasons beyond control, as stipulated in the Ministry of Finance Ordinance.

### Article 2-11 Special Provisions, Etc., on Business Plan with Regard to Crisis Response Business

1. The Corporation shall include an implementation policy for its crisis response business in its business plan provided for in Article 17, as stipulated in the Ministry of Finance Ordinance.
2. The Corporation shall include the implementation status of its crisis response business, based on the implementation policy set forth in the immediately preceding Paragraph, in its business report provided for in Article 21, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of crisis response business shall be included or recorded in the Articles of Incorporation of the Corporation.

### Article 2-12 Special Investment Operations

1. The Corporation shall, in order to attain its objectives, conduct special investment operations, in accordance with the provisions set forth in this Article, Articles 2-15 to 2-20, and Articles 2-23 to 2-30 of the Supplementary Provisions.
2. In this Article and up to Article 2-20 of the Supplementary Provisions, as well as in Articles 2-23, 2-25, 2-27 and 2-31 of the Supplementary Provisions, “special investment operations” means, among the investment businesses in special business activities, those that are deemed to particularly contribute to the facilitation of supply of funds by financial institutions and others, for the revitalization of business activities taking advantage of regional characteristics that contribute to autonomous development of local economies, or for the enhancement of competitiveness of Japanese companies that contribute to the improvement of

socioeconomic vitality and sustainable development of Japan, as well as for special business activities, and those of which the business entities that will receive funds from the said investment business and the particulars of such supply are decided during the period from the date on which the authorization specified in Article 2-17, Paragraph 1 of the Supplementary Provisions is obtained through March 31, 2026, and any other businesses incidental thereto (including those conducted on and after April 1, 2026).

3. "Special business activities" set forth in the immediately preceding Paragraph means the following business activities:
   (1) Business activities conducted by Japanese business entities with the aim of improving productivity and profitability by cultivating new business through effective use of insufficiently its management resources not sufficiently used, or by promoting management innovation mainly through co-ordinated alignment with business entities in different fields and effective combination of management resources; and
   (2) Business activities that provide funds to the business activities set forth in the preceding Item.
4. "Investment business" set forth in Paragraph 2 means the following businesses concerning supply of funds:
   (1) To lend money through subordinated loans (which means loans made under loan agreements with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance);
   (2) To make capital contributions;
   (3) To acquire subordinated corporate debentures (which means corporate debentures with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance); and
   (4) In addition to those set forth in the preceding three Items, to provide funds in the manner approved in advance by the Minister of Finance.

### Article 2-13 Government's Holding of Shares with Regard to Special Investment Operations

With a view to ensure proper implementation of special investment operations by the Corporation, the Government shall hold one-half or more of the total number of issued shares of the Corporation, until the Corporation completes the special investment operations.

### Article 2-14 Capital Contribution, Etc., by the Government with Regard to Special Investment Operations

1. The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of special investment operations by the Corporation, until March 31, 2026.
2. The Corporation shall not appropriate money provided through capital contributions provided for in the preceding Paragraph to any funds other than funds for special investment operations.

### Article 2-15 Supplement or Encouragement of Financing Conducted by Financial Institutions, Etc., in Special Investment Operations

The purpose of the Corporation in conducting special investment operations shall be to supplement or encourage financing conducted by financial institutions and investment conducted by private sector.

### Article 2-16 Special Investment Guidelines

1. Guidelines to be followed by the Corporation in conducting special investment operations (in the following Paragraph and Paragraph 1 of the immediately following Article referred to as the "special investment guidelines") shall be established and issued by the Minister of Finance.
2. The special investment guidelines shall provide for the following matters:
   (1) Standards to be followed in deciding the business entities that will receive funds from the special investment operations and the particulars of such supply of funds;
   (2) Matters regarding appropriate financial management of the special investment operations;
   (3) Matters regarding securing of appropriate competitive relationships between the Corporation and other business entities;
   (4) Matters regarding the system to be established to evaluate and supervise the implementation status of special investment operations;
   (5) Matters regarding reporting to the Minister of Finance on the implementation status of special investment operations; and
   (6) Any other matters necessary to ensure proper implementation of special investment operations.

### Article 2-17 Special Investment Operations Rules

1. The Corporation shall set rules regarding special investment operations (in the following Paragraph referred to as the "special investment operations rules") in line with the special investment guidelines, with respect to matters concerning implementation of special investment operations stipulated in the Ministry of Finance Ordinance, and shall obtain authorization therefor from the Minister of Finance. If the Corporation intends to revise such rules, the same shall apply.
2. The Minister of Finance may order the Corporation to revise the special investment operations rules authorized pursuant to the provision of the preceding Paragraph, if he/she deems that such rules have become inappropriate for the proper implementation of special investment operations by the Corporation.

### Article 2-18 Special Provisions, Etc., on Business Plan with Regard to Special Investment Operations

1. The Corporation shall include the implementation policy for the special investment operations in its business plans provided for under Article 17, as stipulated in the Ministry of Finance Ordinance, until the completion of the special investment operations.
2. The Corporation shall include the implementation status of the special investment operations based on the implementation policy provided for under the immediately preceding Paragraph, in its business reports provided for under Article 21 for each fiscal year up to the fiscal year including the date of completion of the special investment operations, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of special investment operations shall be included or recorded in the Articles of Incorporation of the Corporation, until the completion of the special investment operations.

### Article 2-19 Status of Income and Expenditure with Regard to Special Investment Operations, Etc.

For each fiscal year, the Corporation shall, as stipulated in the Ministry of Finance Ordinance, submit to the Minister of Finance and publish documents stating the status of income and expenditure of the following businesses by category for each fiscal year up to the fiscal year including the date of completion of the special investment operations:
   (1) Special investment operations; and
   (2) Businesses other than those listed in the preceding Item.

### Article 2-20 Completion of Special Investment Operations

1. The Corporation shall, taking into account economic conditions, the state of business of the business entities that will receive funds from special investment operations, and other circumstances, transfer or otherwise dispose of all of the securities (which means the securities listed in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act, and the rights which are deemed as securities pursuant to the provision of Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) and receivables held by it in the special investment operations, and seek to complete

the special investment operations, by March 31, 2031.
2. When the special investment operations are completed, the Corporation shall promptly notify the Minister of Finance to that effect.
3. The Minister of Finance shall, when notified pursuant to the provision of the immediately preceding Paragraph, give public notice to that effect.

### Article 2-21 Securing of Appropriate Competitive Relationships

1. The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not upset its appropriate competitive relationships with other business entities.
2. The Corporation shall, for an indefinite period, include, in its business plans provided for under Article 17, a policy concerning securing of appropriate competitive relationships with other business entities as stipulated in the Ministry of Finance Ordinance.
3. The Corporation shall, for an indefinite period, describe, in its business reports provided for under Article 21, the state of implementation of its business based on the policy mentioned in the immediately preceding Paragraph as stipulated in the Ministry of Finance Ordinance.

### Article 2-22 Crisis Response Reserve

1. The Corporation shall establish a crisis response reserve and appropriate to such reserve the amount contributed by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions.
2. When the capital contributions have been made by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions, the Corporation shall, notwithstanding the provisions of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-9 of the Supplementary Provisions as the amount of the crisis response reserve. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the said Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

### Article 2-23 Special Investment Reserve and Special Investment Surplus Funds

1. The Corporation shall establish a special investment reserve and appropriate to such reserve an amount equal to the total of the amount contributed by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the amount by which the amount of paid-in capital or reserves is reduced pursuant to the provision of Paragraph 3 of this Article and the amount reduced from the amount of surplus funds pursuant to the provision of Paragraph 4 of this Article.
2. When the capital contributions have been made pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the Corporation shall, notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions as the amount of the special investment reserve. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the said Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."
3. The Corporation may reduce the amount of its paid-in capital or reserves and increase the amount of its special investment reserve, whenever the Corporation deems necessary in order to implement the special investment operations properly. For the purpose of application of the provisions of Article 447 through Article 449 of the Companies Act in this case, reference to "is to be appropriated to reserves" in Article 447, Paragraph 1, Item (2) of the said Act shall be changed to read "is to be appropriated to reserves or to special investment reserve under Article 2-23, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (hereinafter referred to as the "special investment reserve" in this Item, Paragraph 1, Item (2) of the following Article and Article 449, Paragraph 1)," reference to "the amount to be appropriated to reserves" in the same Item shall be changed to read "the amount to be appropriated to reserves or special investment reserve," reference to "the paid-in capital" in Article 448, Paragraph 1, Item (2) of the said Act shall be changed to read "the paid-in capital or special investment reserve," and reference to "is appropriated to paid-in capital" in Article 449, Paragraph 1 of the said Act shall be changed to read "is appropriated to paid-in capital or special investment reserve."
4. The Corporation may reduce the amount of surplus funds and increase the amount of its special investment reserve, whenever the Corporation deems this necessary in order to implement the special investment operations properly. For this purpose, the following matters shall be determined:
   (1) The amount by which the amount of surplus funds will be reduced; and
   (2) The date on which the increase in the amount of the special investment reserve will become effective.
5. The determination of the matters referred to in each Item of the immediately preceding Paragraph shall be made by resolution of a shareholders' meeting.
6. The amount provided for under Paragraph 4, Item (1) of this Article may not exceed the amount of surplus funds as of the date provided for under Item (2) of the said Paragraph.
7. The Corporation shall establish the special investment surplus funds and record the amount of profit or loss resulting from the calculation of profits and losses pertaining to the special investment operations for each fiscal year as stipulated in the Ministry of Finance Ordinance.

### Article 2-24 Special Provisions on Limits on Borrowing and Limitation on Extension of Credit

For the purpose of application of the provision of Article 14, when the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds is recorded, the total of the amounts so recorded shall be included in the amount of paid-in capital and reserves.

### Article 2-25 Amount of Surplus Funds, Etc.

1. For the purpose of calculation of surplus funds, the Corporation shall include the aggregate amount of the crisis response reserve, the special investment reserve and the special investment surplus funds as of the last day of the most recent fiscal year (the most recent fiscal year set forth in Article 2, Item (24) of the Companies Act; the same in the following Paragraph) in the total amount of paid-in capital and reserves.
2. For the purpose of calculation of surplus funds, the Corporation shall include the aggregate amount of the amounts set forth in Items (1) though (3) and the aggregate amount of the amounts set forth in Items (4) through (6), in the aggregate amount of the amounts set forth in Article 446, Items (1) through (4) of the Companies Act and the aggregate amount of the amounts set forth in Items (5) through (7) of the said Article, respectively:
   (1) The amount by which the amount of the crisis response reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the crisis response reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions), if any;
   (2) The amount by which the amount of the special investment reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions which has been paid to the national treasury), if any;
   (3) The amount by which the amount of the special investment surplus funds has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment surplus funds provided for under Article 2-27,

Paragraph 4, Item (1) of the Supplementary Provisions that have been paid to the national treasury), if any;
(4) The amount by which the amount of paid-in capital or reserves has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any;
(5) The amount by which the amount of surplus funds has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any; and
(6) In addition to those listed in the preceding two Items, the total amount of the amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

3. If the Corporation calculates the distributable amount under Article 461, Paragraph 2 of the Companies Act (which shall, in Article 2-27, Paragraph 6 of the Supplementary Provisions, be referred to as the "Distributable Amount"), the Corporation shall deduct, from the total of the amounts set forth in Article 461, Paragraph 2, Items (1) and (2) of the said Act, the total of the amounts recorded to each account as the amount of profit pertaining to the special investment operations for the period set forth in Article 441, Paragraph 1, Item (2) of the Companies Act in the case where the Corporation obtains the approval referred to in Paragraph 4 of the said Article (or, in cases set forth in the proviso to the said Paragraph, the approval under Paragraph 3 of the said Article) of the temporary financial statements referred to in Paragraph 1 of the said Article and any other amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

### Article 2-26 Reduction in Amount of Crisis Response Reserve, Etc., When Deficit Is Covered

1. If the amount of capital reserve and the amount of earned surplus reserve have become zero, the Corporation may reduce the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds (limited, as regards the amount of the special investment surplus funds, to the case where such amount exceeds zero). For this purpose, the following matters shall be determined by resolution of a shareholders' meeting:
   (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds will be reduced; and
   (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds will become effective.
2. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
3. The amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds under Paragraph 1, Item (1) of this Article may not exceed the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds, respectively, as of the date set forth in Item (2) of the said Paragraph.
4. The aggregate of the amount of the crisis response reserve, the amount of the special investment reserve and the amount of the special investment surplus funds as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount of deficit as of the date of the shareholders' meeting referred to in the said Paragraph.
5. If the amount of the special investment surplus funds is not exceeding zero, the amount of the special investment reserve as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount by which the amount of the special investment reserve may be reduced.
6. If the amount of surplus funds of the Corporation exceeds zero after a reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds pursuant to the provision of Paragraph 1 of this Article, the Corporation shall increase, in an amount equivalent to such excess, the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds until the time when the cumulative amount of the amounts of the increases in the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds pursuant to the provision of this Paragraph equals the cumulative amount of amounts of reductions, as prescribed by the Minister of Finance Ordinance.

### Article 2-27 Payment to National Treasury

1. If it is deemed that the financial basis necessary for proper implementation of the crisis response business has been sufficiently secured, the Corporation shall pay to the national treasury an amount equivalent to all or a part of the amount of the crisis response reserve. In that case, the Corporation shall reduce the crisis response reserve by the amount equivalent to such amount to be paid to the national treasury.
2. If it is deemed unnecessary to maintain the current level of the special investment reserve for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment reserve in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
3. If, in cases where the amount of the special investment surplus funds exceeds zero, it is deemed unnecessary to maintain the current level of the special investment surplus funds for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment surplus funds in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
4. In the case of the preceding three Paragraphs, the following matters shall be determined by resolution of a shareholders' meeting:
   (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds is reduced; and
   (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds becomes effective.
5. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
6. The aggregate of the amounts to be paid pursuant to the provision of Paragraphs 1 through 3 of this Article may not exceed the Distributable Amount as of the date provided for under Paragraph 4, Item (2) of this Article.

### Article 2-28

1. If the Corporation goes into liquidation and there still remains any residual property after performance of its obligations, the Corporation shall pay to the national treasury an amount equivalent to the total amount (if the amount of such residual property is less than the aggregate of the amount of the crisis response reserve and the amount calculated as described below, an amount of such residual property) calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the aggregate of the amount of the crisis response reserve as of the date of such liquidation (if, after reductions of the amount of the crisis response reserve pursuant to the provision of Article 2-26, Paragraph 1 of the Supplementary Provisions, the cumulative amount of the amounts of increases in the amount of the crisis response reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of the amounts of such reductions, an amount after adding the shortfall) and the amount of the special investment reserve and the special investment surplus funds as of the same date (if, after reductions of the amount of the special investment reserve pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, or if, after reductions of the amount of the special investment surplus funds pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment surplus funds pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, an amount after adding the respective shortfalls), that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
2. The payment under the preceding Paragraph shall be made in advance of the distribution of the residual property to shareholders.
3. The payment procedures or any other matters necessary in connection with the payments to be made pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article and Paragraph 1 of this Article shall be prescribed in the Cabinet Order.

### Article 2-29 Special Rules of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations

Notwithstanding the provision of Article 1 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations, the Corporation shall comply with the preceding two Articles with respect to the dividend or distribution of profit or surplus funds to the capital contributions under Article 2-9 of the Supplementary Provisions or the capital contributions under Article 2-14, Paragraph 1 of the Supplementary Provisions.

### Article 2-30 *Mutatis Mutandis* Application of the Companies Act

1. The provisions of Article 449, Paragraph 6 (limited to the portions relating to Item (1)) and Paragraph 7, and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve, the amount of special investment reserve or the amount of special investment surplus funds is reduced as set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions. For this purpose, references to “paid-in capital” in Article 449, Paragraph 6, Item (1) of the said Act shall be changed to read the amount of crisis response reserve set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in Article 828, Paragraph 1, Item (5) the same), the amount of special investment reserve (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Item the same), or special investment surplus funds (special investment surplus funds set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Item the same); “Article 447, Paragraph 1, Item (3)” shall be changed to read “Article 2-26, Paragraph 1, Item (2) of the Supplementary Provisions of the said Act”; references to “paid-in capital of” in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read “the amount of crisis response reserve, the amount of special investment reserve, or special investment surplus funds set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning”; “on which the reduction in the amount of paid-in capital” shall be changed to read “on which the reduction in the amount of the said crisis response reserve, the amount of special investment reserve, or the amount of special investment surplus funds”; and references to “, the trustee in bankruptcy or a creditor, who did not give approval to the reduction in the amount of paid-in capital” in Paragraph 2, Item (5) of the said Article shall be changed to read “or the trustee in bankruptcy.”
2. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve is reduced as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions. For this purpose, references to “paid-in capital or reserves (hereinafter in this Article referred to as “Paid-In Capital, Etc.”)” in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read “crisis response reserve as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)”; “In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)” shall be changed to read “In cases where…”; “of Paid-In Capital, Etc.” shall be changed to read “of crisis response reserve”; references to “Paid-In Capital, Etc.” in Paragraph 2, Item (1) of the said Article shall be changed to read “crisis response reserve”; references to “Ordinance of the Ministry of Justice” in Item (2) of the said Paragraph shall be changed to read the “Ministry of Finance Ordinance”; references to “Paid-In Capital, Etc.” in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read “crisis response reserve”; references to “paid-in capital” in Paragraph 6, Item (1) of the said Article shall be changed to read “crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act”; “Article 447, Paragraph 1, Item (3)” shall be changed to read “Paragraph 4, Item (2) of the said Article”; references to “paid-in capital of” in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read “crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning”; “on which the reduction in the amount of paid-in capital” shall be changed to read “on which the reduction in the amount of the said crisis response reserve”; and references to “paid-in capital” in Paragraph 2, Item (5) of the said Article shall be changed to read “crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act.”
3. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment reserve is reduced as set forth in

Article 2-27, Paragraph 2 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "special investment reserve as set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of special investment reserve"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "special investment reserve"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "special investment reserve"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said special investment reserve"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."

4. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment surplus funds is reduced as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "special investment surplus funds as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment surplus funds set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of special investment surplus funds"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "special investment surplus funds"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "special investment surplus funds"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said special investment surplus funds"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."

### Article 2-31 Penal Provisions

1. In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) or its members who should perform duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:
   (1) When he/she has suspended or abolished crisis response business at the designated office in violation of the provision of Article 2-10, Paragraph 2 of the Supplementary Provisions;
   (2) When he/she has appropriated money provided through capital contributions as set forth in Article 2-14, Paragraph 1 to any fund other than the fund for special investment operations, in violation of the provision of Article 2-14, Paragraph 2 of the Supplementary Provisions;
   (3) When he/she has violated the order referred to in Article 2-17, Paragraph 2 of the Supplementary Provisions;
   (4) When he/she has not submitted or published documents stating the status of income and expenditures for each category of business operations in each Item of Article 2-19 of the Supplementary Provisions, or has submitted or published such documents containing false statements, in violation of the provision of Article 2-19 of the Supplementary Provisions;
   (5) When he/she has not submitted a report on the completion of special investment operations in violation of the provision of Article 2-20, Paragraph 2 of the Supplementary Provisions.
2. With regard to the application of the provision of Article 34, Item (8) in the case where the provision of Article 2-24 of the Supplementary Provisions applies, references to "limit" in the said Item shall be changed to read "limit calculated by including the aggregate amount of crisis response reserve, special investment reserve and special investment surplus funds in the amount of paid-in capital and reserves as set forth in the provisions of Article 2-24 of the Supplementary Provisions."
3. With regard to the application of the provision of Article 34, Item (10) in the case where the provision of Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions applies, references to "Article 17" in the said Item shall be changed to read "Article 17, or Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions."
4. With regard to the application of the provision of Article 34, Item (13) in the case where the provision of Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions applies, references to "Article 21" in the said Item shall be changed to read "Article 21, or Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions."

### Article 3 Abolition of This Act and Other Measures

If the Government disposes of all of the Government-Owned Shares, the Government shall immediately take measures to abolish this Act, as well as measures necessary to smoothly assign the business operations, functions, and rights and obligations of the Corporation to any organization to be formed as a bearer of the functions commensurate with the investment and financing functions held by the Corporation.

### Article 4 Special Rules for Business Operations during the Preparatory Period

1. In order for the Corporation to smoothly start the business operations as soon as it is duly organized, The Development Bank of Japan (hereinafter referred to as "DBJ") may borrow Long-term Loans, in addition to those set forth in Article 42, Paragraphs 1 and 2 of the Development Bank of Japan Act (Act No. 73 of 1999; hereinafter, except for Article 26 of the Supplementary Provisions, referred to as the "DBJ Act"), during the Preparatory Period (the period from the date on which this Act comes into force up to September 30, 2008; the same in Paragraph 5).
2. DBJ shall prepare its basic policy regarding the borrowing of Long-term Loans to be made pursuant to the provision of the preceding Paragraph which provides for the matters relating to the borrowing of the Long-term Loans such as the amounts of borrowing and currency in which the Long-term Loans are denominated, and obtain authorization of the Minister of Finance, without delay after the date on which this Act comes into force in the case of the fiscal year during which such date is included, or prior to April 1, 2008 in the case of the fiscal year beginning on April 1, 2008. If the Corporation intends to revise it, the same shall apply.
3. If DBJ borrows a Long-term Loan as set forth in Paragraph 1, DBJ shall notify the Minister of Finance thereof without delay as set forth in the Minister of Finance Ordinance.
4. The Long-term Loans as set forth in Paragraph 1 shall be deemed as the borrowed money under Article 42, Paragraph 1 of the DBJ Act and the provisions of Article 44 of the DBJ Act shall apply the said Long-term Loans.
5. If DBJ borrows a short-term borrowing during the Preparatory Period as set forth in Article 42, Paragraph 2 of the DBJ Act, reference to "within the current fiscal year" in Paragraph 3 of the said Article shall be changed to read "within one year."
6. If DBJ borrows a Long-term Loans as set forth in Paragraph 1, reference to "this Act, in Article 13, Paragraph 2, Item (1) of the DBJ Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007) or order under these Acts", and reference to "this Act and the Cabinet Order under this Act" in Article 48 of the DBJ Act shall be changed to read "this Act and the Development Bank of Japan Inc. Act, and the Cabinet Orders under these Acts." Reference to "this Act" in Article 49, Article 50, Paragraph 1, and Article 52 of the DBJ Act shall be changed to read "this Act and the Development Bank of Japan Inc. Act," and reference to "this Act" in Article 54, Items (1) and (2) of the DBJ Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act."
7. "Long-term Loans" set forth in Paragraphs 1 through 4 and the immediately preceding Paragraph mean the loans from financial institutions such as banks, other than the short-term borrowings set forth in Article 42, Paragraph 3 of the DBJ Act which is applied after changing to read as set forth in Paragraph 5.
8. For the purpose of application of the provision of Article 22, Paragraph 1 of the DBJ Act to the mid-term government policy principles set forth in the said Paragraph for the period commencing on April 1, 2008, reference to the "three-year mid-term government policy principles" shall be changed to read the "government policy principles for the term beginning on April 1, 2005."

### Article 5 Founding Members

The Minister of Finance shall appoint the founding members to serve as promoters for incorporation of the Corporation.

### Article 6 Articles of Incorporation

The founding members shall prepare the Articles of Incorporation and have them authorized by the Minister of Finance.

### Article 7 Shares to Be Issued upon the Incorporation of the Corporation

1. The following matters regarding the shares to be issued upon the incorporation of the Corporation, and total number of shares which the Corporation can issue shall be determined in the Articles of Incorporation:
   (1) Number of shares (or, if the Corporation is to be organized as a company issuing class shares, classes of those shares and number of each class of shares);
   (2) Amount to be paid for shares (the amount of cash to be paid or amount of non-cash property to be contributed in exchange for each share); and
   (3) Matters relating to the amounts of paid-in capital and capital reserves.
2. Notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, with respect to the shares to be issued by the Corporation upon its incorporation, the Corporation may elect not to account for the amount in excess of (, as well as the amount not exceeding,) a half of the amounts of properties contributed by DBJ upon the incorporation of the Corporation as paid-in capital. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the Companies Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

### Article 8 Subscription for Shares

1. DBJ shall subscribe for all shares to be issued by the Corporation upon its incorporation, and the founding members shall allocate them to DBJ.
2. The right as the subscriber for shares allocated pursuant to the provision of the preceding Paragraph in connection with the incorporation of the Corporation shall be exercised by the Government.

### Article 9 Capital Contribution

Upon the incorporation of the Corporation, DBJ shall contribute all of its properties, except assets to be assumed by Japan pursuant to the provision of Article 15, Paragraph 2 of the Supplementary Provisions, to the Corporation.

### Article 10 Organizational Meeting

For the purpose of application of the provision of Article 65, Paragraph 1 of the Companies Act concerning the incorporation of the Corporation, reference to the "on and after either the date under Article 58, Paragraph 1, Item (3) or the last day of the period under such item, whichever comes later," shall be changed to read "after allotment of shares set forth in Article 8, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

### Article 11 Establishment of the Corporation

Contributions to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions shall be made when the provision of Article 26 of the Supplementary Provisions becomes effective, and the Corporation shall be established, notwithstanding the provision of Article 49 of the Companies Act.

### Article 12 Registration of Incorporation

Notwithstanding the provision of Article 911, Paragraph 1 of the Companies Act, the Corporation shall register its incorporation without delay after the establishment of the Corporation.

### Article 13 Transfer to the Government without Consideration

The shares to be acquired by DBJ through its capital contribution shall be transferred to the Government without consideration at the time of establishment of the Corporation.

### Article 14 Exception from Application of the Companies Act

The provisions of Article 30 and Part II, Chapter 1, Section 3 of the Companies Act shall not apply to the incorporation of the Corporation.

### Article 15 Dissolution of DBJ, Etc.

1. DBJ shall be dissolved at the time of establishment of the Corporation, whereupon any and all rights and obligations of DBJ

shall be taken over by the Corporation, except for those assets to be assumed by the Government as set forth in the following Paragraph.

2. Of the rights actually held by DBJ at the time of establishment of the Corporation, the assets which will be considered no longer necessary for the Corporation to smoothly perform its future business operation shall be assumed by Japan at the time of establishment of the Corporation.
3. The scope of assets to be assumed by Japan pursuant to the provision of the immediately preceding Paragraph, and other matters required for transfer of those assets to Japan shall be prescribed in the Cabinet Order.
4. The fiscal year of DBJ commencing on April 1, 2008 shall end on the day immediately preceding the date of dissolution of DBJ.
5. Settlement of accounts, and preparations, Etc. of list of properties, balance sheets, and profits and loss statements of DBJ for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted, except for the portions relating to Article 38, Paragraph 1 (limited to the portions relating to the Auditor's opinions) and Article 40, Paragraph 1 (limited to the portions relating to the Auditor's opinions) of the Old DBJ Act. For this purpose, the reference to "for each half-year from April to September and from October to March of the following year" and "for each half-year and for each fiscal year" in Article 38, Paragraph 1 of the Old DBJ Act shall be deleted, and references to "within two months after the end of the relevant half-year or three months after the end of the fiscal year" in the said Paragraph shall be changed to read "on or prior to December 31, 2008." Reference to "the settlement of accounts for each fiscal year not later than May 31 of the following fiscal year" in Article 39 of the Old DBJ Act shall be changed to read "the settlement of accounts for the fiscal year commencing on April 1, 2008 not later than November 30, 2008." Reference to "November 30 of the following fiscal year" in Article 4, Paragraph 3 of the Old DBJ Act shall be changed to read "November 30, 2009."
6. Disposition of profits and payment into the national treasury by DBJ under Article 41 of the Old DBJ Act for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted. For this purpose, references to "each fiscal year" and "May 31 of the following fiscal year" in Article 41, Paragraph 3 of the Old DBJ Act shall be changed to read "the fiscal year commencing on April 1, 2008" and "November 30, 2008," respectively.
7. The matters regarding the registration of the dissolution in the case that DBJ is dissolved pursuant to the provision of Paragraph 1, shall be prescribed in the Cabinet Order.

### Article 16 Values of Properties Assumed

1. The values of assets and liabilities assumed by the Corporation from DBJ (in the immediately following Paragraph referred to as the "Assumed Properties") shall be as evaluated by evaluation officers (*hyoka iin*).
2. If evaluation officers intend to make evaluations as set forth in the preceding Paragraph, their evaluations shall be made based on the market prices of the Assumed Properties as of the date on which the Corporation is established; provided, however, that if it is deemed inappropriate to use the market prices taking into account the matters of the Assumed Properties such as the kinds and purpose of use, their evaluations may be made not based on the market prices of the Assumed Properties.
3. In addition to those set forth in the preceding two Paragraphs, evaluation officers and other matters necessary for evaluations shall be prescribed in the Cabinet Order.

### Article 17 Transitional Measures in Connection with Assumption of Rights and Obligations

1. With respect to the Old Bank Debentures and interest coupons concerning the obligations to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 43, Paragraphs 5 and 6 of the Old DBJ Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.
2. With respect to the old Hokuto bonds (the Hokkaido-Tohoku Development Finance Corporation Bonds issued pursuant to the provision of Article 27, Paragraph 1 of the Hokkaido-Tohoku Development Finance Corporation Act (Act No. 97 of 1956; hereinafter in this Paragraph referred to as the "Old HTDFC Act") before abolishment under Article 17, Item (2) of the Supplementary Provisions of the Old DBJ Act) and interest coupons to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 27, Paragraphs 3 and 4 of the Old HTDFC Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.
3. The guarantee agreements executed by the Government pursuant to the provision of Article 45, Paragraph 1 or 3 of the Old DBJ Act with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the Old Bank Debentures even after the assumption thereof by the Corporation.
4. The guarantee agreements executed by the Government pursuant to the provision of Article 37-3, Paragraph 1 or 2 of the old Japan Development Bank Act (Act No. 108 of 1951; hereinafter in this Paragraph referred to as the "Old JDB Act") before abolishment under Article 17, Item (1) of the Supplementary Provisions of the Old DBJ Act with respect to the obligations concerning the foreign currency-denominated bonds set forth in Article 37-2, Paragraph 1 of the Old JDB Act issued pursuant to the provision of Article 37-2, Paragraph 1 or 2 of the Old JDB Act to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the foreign currency-denominated bonds even after the assumption thereof by the Corporation.
5. The guarantee agreements executed by the Government pursuant to the provision of Article 2, Paragraph 2 or 3 of the Act Concerning Special Measures for Acceptance of Foreign Capitals from the International Bank for Reconstruction and Development and Other Organizations (Act No. 51 of 1953) with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations constituting the Old Bank Debentures even after the assumption thereof by the Corporation, and the public imposts such as taxes on interests on and profits from redemption of the Old Bank Debentures concerning those guarantee agreements shall be the same as in effect under the previous arrangements.

### Article 18 Competent Ministers

The competent ministers under Article 26, Paragraph 2 and Article 27, Paragraph 1 for management of assets to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions (hereinafter in this Article referred to as the "Assumed Assets") shall, notwithstanding the provision of Article 29, Paragraph 1, be as follows:

(1) For management of the Assumed Assets set forth in the Cabinet Order in the Hokkaido or the Tohoku Region (the areas of Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima and Niigata prefectures): Minister of Finance and Minister of Land, Infrastructure and Transport; and

(2) For management of the Assumed Assets other than the Assumed Assets set forth in the preceding Item: Minister of Finance.

### Article 19 Transitional Measures for the Fiscal Year

Notwithstanding the provision of Article 11, the first fiscal year of the Corporation shall commence on the date on which of the Corporation is established and end on March 31, 2009.

### Article 20 Transitional Measures for the Basic Policy

1. For the purposes of the basic policy, business plans and redemption plans for the first fiscal year of the Corporation, reference to "prior to the beginning of each fiscal year" in Article 13, Paragraph 1, Article 17 and Article 18 shall be changed to read "without delay after the incorporation of the Corporation."
2. For the purposes of the balance sheet, profit and loss statement and business report for the first fiscal year of the Corporation, references to "For each fiscal year" and "the interim business period (the period from April 1 to September 30 of the current year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year" in Article 21 shall be changed to read "For the fiscal year in which the date on which the Corporation is established is included" and "the current fiscal year," respectively.
3. For the purpose of application of the provision of the preceding Paragraph when the Corporation obtains the approval under Article 9, Paragraph 1, the "Ministry of Finance Ordinance" and "Minister of Finance" in Article 21 which are applied *mutatis mutandis* after changing to read in the said Paragraph shall be changed to read the "Ministry of Finance Ordinance and the Cabinet Office Ordinance" and the "Minister of Finance and the Prime Minister," respectively.

### Article 21 Special Rules for Operations of Registered Financial Institution

1. Within three (3) months of the date set forth in Article 1, Item (3) of the Supplementary Provisions (or, if the registration under Article 33-5, Paragraph 1 of the Financial Instruments and Exchange Act is rejected during such period or if abolition of the operations of the registered financial institution (the operations of registered financial institution set forth in Article 33-5, Paragraph 1, Item (3) of the Financial Instruments and Exchange Act, including the operations referred to in Article 3, Paragraph 1, Item (16) to be conducted pursuant to the provision of Article 33-8, Paragraph 1 of the same Act which is applied after changing to read as set forth in Article 4, Paragraph 1; the same in this Article) is ordered pursuant to the provision of Article 52-2, Paragraph 1 of the Financial Instruments and Exchange Act which is applied after the changing to read as set forth in the immediately following Paragraph, the period up to the date of such rejection or the date of order of such abolition), the Corporation may, notwithstanding the provision of Article 33-2 of the Financial Instruments and Exchange Act which is applied after changing to read as set forth in Article 4, Paragraph 1, conduct the operations of the registered financial institutions. If the Corporation applies for registration under the said Article during such period, the same shall apply until the date of receipt of notice of registration or the date of receipt of notice of no registration after the elapse of such period.
2. If the Corporation conducts the operations of registered financial institution pursuant to the provision of the preceding Paragraph, the provisions of the Financial Instruments and Exchange Act (except for Article 33-6; Article 37, Paragraph 1, Item (2); Article 37-3, Paragraph 1, Item (2); Article 50-2, Paragraph 2; Article 52-2, Paragraph 1, Item (2) and Paragraph 3; Article 54; and Article 64, Paragraph 2) shall apply by deeming the Corporation as the registered financial institution (the Registered Financial Institution set forth in Article 2, Paragraph 11 of the Financial Instruments and Exchange Act). For this purpose, reference to "rescind the registration under Article 33-2" in Article 52-2, Paragraph 1 (except for Item (2)) of the Financial Instruments and Exchange Act shall be changed to read "order the abolition of operations of registered financial institution," reference to "rescind the registration under Article 29 or 33-2 or the authorization under Article 30, Paragraph 1 pursuant to the provision of Article 52, Paragraph 1 or Article 52-2, Paragraph 1" in Article 54-2, Item (1) of the same Act shall be changed to read "order the abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007)," reference to "registration under Article 29 or 33-2 is rescinded pursuant to the provision of Article 52, Paragraph 1, Article 52-2, Paragraph 1, Article 53, Paragraph 3 or Article 54" in Article 56, Paragraph 1 of the same Act shall be changed to read the "abolition of operations of the registered financial institution is ordered pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act," and reference to "rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1" in Article 194-3, Item (3) of the same Act and reference to "rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1 or 3 or Article 54" in Article 194-4, Paragraph 1, Item (5) of the same Act shall be changed to read "order of abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act" and other required technical changes to read shall be prescribed in the Cabinet Order.
3. For the purpose of application of the provision of Article 33-5, Paragraph 1, Item (1) of the Financial Instruments and Exchange Act in the event that the Corporation is ordered to abolish the operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 of the same Act which is applied after changing to read as set forth in the immediately preceding Paragraph, the Corporation shall be deemed as the entity whose registration under Article 33-2 of the same Act is rescinded pursuant to the provision of Article 52-2, Paragraph 1 of the same Act, and the date on which such abolition is ordered shall be deemed as the date of rescission of registration under the said Article 33-2 pursuant to the provision of Article 52-2, Paragraph 1 of the same Act.
4. For one year of the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Corporation may, notwithstanding the provision of Article 64, Paragraph 2 of the Financial Instruments and Exchange Act, cause any persons other than those who are registered pursuant to the provision of Paragraph 1 of the said Article to conduct the duties of sales representatives (*gaimu-in*). If the Corporation applies for registration under the said Paragraph during such period, the same shall apply until the date of receipt of notice of registration with respect to such application or the date of receipt of notice of no registration after the elapse of such period with respect to such application.

### Article 22 Special Rules for Taxation of the Registration License Tax

1. No registration license tax shall be assessed on registration of the incorporation of the Corporation pursuant to the provision of Article 12 of the Supplementary Provisions, and registration or recordation of the Corporation in connection with provisions of properties upon the capital contribution by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.
2. With respect to the registration license tax for registration or recordation of origination (*hozen*), creation (*settei*) or transfer (*iten*) of lien (*sakidori token*), pledge (*shichiken*) or mortgage (*teitoken*) to secure the claims concerning business operations set forth in Article 20, Paragraph 1, Item (1) of the Old DBJ Act which shall be assumed by the Corporation from DBJ pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, or registration of transfer of movable properties or transfer of claims, based on the agreements executed by DBJ before the provision of Article 48 of the Supplementary Provisions comes into force, the provision of Schedule III-22 of the Registration Tax Act (Act No.

35 of 1967) before amendment under Article 48 of the Supplementary Provisions shall still remain effective and in force.

### Article 23 Special Rules for Taxation of the Corporation Tax

1. Capital investment in the Corporation to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions (hereinafter in this Article referred to as the "Specified In-kind Contribution") shall be deemed as qualified in-kind contribution set forth in Article 2, Item (12-14) of the Corporation Tax Act (Act No. 34 of 1965), and the Corporation Tax Act and other laws and ordinances relating to the corporation tax shall be applied on such basis.
2. With respect to assets and liabilities of DBJ to be transferred by the Specified In-kind Contribution which shall be subject to the Corporation Tax Act and other laws and ordinances relating to the corporation tax pursuant to the provision of the immediately preceding Paragraph, the value evaluated by evaluation officers pursuant to the provision of Article 16, Paragraph 1 of the Supplementary Provisions shall be deemed as the book value; provided, however, that with respect to allowance for loan losses, the amount purported to be assumed by the Corporation pursuant to the provision of the immediately following Paragraph shall be deemed as the book value, and the book values of the amounts of allowances prescribed by the Cabinet Order such as allowance for retirement payments shall be nil.
3. If it is determined to apply the provisions of Article 52 of the Corporation Tax Act in the fiscal year in which the day prior to the date of the Specified In-kind Contribution of the DBJ is included (in the immediately following Paragraph referred to the "Final Fiscal Year"), the amount up to the upper limit of individual allowance for loan losses set forth in Article 52, Paragraph 1 as calculated in the said Paragraph or the amount up to the amount calculated as prescribed by the Cabinet Order as set forth in Paragraph 2 of the said Article shall, notwithstanding the provisions of Paragraph 7 of the said Article, be assumed by the Corporation. For this purpose with respect to calculation of the amount of income for the fiscal year in which the date of the Specified In-kind Contribution of the Corporation is included, the amount assumed by the Corporation shall be included in the amount of profits.
4. The Corporation shall submit the financial statements of DBJ for the Final Fiscal Year set forth in Article 38, Paragraph 1 of the Old DBJ Act to the director of competent district tax office within three (3) months of the date of the Specified In-kind Contribution.

### Article 24 Special Rules for Taxation of Local Taxes

No real estate acquisition tax or vehicle acquisition tax can be imposed on acquisition of real estate or vehicle in connection with capital investment to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.

### Article 25 Delegation to the Cabinet Order

In addition to those set forth in Articles 2 to 24 of the Supplementary Provisions, matters necessary for incorporation of the Corporation and dissolution of DBJ, as well as other matters necessary for effectuation of these provisions shall be stipulated in the Cabinet Order.

### Article 26 Abolition of the Development Bank of Japan Act

The Development Bank of Japan Act shall be abolished.

### Article 27 Transitional Measures for Abolition of the Development Bank of Japan Act

1. Actions such as dispositions and procedures made, taken or done pursuant to the provisions of the Old DBJ Act (except Article 10 thereof) before the provision of the immediately preceding Article becomes effective shall be considered the actions such dispositions and procedures made, taken, or done pursuant to the corresponding provisions of this Act.
2. The provisions of Article 16, Paragraphs 5 and 6 of the Supplementary Provisions of the Old DBJ Act shall still remain effective even after the provisions of the immediately preceding Article takes effect, with respect to the lending of funds by the Corporation to the designated entities under Article 2, Paragraph 5 of the Act Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund (Act No. 117 of 1999). For this purpose, reference to the "Bank" and reference to, "in accordance with the provision of Item (1), Paragraph 1, Article 20 hereof, to provide funds required for businesses deemed under Article 13 of the said Act" in Article 16, Paragraph 5 of the Old DBJ Act shall be changed to read "Development Bank of Japan Inc." and "to provide funds required for business deemed under Article 13 of the said Act", respectively. References to "the interest-free loans made by the Bank in accordance with the provisions of the preceding paragraph (excluding interest-free loans using money deposited by the Private Urban Development Promotion Organization provided in Article 3 of the Special Measure Act concerning Promotion of Private Urban Development (Act No. 62 of 1987)" and "to the Bank" in Article 16, Paragraph 6 of the Old DBJ Act shall be changed to read "the interest-free loans made by Development Bank of Japan Inc. in accordance with the provisions of the preceding paragraph" and "to Development Bank of Japan Inc.," respectively.
3. In addition to those set forth in the preceding two Paragraphs, transitional measures necessary for the abolition of the DBJ Act shall be prescribed by the Cabinet Order.

### Article 28 Transitional Measures for Application of Penal Provisions

Penal provisions which were applicable to acts conducted prior to the implementation of the provision of Article 26 of the Supplementary Provisions or acts conducted after the implementation of the provision of the said Article as to which the provisions then in force remain applicable pursuant to the provisions of this Act shall remain applicable even after the implementation of this Act.

### Article 29 to Article 65

(Translation omitted)

### Article 66 Examinations

On or prior to the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall examine measures to secure the equal competitive conditions with other business entities, with respect to the systems for which the investment and financing functions of DBJ are utilized pursuant to the provisions of relevant laws (including ordinances under those laws), such as the Act Concerning Collaterals for Borrowings of Electricity Companies from The Development Bank of Japan (Act No. 145 of 1950), the Act Concerning the Securement of Oil Reserves, Etc. (Act No. 96 of 1975), the Act Concerning Promotion of Development and Promotion of Introduction of Alternative Energy to Oil (Act No. 71 of 1980), the Special Measures Act Concerning Promotion of Private Urban Development (Act No. 62 of 1987), the Extraordinary Measures Act Concerning Promotion of Business Activities for Rationalization of Usage of Energy and Effective Use of Resources (Act No. 18 of 1993) and the Act Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund, Etc. (Act No. 117 of 1999), while considering the convenience of users of those systems, and take the required measures based on the results of such examination.

### Article 67 Utilization of the Corporation's Investment and Financing Functions for Long-Term Business Funds

If the Government utilizes the Corporation's investment and financing functions for long-term business funds on or after the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall take measures necessary to secure the equal competition conditions, as well as other measures necessary for utilization of such investment and financing functions, paying attention to the Corporation's appropriate competitive relationships with other business entities.

# Act for Partial Amendment of the Development Bank of Japan Inc.

(Act No. 29 of May 22, 2020)

**(Enforcement Date)**

1. This Act shall come into force from the date of promulgation.

**(Examination of Special Investment Business)**

2. The Government shall, at the appropriate time after this Act takes effect, examine the special investment operations (special investment operations set forth in Article 2-12, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act amended by this Act; hereinafter in this Paragraph the same) by Development Bank of Japan Inc. (hereinafter in this Paragraph referred to as the "Corporation") and the Government's involvement in the Corporation based thereon, taking into consideration the financing conducted by ordinary financial institutions and investment conducted by private sectors, the Corporation's implementation of special investment operations, the change of social and economic affairs and others, and in the perspective of further promoting the long-term and other financial supply for the sustainable growth of the Japanese economy, and whenever the Government deems necessary, the Government shall take required measures based on the results of such examination.

3. For the examination referenced in the preceding Paragraph, the Government shall listen to the opinions of representatives of ordinary financial institutions and other relevant persons.

# Financial Condition

# CONSOLIDATED BALANCE SHEET

Development Bank of Japan Inc. and Consolidated Subsidiaries

| As of March 31, | Millions of Yen 2020 | Millions of Yen 2019 | Thousands of U.S. Dollars (Note 1) 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks (Notes 2 (c), 11, 14 and 28) | ¥ 1,298,955 | ¥ 966,903 | $ 11,935,641 |
| Call loans and bills bought (Note 28) | 720,000 | 260,000 | 6,615,823 |
| Money held in trust (Notes 28 and 30) | 20,082 | 20,182 | 184,532 |
| Securities (Notes 3, 14, 28 and 30) | 2,374,268 | 1,961,054 | 21,816,308 |
| Loans (Notes 4, 5, 14 and 28) | 12,415,985 | 12,923,938 | 114,086,054 |
| Other assets (Notes 6, 11 and 14) | 162,849 | 191,317 | 1,496,367 |
| Tangible fixed assets (Notes 7, 11 and 14) | 423,433 | 469,559 | 3,890,776 |
| Intangible fixed assets (Notes 11 and 14) | 42,284 | 45,311 | 388,536 |
| Asset for retirement benefits (Note 23) | 1,263 | 2,238 | 11,614 |
| Deferred tax assets (Note 24) | 2,800 | 1,217 | 25,733 |
| Customers' liabilities for acceptances and guarantees (Note 13) | 267,306 | 273,239 | 2,456,187 |
| Allowance for loan losses (Notes 8 and 28) | (35,528) | (35,336) | (326,460) |
| Allowance for investment losses | (36) | (46) | (336) |
| Total assets | ¥17,693,665 | ¥17,079,580 | $162,580,775 |
| **Liabilities and equity** | | | |
| **Liabilities:** | | | |
| Debentures (Notes 9, 14 and 28) | ¥ 3,314,656 | ¥ 3,190,536 | $ 30,457,192 |
| Payables under repurchase agreements (Notes 14 and 28) | — | 93,761 | — |
| Borrowed money (Notes 10, 11, 14, 28 and 31) | 8,070,948 | 7,987,860 | 74,161,065 |
| Corporate bonds (Notes 9, 11, 14 and 28) | 2,382,226 | 2,106,463 | 21,889,428 |
| Other liabilities (Notes 12 and 31) | 204,265 | 101,869 | 1,876,919 |
| Accrued bonuses to employees | 5,345 | 5,066 | 49,118 |
| Accrued bonuses to directors | 15 | 15 | 140 |
| Liability for retirement benefits (Note 23) | 8,092 | 7,969 | 74,355 |
| Reserve for directors' retirement benefits | 146 | 122 | 1,349 |
| Deferred tax liabilities (Note 24) | 6,608 | 16,328 | 60,725 |
| Acceptances and guarantees (Note 13) | 267,306 | 273,239 | 2,456,187 |
| Total liabilities | 14,259,611 | 13,783,234 | 131,026,478 |
| **Equity:** | | | |
| Common stock authorized, 160,000 thousand shares in 2020 and 2019; issued, 43,632 thousand shares in 2020 and 2019 (Note 15) | 1,000,424 | 1,000,424 | 9,192,539 |
| Crisis response reserve (Note 16) | 206,529 | 206,529 | 1,897,721 |
| Special investment reserve (Note 17) | 848,000 | 588,000 | 7,791,969 |
| Special investment surplus (Note 17) | 12,436 | 5,412 | 114,273 |
| Capital surplus (Note 15) | 636,466 | 766,466 | 5,848,262 |
| Retained earnings (Note 15) | 675,842 | 651,887 | 6,210,078 |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities (Note 30) | 24,297 | 44,652 | 223,260 |
| Deferred gain on derivatives under hedge accounting | 16,934 | 23,766 | 155,606 |
| Foreign currency translation adjustments | (1,414) | (1,202) | (12,998) |
| Accumulated adjustments for retirement benefits (Note 23) | (958) | (272) | (8,808) |
| Total | 3,418,557 | 3,285,663 | 31,411,902 |
| Non-controlling interests | 15,496 | 10,682 | 142,395 |
| Total equity | 3,434,054 | 3,296,345 | 31,554,297 |
| Total liabilities and equity | ¥17,693,665 | ¥17,079,580 | $162,580,775 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF INCOME

Development Bank of Japan Inc. and Consolidated Subsidiaries

| For the year ended March 31, | Millions of Yen 2020 | Millions of Yen 2019 | Thousands of U.S. Dollars (Note 1) 2020 |
|---|---|---|---|
| **Income** | | | |
| Interest income: | ¥169,456 | ¥182,377 | $1,557,073 |
| Interest on loans | 138,413 | 151,006 | 1,271,832 |
| Interest and dividends on securities | 24,569 | 23,994 | 225,762 |
| Interest on call loans and bills bought | 31 | 100 | 291 |
| Interest on due from banks | 108 | 28 | 998 |
| Interest on swaps | 6,339 | 7,263 | 58,250 |
| Other interest income | (6) | (16) | (60) |
| Fees and commissions | 17,167 | 16,280 | 157,748 |
| Other operating income (Note 19) | 15,165 | 6,987 | 139,347 |
| Other income (Note 20) | 91,688 | 95,561 | 842,489 |
| **Total income** | **293,477** | **301,206** | **2,696,657** |
| **Expenses** | | | |
| Interest expense: | 78,730 | 89,504 | 723,422 |
| Interest on debentures | 33,958 | 37,676 | 312,037 |
| Interest on call money and bills sold | (72) | (52) | (671) |
| Interest on payables under repurchase agreements | (60) | (62) | (555) |
| Interest on borrowed money (Note 31) | 38,009 | 46,693 | 349,253 |
| Interest on short-term corporate bonds | 947 | 317 | 8,707 |
| Interest on corporate bonds | 5,730 | 4,822 | 52,659 |
| Other interest expense | 216 | 109 | 1,993 |
| Fees and commissions | 326 | 1,354 | 2,997 |
| Other operating expenses (Note 21) | 12,310 | 3,532 | 113,118 |
| General and administrative expenses | 67,346 | 64,889 | 618,826 |
| Other expenses (Note 22) | 51,739 | 15,187 | 475,414 |
| **Total expenses** | **210,452** | **174,469** | **1,933,777** |
| **Income before income taxes** | **83,024** | **126,737** | **762,880** |
| Income taxes (Note 24): | | | |
| Current | 31,637 | 34,953 | 290,707 |
| Deferred | (131) | (1,443) | (1,210) |
| **Total income taxes** | **31,505** | **33,509** | **289,497** |
| **Net income** | **51,518** | **93,227** | **473,383** |
| **Net income attributable to non-controlling interests** | **1,062** | **1,290** | **9,759** |
| **Net income attributable to owners of the parent** | **¥ 50,456** | **¥ 91,936** | **$ 463,624** |

| | Yen | | U.S. Dollars (Note 1) |
|---|---|---|---|
| **Per share of common stock (Note 18)** | | | |
| Basic net income | ¥1,075.90 | ¥2,080.56 | $ 9.89 |
| Cash dividend applicable to the year | 228 | 482 | 2.10 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Development Bank of Japan Inc. and Consolidated Subsidiaries

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| For the year ended March 31, | 2020 | 2019 | 2020 |
| **Net income** | **¥ 51,518** | **¥ 93,227** | **$ 473,383** |
| **Other comprehensive loss (Note 26):** | | | |
| Unrealized loss on available-for-sale securities | (19,977) | (1,834) | (183,570) |
| Deferred loss on derivatives under hedge accounting | (5,432) | (4,359) | (49,921) |
| Foreign currency translation adjustments | (75) | 113 | (692) |
| Adjustments for retirement benefits | (682) | (249) | (6,267) |
| Share of other comprehensive loss in affiliates accounted for by the equity method | (1,927) | (3,929) | (17,712) |
| **Total other comprehensive loss** | **(28,095)** | **(10,260)** | **(258,163)** |
| **Comprehensive income** | **¥ 23,422** | **¥ 82,966** | **$ 215,220** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | ¥ 22,371 | ¥ 81,718 | $ 205,563 |
| Non-controlling interests | 1,050 | 1,248 | 9,656 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Development Bank of Japan Inc. and Consolidated Subsidiaries

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| For the year ended March 31, 2020 | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus | Retained earnings |
| Balance at beginning of year | ¥1,000,424 | ¥206,529 | ¥588,000 | ¥ 5,412 | ¥ 766,466 | ¥651,887 |
| Cumulative effects of changes in accounting policies | | | | | | 1,553 |
| Restated balance | ¥1,000,424 | ¥206,529 | ¥588,000 | ¥ 5,412 | ¥ 766,466 | ¥653,441 |
| Investment from government | | | 130,000 | | | |
| Transfer from capital surplus to special investment reserve | | | 130,000 | | (130,000) | |
| Cash dividends | | | | | | (21,030) |
| Net income attributable to owners of the parent | | | | | | 50,456 |
| Transfer from retained earnings to special investment surplus | | | | 7,023 | | (7,023) |
| Net change during the year | | | | | | |
| Balance at end of year | ¥1,000,424 | ¥206,529 | ¥848,000 | ¥12,436 | ¥ 636,466 | ¥675,842 |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | |
| For the year ended March 31, 2020 | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Accumulated adjustments for retirement benefits | Total | Non-controlling interests | Total equity |
| Balance at beginning of year | ¥ 44,652 | ¥23,766 | ¥(1,202) | ¥(272) | ¥3,285,663 | ¥10,682 | ¥3,296,345 |
| Cumulative effects of changes in accounting policies | | | | | 1,553 | | 1,553 |
| Restated balance | ¥ 44,652 | ¥23,766 | ¥(1,202) | ¥(272) | ¥3,287,216 | ¥10,682 | ¥3,297,899 |
| Investment from government | | | | | 130,000 | | 130,000 |
| Transfer from capital surplus to special investment reserve | | | | | | | — |
| Cash dividends | | | | | (21,030) | | (21,030) |
| Net income attributable to owners of the parent | | | | | 50,456 | | 50,456 |
| Transfer from retained earnings to special investment surplus | | | | | | | — |
| Net change during the year | (20,355) | (6,831) | (212) | (685) | (28,084) | 4,814 | (23,270) |
| Balance at end of year | ¥ 24,297 | ¥16,934 | ¥(1,414) | ¥(958) | ¥3,418,557 | ¥15,496 | ¥3,434,054 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| For the year ended March 31, 2019 | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus | Retained earnings |
| Balance at beginning of year | ¥1,000,424 | ¥206,529 | ¥330,000 | ¥3,099 | ¥ 895,466 | ¥584,689 |
| Investment from government | | | 129,000 | | | |
| Transfer from capital surplus to special investment reserve | | | 129,000 | | (129,000) | |
| Cash dividends | | | | | | (22,121) |
| Net income attributable to owners of the parent | | | | | | 91,936 |
| Transfer from retained earnings to special investment surplus | | | | 2,313 | | (2,313) |
| Change in scope of consolidation | | | | | | (303) |
| Net change during the year | | | | | | |
| Balance at end of year | ¥1,000,424 | ¥206,529 | ¥588,000 | ¥5,412 | ¥ 766,466 | ¥651,887 |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | |
| For the year ended March 31, 2019 | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Accumulated adjustments for retirement benefits | Total | Non-controlling interests | Total equity |
| Balance at beginning of year | ¥50,520 | ¥27,955 | ¥(1,285) | ¥ (29) | ¥3,097,369 | ¥12,750 | ¥3,110,120 |
| Investment from government | | | | | 129,000 | | 129,000 |
| Transfer from capital surplus to special investment reserve | | | | | | | — |
| Cash dividends | | | | | (22,121) | | (22,121) |
| Net income attributable to owners of the parent | | | | | 91,936 | | 91,936 |
| Transfer from retained earnings to special investment surplus | | | | | | | — |
| Change in scope of consolidation | | | | | (303) | | (303) |
| Net change during the year | (5,867) | (4,189) | 82 | (243) | (10,218) | (2,067) | (12,285) |
| Balance at end of year | ¥44,652 | ¥23,766 | ¥(1,202) | ¥(272) | ¥3,285,663 | ¥10,682 | ¥3,296,345 |

| For the year ended March 31, 2020 | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus | Retained earnings |
|---|---|---|---|---|---|---|
| | Thousands of U.S. Dollars (Note 1) | | | | | |
| Balance at beginning of year | $9,192,539 | $1,897,721 | $5,402,922 | $ 49,733 | $ 7,042,786 | $5,989,962 |
| Cumulative effects of changes in accounting policies | | | | | | 14,276 |
| Restated balance | $9,192,539 | $1,897,721 | $5,402,922 | $ 49,733 | $ 7,042,786 | $6,004,238 |
| Investment from government | | | 1,194,524 | | | |
| Transfer from capital surplus to special investment reserve | | | 1,194,524 | | (1,194,524) | |
| Cash dividends | | | | | | (193,244) |
| Net income attributable to owners of the parent | | | | | | 463,624 |
| Transfer from retained earnings to special investment surplus | | | | 64,540 | | (64,540) |
| Net change during the year | | | | | | |
| Balance at end of year | $9,192,539 | $1,897,721 | $7,791,969 | $114,273 | $ 5,848,262 | $6,210,078 |

| For the year ended March 31, 2020 | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Accumulated adjustments for retirement benefits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Thousands of U.S. Dollars (Note 1) | | | | | | |
| | Accumulated other comprehensive income | | | | | | |
| Balance at beginning of year | $ 410,299 | $218,379 | $(11,049) | $(2,508) | $30,190,784 | $ 98,158 | $30,288,942 |
| Cumulative effects of changes in accounting policies | | | | | 14,276 | | 14,276 |
| Restated balance | $ 410,299 | $218,379 | $(11,049) | $(2,508) | $30,205,059 | $ 98,158 | $30,303,217 |
| Investment from government | | | | | 1,194,524 | | 1,194,524 |
| Transfer from capital surplus to special investment reserve | | | | | | | — |
| Cash dividends | | | | | (193,244) | | (193,244) |
| Net income attributable to owners of the parent | | | | | 463,624 | | 463,624 |
| Transfer from retained earnings to special investment surplus | | | | | | | — |
| Net change during the year | (187,039) | (62,773) | (1,949) | (6,300) | (258,061) | 44,238 | (213,823) |
| Balance at end of year | $ 223,260 | $155,606 | $(12,998) | $(8,808) | $31,411,902 | $142,395 | $31,554,297 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Development Bank of Japan Inc. and Consolidated Subsidiaries

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| For the year ended March 31, | 2020 | 2019 | 2020 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes | ¥ 83,024 | ¥ 126,737 | $ 762,880 |
| Adjustments for: | | | |
| Depreciation | 14,677 | 12,668 | 134,868 |
| Amortization of goodwill | 1,838 | 2,253 | 16,892 |
| Losses on impairment of long-lived assets | 165 | — | 1,522 |
| Equity in earnings of affiliates | (4,541) | (9,758) | (41,731) |
| Interest income | (169,456) | (182,377) | (1,557,073) |
| Interest expense | 78,730 | 89,504 | 723,422 |
| Gain on securities – net | (6,983) | (40,606) | (64,169) |
| Gain on money held in trust – net | (1,001) | (805) | (9,203) |
| Foreign exchange losses (gains) | 9,445 | (1,080) | 86,792 |
| (Gain) loss on sales of fixed assets – net | (4,197) | 1,396 | (38,568) |
| Changes in operating assets and liabilities: | | | |
| Allowance for loan losses | 191 | (9,408) | 1,759 |
| Allowance for investment losses | (9) | (129) | (91) |
| Accrued bonuses to employees | 279 | 135 | 2,567 |
| Accrued bonuses to directors | 0 | 1 | 1 |
| Asset for retirement benefits | 974 | 351 | 8,956 |
| Liability for retirement benefits | 122 | (87) | 1,124 |
| Loans | 508,654 | (198,703) | 4,673,848 |
| Debentures | 124,119 | 103,885 | 1,140,490 |
| Borrowed money | 83,088 | (556,389) | 763,469 |
| Corporate bonds | 275,763 | 260,130 | 2,533,892 |
| Due from banks (excluding cash equivalents) | (3,000) | (24,206) | (27,566) |
| Call loans and bills bought | (460,000) | 203,179 | (4,226,776) |
| Payables under repurchase agreements | (93,761) | 93,761 | (861,543) |
| Interest received | 173,450 | 180,167 | 1,593,773 |
| Interest paid | (83,035) | (91,044) | (762,986) |
| Other – net | 135,395 | 18,532 | 1,244,102 |
| Sub-total | 663,934 | (21,893) | 6,100,653 |
| Payments for income taxes | (30,320) | (36,784) | (278,604) |
| **Net cash provided by (used in) operating activities** | 633,613 | (58,677) | 5,822,049 |
| **Cash flows from investing activities:** | | | |
| Payments for purchases of securities | (846,286) | (488,408) | (7,776,222) |
| Proceeds from sales of securities | 82,195 | 116,121 | 755,261 |
| Proceeds from redemption of securities | 319,425 | 324,288 | 2,935,090 |
| Payments for increase of money held in trust | (4,255) | (9,090) | (39,100) |
| Proceeds from decrease of money held in trust | 5,023 | 814 | 46,158 |
| Payments for purchases of tangible fixed assets | (3,908) | (9,739) | (35,914) |
| Proceeds from sales of tangible fixed assets | 42,452 | 322 | 390,077 |
| Payments for purchases of intangible fixed assets | (3,157) | (3,122) | (29,011) |
| Proceeds from sales of intangible fixed assets | 0 | — | 4 |
| Payments for purchases of stocks of subsidiaries resulting in change in scope of consolidation | — | (69,758) | — |
| Proceeds from sales of stocks of subsidiaries resulting in change in scope of consolidation | — | 2,284 | — |
| **Net cash used in investing activities** | (408,510) | (136,289) | (3,753,658) |
| **Cash flows from financing activities:** | | | |
| Proceeds from investment from government | 130,000 | 129,000 | 1,194,524 |
| Payments for cash dividends | (21,030) | (22,121) | (193,244) |
| Proceeds from issuance of securities to non-controlling shareholders of subsidiaries | 761 | 7 | 6,998 |
| Dividends paid to non-controlling shareholders of subsidiaries | (5,330) | (3,322) | (48,979) |
| **Net cash provided by financing activities** | 104,400 | 103,562 | 959,298 |
| **Foreign currency translation adjustments on cash and cash equivalents** | (651) | 194 | (5,987) |
| **Net change in cash and cash equivalents** | 328,851 | (91,209) | 3,021,702 |
| **Cash and cash equivalents at beginning of year** | 903,817 | 995,027 | 8,304,857 |
| **Increase in cash and cash equivalents due to new consolidation** | 200 | — | 1,842 |
| **Cash and cash equivalents at end of year (Note 2(c))** | ¥1,232,869 | ¥ 903,817 | $11,328,400 |

See notes to consolidated financial statements.

## 1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and Ministerial Ordinance for Accounting of the Development Bank of Japan Inc. ("DBJ Inc.") and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The amounts indicated in millions of yen are rounded down by omitting the figures less than one million yen. Accordingly, the sum of each amount appearing in the accompanying financial statements and the notes thereto may not be equal to the sum of the individual account balances. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥108.83 = $1.00, the effective exchange rate prevailing as of March 31, 2020, has been used in the conversion. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

#### (1) Scope of Consolidation

Under the control concept, those companies in which DBJ Inc., directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for the period and the fiscal years ending on or after September 8, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei Kumiai (silent partnership) and other entities with similar characteristics.

(i) Consolidated subsidiaries

The number of consolidated subsidiaries as of March 31, 2020 is 33. The major consolidated subsidiaries as of March 31, 2020 are as follows:

DBJ Singapore Limited
Japan Economic Research Institute Inc.
DBJ Europe Limited
DBJ Real Estate Co., Ltd.
DBJ Investment Advisory Co., Ltd.
DBJ Capital Co., Ltd.
DBJ Securities Co., Ltd.
DBJ Asset Management Co., Ltd.
Value Management Institute, Inc.
DBJ Investment Consulting (Beijing) Co., Ltd.
Consist Inc.
DBJ Americas Inc.

In the year ended March 31, 2020, two companies including UDS IV Corporate Mezzanine Limited Partnership were newly consolidated due to increased materiality and a silent partnership managed by Godo Kaisha Asset 6 was newly consolidated due to new investments.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2020 is 54. The major unconsolidated subsidiary as of March 31, 2020 was DBJ Regional Investment Co., Ltd.

Unconsolidated subsidiaries are excluded from the scope of consolidation because such exclusion has no material impact on the consolidated financial statements in terms of total assets, income, net income, retained earnings and accumulated other comprehensive income.

(iii) Companies not classified as subsidiaries where DBJ Inc. holds the majority of voting rights

Kinugawa Rubber Industrial Co., Ltd.
ADVANIDE HOLDINGS PTE. LTD.
ABLIC Inc.
Value Planning co., ltd.
ORENO Corporation
Maxell Izumi Co., Ltd.
Stellarworks International Co., Ltd.

These companies were not treated as subsidiaries because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

## (2) Application of the Equity Method

Under the influence concept, unconsolidated subsidiaries and affiliates over which DBJ Inc. has the ability to exercise significant influence are accounted for by the equity method.

(i) Unconsolidated subsidiaries not accounted for by the equity method

The number of unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2020 was 54. The major unconsolidated subsidiary not accounted for by the equity method was DBJ Regional Investment Co., Ltd.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2020 was 27. One of the major affiliates accounted for by the equity method as of March 31, 2020 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:

Asahikawa Airport Terminal Building Co., Ltd. was excluded from the scope of the equity method accounting due to sale of its shares in the year ended March 31, 2020.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2020 was 115. One of the major affiliates as of March 31, 2020 was New Perspective One LLC.

Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method have been excluded from the scope of the equity method because their aggregate effect in terms of net income, retained earnings and accumulated other comprehensive income has no material impact on the consolidated financial statements of DBJ Inc.

(iv) Entities not classified as affiliates where DBJ Inc. holds voting rights of between 20% and 50%

The following companies of which DBJ Inc. holding voting rights of between 20% and 50% are not affiliates accounted for by the equity method, because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

As of March 31, 2020

Socionext Inc.
KANTO-UNYU Co., Ltd.
Daisho-gun Co., Ltd.
PT. PETROTEKNO
C&A Tool Engineering, Inc.
Medical Care Service Company Inc.
CMIC CMO Co., Ltd.
Wilsonart (Thailand) Co., Ltd.
Wilsonart (Shanghai) Co., Ltd.
Wilsonart Asia Limited
NATIONAL CAR PARKS LIMITED
Megabass Inc.
TAKUMIYA HOLDINGS Co., Ltd.
FUJIBAMBI HOLDINGS Co., Ltd.
INVOICE INC.
NIHON CM HOLDINGS Co., Ltd.
Nippon Heater Kiki Co., Ltd.
HIROFU CO., LTD.
SHIMONO CO., LTD.

### (3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

| | Number of subsidiaries |
|---|---|
| | 2020 |
| December 31 | 25 |
| February 28 or 29 | 1 |
| March 31 | 7 |

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their year-end balance sheet date.

The necessary adjustments are made in the consolidated financial statements to reflect material transactions that occur between the year-end balance sheet date of the subsidiary and the consolidated balance sheet date.

### (4) Elimination of Intercompany Balances and Transactions

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit and loss resulting from transactions between DBJ Inc. and its consolidated subsidiaries are eliminated.

### (5) Amortization of Goodwill

The difference between the fair value of net assets and the cost of the acquired subsidiary is amortized on a straight-line basis over the estimated useful lives not exceeding 20 years. Minor differences are charged to expense in the year of acquisition. The excess of the fair value over the cost of acquired subsidiaries (bargain purchase) is recognized as income immediately as incurred.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statement of cash flows are included in cash and due from banks. The reconciliation between "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheet is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Cash and due from banks | ¥1,298,955 | ¥966,903 | $11,935,641 |
| Time deposits with banks | (66,085) | (63,086) | (607,241) |
| Cash and cash equivalents | ¥1,232,869 | ¥903,817 | $11,328,400 |

(d) Securities

Held-to-maturity debt securities are stated at amortized cost with amortization computed on a straight-line basis, using the weighted average method. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or losses by applying fair value hedge accounting. The cost of these securities upon sale is calculated principally using the weighted average method. Financial instruments whose fair value cannot be reliably determined are stated at cost using the weighted average method.

Investments in limited partnerships and other similar partnerships are accounted for at their original cost plus DBJ Inc.'s interest in earnings since acquisition and less any dividends received, based on the investees' most recent financial statements.

Securities which are held as trust assets in money held in trust accounts are valued in the same way as other securities.

(e) Valuation Method for Derivative Financial Instruments

All derivative financial instruments are carried at market value. Except for certain derivatives that are designated as hedging instruments as discussed below, gains or losses on derivative transactions are recognized in the consolidated statement of income.

(f) Hedge Accounting

(1) Hedge Accounting

DBJ Inc. applies the deferral method of hedge accounting or the accrual method (*1). The portfolio hedge is accounted for by the method stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA Industry Audit Committee Report No. 24" February 13, 2002). In addition, foreign currency swaps which are used to hedge foreign currency fluctuations are not stated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments. The portfolio hedge is accounted for by the deferral method provided in "Accounting and Auditing Treatments on Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

In addition, DBJ Inc. applies portfolio hedges to hedge foreign currency fluctuations associated with equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than bonds). The translation differences on hedging instruments are included in foreign currency translation adjustments in the case of equity investments in overseas subsidiaries and affiliates; fair value hedges are applied to foreign currency denominated available-for-sale securities (other than bonds).

(2) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest rate swaps
  Hedged Items: Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments: Foreign currency swaps
  Hedged Items: Foreign currency denominated Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments: Forward liability denominated in foreign currency
  Hedged Items: Foreign currency denominated equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than bonds)

(3) Hedging Policy

DBJ Inc. utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities. Individual or certain group contracts are drawn for each hedged item.

(4) Evaluation of Hedge Effectiveness

According to the risk management policy, DBJ Inc. evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In addition, with respect to portfolio hedging activities, for interest rate swaps used to hedge market interest rate fluctuations, hedge effectiveness is assessed on a specifically identifiable group of hedged items and a corresponding group of hedging instruments, and for interest rate swaps used to hedge variability in cash flows, hedge effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flows and the hedging instrument. For currency swaps used to hedge foreign exchange risks of foreign currency denominated financial assets and liabilities, the effectiveness is assessed by confirming that the total foreign currency denominated financial assets and liabilities of the hedged items are equal to or larger than that of hedging instruments.

With respect to hedging activities against foreign exchange risk of equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than bonds), the effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

With respect to an individual hedge, for both interest rate swap contracts which meet the hedging requirements of the accrual method (*1) and foreign currency swap contracts which meet the hedging requirements of the assignment method (*2), DBJ Inc. is not required to periodically evaluate hedge effectiveness.

*1. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

*2. In cases where foreign currency swaps are used as hedges and meet certain hedging criteria, foreign exchange forward contracts and hedged items are accounted for in the following manner:

(i) If a foreign currency swap is executed to hedge existing foreign currency assets or liabilities, a) the difference, if any, between the Japanese yen amount of the hedged foreign currency asset or liability translated using the spot rate at the inception date of the contract and the book value of the asset or liability is recognized in the statement of income in the period since inception, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(ii) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction is recorded using the contracted forward rate, and no gains or losses on the foreign exchange forward contract are recognized.

(g) Fixed Assets

(1) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation. Tangible Fixed Assets of DBJ Inc. are depreciated using the declining-balance method, except for buildings (excluding installed facilities) and installed facilities and structures acquired on or after April 1, 2016 that are depreciated on a straight-line basis, and depreciation of tangible fixed assets of consolidated subsidiaries is computed principally using the straight-line method, based on the estimated useful lives of the assets.

The estimated useful lives are principally as follows:

Buildings : 3 years to 50 years
Others : 4 years to 20 years

(2) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method over the estimated useful lives (mainly 5 years).

(3) Lease Assets

Depreciation for lease assets is computed by the straight-line method with zero residual value over the lease term.

(h) Long-Lived Assets

DBJ Inc. reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. Impairment losses are recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment losses would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) Debentures and Corporate Bonds Issuance Costs

"Debentures and Corporate Bonds Issuance Costs" are charged to expense as incurred.

(j) Foreign Currency Translation and Revaluation Method

Assets and liabilities denominated in foreign currencies held by DBJ Inc., except for shares of subsidiaries and affiliates translated at historical rates, have been translated at the exchange rates prevailing as of the balance sheet date. Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiaries at the respective year-end exchange rates. The foreign exchange gains and losses from transactions are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign Currency Transaction Adjustments" in a separate component of equity. Income and expense accounts of consolidated foreign subsidiaries are translated into yen at the exchange rate prevailing as of the balance sheet date.

(k) Allowance for Loan Losses

DBJ Inc. provides for "Allowance for Loan Losses" as detailed below pursuant to the internal policies for self-assessment of credit quality and loan losses. The allowance for claims on debtors who are legally bankrupt, in special liquidation or effectively bankrupt is provided for based on the amount of claims, after the write-off described below, net of amounts expected to be recovered through disposal of collateral or execution of guarantees. The allowance for claims on debtors who are not legally bankrupt, but are likely to become bankrupt, and for which future cash flows cannot reasonably be estimated (possibly bankrupt), is provided for at the amount considered to be necessary based on an overall solvency assessment performed on the claims, net of amounts expected to be recovered through disposal of collateral or execution of guarantees. With respect to the claims on debtors who are likely to become bankrupt or to be closely monitored, and for which future cash flows can reasonably be estimated, the allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims. The allowance for claims on debtors other than those described above is provided based on the historical default rate, which is calculated based on the actual defaults over a certain historical period. All claims are assessed initially by the investment and lending departments and then by the Credit Analysis Department, which is independent of the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided for based on the results of the self-assessment. With respect to the claims on debtors who are legally or substantially bankrupt with collateral or guarantees, the amount of claims exceeding the estimated market values of collateral or guarantees which are deemed uncollectible were written-off, and totaled ¥10,556 million ($97,004 thousand) and ¥17,332 million for the years ended March 31, 2020 and 2019, respectively. The consolidated subsidiaries calculate the general reserve for “normal” categories based on the specific actual historical loss ratio, and the specific reserve for the “possibly bankrupt,” “effectively bankrupt” and “legally bankrupt” categories based on estimated losses, considering the recoverable value.

While the novel coronavirus disease (COVID-19) is expected to have an impact on counterparty credit risk, DBJ Inc. has recorded an allowance for loan losses by reflecting the expected impact on each category of debtors as necessary based on information available as of the date of preparation of the consolidated financial statements.
Unexpected losses may be recognized in the consolidated financial statements for the following fiscal year since the impact of the spread of COVID-19 on the economy contains numerous uncertainties.

(l) Allowance for Investment Losses

“Allowance for Investment Losses” is provided for based on the estimated losses on certain investments based on an assessment of the issuers’ financial condition.

(m) Accrued Bonuses to Employees and Directors

“Accrued Bonuses to Employees and Directors” are provided for in the amount of the estimated bonuses which are attributable to the years ended March 31, 2020 and 2019.

(n) Employees’ Retirement Benefits

DBJ Inc. has defined benefit pension plans, which consist of a defined benefit corporate pension plan and a lump-sum severance indemnity plan, as well as a defined contribution pension plan. Some domestic consolidated subsidiaries have a lump-sum severance indemnity plan and defined contribution plans, and some overseas consolidated subsidiaries have retirement benefit plans which are typically defined contribution plans. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses and service costs that are yet to be recognized in profit or loss are recognized with in equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over ten years no longer than the expected average remaining service period of the employees.

(o) Reserve for Directors’ Retirement Benefits

“Reserve for Directors’ Retirement Benefits” is accrued based on the amount that would be required if all directors retired at the balance sheet date.

(p) Lease Transactions

Finance Lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

(q) Consumption Taxes

Income and expenses subject to consumption taxes are presented net of related consumption taxes paid or received.

(r) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(s) Per Share Information

Equity per share is computed by dividing total equity less crisis response reserve, special investment reserve attributable to the National Treasury, special investment surplus attributable to the National Treasury and non-controlling interests by the outstanding number of shares of common stock as of March 31, 2020 and 2019.

Basic net income per share is computed by dividing net income available to owners of the parent related to common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share for the years ended March 31, 2020 and 2019 is not disclosed because there are no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the year including dividends to be paid after the end of the year.

(t) Accounting Change

***FASB Accounting Standards Update "Recognition and Measurement of Financial Assets and Financial Liabilities"***

Foreign consolidated subsidiaries preparing financial statements in accordance with US GAAP have adopted FASB Accounting Standards Update ("ASU") No. 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" effective the fiscal year ended March 31, 2020.

Accordingly, investments in equity interests except those accounted for under the equity method are measured at fair value in principle and the changes are recognized in net income.

As a result, retained earnings increased by ¥1,553 million ($14,276 thousand) at the beginning of the year ended March 31, 2020. The effects on the consolidated statement of income for the year ended March 31, 2020 were immaterial.

(u) New Accounting Pronouncement

***Accounting Standards for Fair Value Measurement***

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019)
"Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019)
"Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

In light of the circumstances that the IASB and the FASB provides nearly identical guidance on fair value measurement, that is, IFRS 13 "Fair Value Measurement" and FASB Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurement," the ASBJ had been working to align Japanese accounting standards with international accounting standards mainly concerning guidance and disclosures about the fair value of financial instruments, and therefore issued "Accounting Standard for Fair Value Measurement" along with other standards and guidance.

As a basic policy of the ASBJ in developing accounting standards for fair value measurement, from the viewpoint of enhancing comparability of financial statements among the domestic and foreign companies by using unified measurement methods, the ASBJ determined to introduce principally all the provisions of IFRS 13 and defined other treatments for specific matters as long as they do not significantly harm the comparability among financial statements considering the practices prevailing in Japan.

DBJ Inc. expects to apply these standards and guidance effective April 1, 2021 and is in the process of measuring the effects of their application.

***Accounting Standard for Disclosure of Accounting Estimates***

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020)

The ASBJ developed and issued "Accounting Standard for Disclosure of Accounting Estimates" (the "Standard") in response to requests to disclose information similar to "sources of estimation uncertainty," which is required under Paragraph 125 of International Accounting Standard ("IAS") 1, "Presentation of Financial Statements" ("IAS 1") issued in 2003, in the notes to the financial statements under Japanese GAAP, in order to facilitate the understanding of the users of the financial statements.

As a basic policy in developing the Standard, instead of expanding each of the note items, the ASBJ presented the principles for disclosure (disclosure objectives) and decided to leave the decision on specific disclosure contents to each entity based on its respective disclosure items. In developing the Standard, the provisions of Paragraph 125 of IAS 1 were used as a reference.

DBJ Inc. expects to apply these standards effective March 31, 2021.

## 3. SECURITIES

Securities as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Japanese government bonds*3 | ¥ 134,664 | ¥ 125,132 | $ 1,237,384 |
| Corporate bonds*2 | 830,952 | 713,426 | 7,635,329 |
| Equities*1 | 687,020 | 423,008 | 6,312,787 |
| Other securities*1 | 721,630 | 699,486 | 6,630,809 |
| Total | ¥2,374,268 | ¥1,961,054 | $21,816,308 |

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2020 and 2019, are ¥57,242 million ($525,980 thousand) and ¥60,473 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2020 and 2019, are ¥194,159 million ($1,784,060 thousand) and ¥189,520 million, respectively.

*2. DBJ Inc. has contingent liabilities for guarantees of corporate bonds among securities which were issued by private placement (Article 2, Paragraph 3 of Financial Instruments and Exchange Act), which amount to ¥4,462 million ($41,001 thousand) and ¥5,700 million as of March 31, 2020 and 2019, respectively.

*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥37,689 million ($346,314 thousand) and ¥37,400 million as of March 31, 2020 and 2019, respectively.

*4. Securities available-for-sale (excluding those securities those fair value cannot be reliably determined), whose fair value significantly declined compared with the acquisition cost, and is considered to be other than recoverable decline, were written down to the respective fair value which is recorded as the carrying amount on the consolidated balance sheets.
The criterion for determining whether the fair value is "significantly declined" are as follows:
Fair value declined by 50% or more of the acquisition cost.
Fair value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses were recognized on equity securities in an amount of ¥3,984 million ($36,610 thousand) for the year ended March 31, 2020.

No impairment losses on securities were recognized for the year ended March 31, 2019.

## 4. NON-PERFORMING LOANS

The amounts of non-performing loans included in "Loans" as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Loans to bankrupt debtors*2 | ¥ 8 | ¥ 0 | $ 74 |
| Delinquent loans*3 | 30,341 | 30,184 | 278,801 |
| Loans past due three months or more*4 | — | — | — |
| Restructured loans*5 | 26,914 | 21,315 | 247,304 |
| Total | ¥57,264 | ¥51,499 | $526,179 |

*1. The amounts of loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.

*2. "Loans to bankrupt debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.

*3. "Delinquent loans" represent non-accrual loans other than (i) Loans to bankrupt debtors and (ii) Loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.

*4. "Loans past due three months or more" are loans whose principal or interest payment is three months or more past due and do not fall under the category of "Loans to bankrupt debtors" or "Delinquent loans."

*5. "Restructured loans" are loans whose repayment terms have been modified to the advantage of debtors through means such as a reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to bankrupt debtors," "Delinquent loans," or "Loans past due three months or more."

## 5. COMMITMENTS

Loan commitment limits are contracts under which DBJ Inc. lends to customers up to the prescribed limits in response to customers' applications for loans as long as there is no violation of any terms and conditions in the contracts. As of March 31, 2020 and 2019, the amounts of unused commitments are ¥1,054,844 million ($9,692,588 thousand) and ¥1,107,549 million, respectively. As of March 31, 2020 and 2019, the amounts of unused commitments with remaining contract term within one year are ¥719,776 million ($6,613,768 thousand) and ¥774,442 million, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have terms and conditions whereby DBJ Inc. and its subsidiaries can reject customers' applications for loans or decrease the contract limits with proper reason (e.g., changes in financial situation, deterioration in customers' credit worthiness). At the inception of contracts, DBJ Inc. and its consolidated subsidiaries obtain liens on customers' real estate, securities or other assets as collateral as deemed necessary. Subsequently, DBJ Inc. and its consolidated subsidiaries perform periodic reviews of the customers' business results based on internal rules, and take necessary measures to reconsider the terms and conditions of contracts and/or require additional collateral and guarantees.

## 6. OTHER ASSETS

Other assets as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Prepaid expenses | ¥ 3,514 | ¥ 4,041 | $ 32,297 |
| Accrued income | 25,187 | 28,166 | 231,439 |
| Derivatives | 71,758 | 57,475 | 659,360 |
| Cash collateral paid for financial instruments | 17,572 | 23,118 | 161,464 |
| Margin deposits with the central clearing house | 10,273 | 34,284 | 94,399 |
| Other | 34,543 | 44,229 | 317,410 |
| Total | ¥162,849 | ¥191,317 | $1,496,367 |

## 7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Buildings | ¥ 17,704 | ¥ 18,306 | $ 162,678 |
| Land | 90,794 | 91,214 | 834,279 |
| Leased assets | 635 | 284 | 5,841 |
| Construction in progress | 425 | 20 | 3,909 |
| Other | 313,873 | 359,733 | 2,884,071 |
| Total | ¥423,433 | ¥469,559 | $3,890,776 |

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2020 and 2019, is ¥39,825 million ($365,941 thousand) and ¥31,741 million, respectively.

## 8. ALLOWANCE FOR LOAN LOSSES

Allowance for loan losses as of March 31, 2020 and 2019 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| General allowance for loan losses | ¥19,358 | ¥13,759 | $177,883 |
| Specific allowance for loan losses | 16,169 | 21,577 | 148,578 |
| Total | ¥35,528 | ¥35,336 | $326,460 |

## 9. DEBENTURES AND CORPORATE BONDS

Debentures and corporate bonds as of March 31, 2020 and 2019 are as follows:

| | Issue date | Interest rate (%) | Maturity date | Millions of Yen 2020 | Millions of Yen 2019 | Thousands of U.S. Dollars 2020 |
|---|---|---|---|---|---|---|
| (Issuer: DBJ Inc.) | | | | | | |
| Debentures | | | | | | |
| Japanese government-guaranteed bonds 12, 14, 15, 17, 19, 20, 22*1,7 | Jun. 2006– Jun. 2008 | 2.0– 2.2 | Jun. 2021– Jun. 2023 | ¥ 210,005 | ¥ 210,008 | $ 1,929,662 |
| Japanese government-guaranteed bonds 3–7, 9, 11, 14, 16, 19–62 | Dec. 2008– Mar. 2020 | 0.001– 2.1 | Apr. 2019– Dec. 2059 | 1,631,134 [270,054] | 1,580,828 | 14,987,910 [2,481,431] |
| Japanese government-guaranteed foreign bond 67*2,7 | Sep. 1998 | 1.81 | Sep. 2028 | 25,034 | 25,038 | 230,031 |
| Japanese government-guaranteed foreign bonds 5–7, 10, 11, 14*1,7 | Dec. 2002– Nov. 2007 | 1.05– 4.75 | Sep. 2022– Nov. 2027 | 369,017 | 369,018 | 3,390,768 |
| Japanese government-guaranteed Euro MTN bonds 6, 10–20*3 | Sep. 2012– Aug. 2019 | 1.625– 3.25 | Sep. 2019– Aug. 2029 | 982,494 [—] | 908,675 | 9,027,792 [—] |
| FILP agency domestic bonds 20, 31, 34–36, 42, 49*4,7 | Aug. 2005– Jun. 2008 | 1.7– 2.74 | Jun. 2020– Mar. 2047 | 94,970 [19,999] | 94,967 | 872,652 [183,769] |
| Euro MTN FILP agency bond 2*4,5,7 | Sep. 2008 | 2.032 | Sep. 2023 | 2,000 | 2,000 | 18,377 |
| Corporate bonds | | | | | | |
| Corporate bonds through public placement 26, 31, 40,44, 46, 47, 49, 50, 52, 54, 56, 57, 59, 60, 62–121 | May 2012– Jan. 2020 | 0– 1.183 | Jun. 2019– Mar. 2059 | 1,357,601 [205,600] | 1,213,200 | 12,474,516 [1,889,185] |
| Corporate bonds through private placement 3–25, 27–37, 39–107 | Feb. 2015– Jan. 2020 | 0– 1.16 | May 2019– Mar. 2058 | 433,000 [62,000] | 402,000 | 3,978,686 [569,696] |
| Corporate bonds Euro MTN 31, 32, 34, 36, 45, 48, 49, 51, 52, 54–57, 60–83*6 | Apr. 2012– Dec. 2019 | 0.251– 3.749 | Apr. 2019– May. 2049 | 586,499 [—] | 491,012 | 5,389,134 [—] |
| (Issuer: Core Investment Japan TMK) | | | | | | |
| Specified corporate bond 3*8 | Jun. 2019 | 0.26909 | Jun. 2026 | 5,000 | — | 45,943 |
| (Issuer: Hiratsuka Holding TMK) | | | | | | |
| Specified corporate bond 4, 5*8 | Sep. 2014– Sep. 2019 | 0.13909– 0.36727 | Sep. 2019– Sep. 2026 | 125 [—] | 250 | 1,149 [—] |
| Total | | | | ¥5,696,882 | ¥5,296,999 | $52,346,620 |

*1. These bonds are government-guaranteed bonds issued by the Development Bank of Japan.
*2. This bond is a government-guaranteed bond issued by the Japan Development Bank.
*3. These bonds are unsecured guaranteed bonds issued based on Medium Term Note program ("MTN program").
*4. Fiscal Investment and Loan Program (FILP) agency bonds ("FILP bonds") are not government-guaranteed. These bonds are issued by the Development Bank of Japan.
*5. This bond is a FILP bond issued based on MTN program.
*6. These bonds are unsecured corporate bonds issued based on MTN program.
*7. General mortgage under the DBJ Inc. Act (17 of the Supplementary Provisions) and the DBJ Act (Article 43).
*8. These bonds are non-recourse debts.
*9. Figures indicated in brackets [ ] indicate the amounts to be redeemed within one year.

Scheduled redemptions of above debentures and corporate bonds for the following 5 years subsequent to March 31, 2020 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| | Debentures/ corporate bonds | Non-recourse corporate bonds | Debentures/ corporate bonds | Non-recourse corporate bonds |
| The fiscal year ending March 31, 2021 | ¥557,653 | ¥— | $5,124,081 | $— |
| 2022 | 839,586 | — | 7,714,662 | — |
| 2023 | 838,167 | — | 7,701,625 | — |
| 2024 | 639,553 | — | 5,876,628 | — |
| 2025 | 607,195 | — | 5,579,307 | — |

## 10. BORROWED MONEY

Borrowed money as of March 31, 2020 and 2019 is as follows:

| | | | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|
| | Average interest rate (%) | Due date of repayment | 2020 | 2019 | 2020 |
| Borrowings | 0.415 | Apr. 2020–Dec. 2039 | ¥7,882,672 | ¥7,808,016 | $72,431,061 |
| Non-recourse borrowings | 0.746 | Sep. 2024–Dec. 2036 | 188,276 | 179,843 | 1,730,004 |
| Total | 0.423 | | ¥8,070,948 | ¥7,987,860 | $74,161,065 |

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2020 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| | Borrowings | Non-recourse borrowings | Borrowings | Non-recourse borrowings |
| The fiscal year ending March 31, 2021 | ¥1,097,375 | ¥ 6,958 | $10,083,388 | $ 63,935 |
| 2022 | 1,186,167 | 7,011 | 10,899,267 | 64,426 |
| 2023 | 848,248 | 7,070 | 7,794,249 | 64,972 |
| 2024 | 715,622 | 7,152 | 6,575,599 | 65,725 |
| 2025 | 667,977 | 15,967 | 6,137,809 | 146,715 |

## 11. NON-RECOURSE DEBTS

Non-recourse debts in consolidated special purpose companies as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Non-recourse debts: | | | |
| Borrowed money | ¥188,276 | ¥179,843 | $1,730,004 |
| Corporate bonds | 5,125 | 250 | 47,092 |
| Assets corresponding to non-recourse debts: | | | |
| Cash and due from banks | 19,235 | 12,871 | 176,751 |
| Other assets | 4,208 | 4,400 | 38,673 |
| Tangible fixed assets | 219,630 | 188,151 | 2,018,105 |
| Intangible fixed assets | 5,130 | 5,414 | 47,146 |

## 12. OTHER LIABILITIES

Other liabilities as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Accrued expenses | ¥ 13,794 | ¥ 18,143 | $ 126,755 |
| Unearned income | 1,072 | 1,055 | 9,857 |
| Accrued income taxes | 13,001 | 13,620 | 119,464 |
| Derivatives | 36,530 | 30,469 | 335,669 |
| Lease obligations | 572 | 161 | 5,263 |
| Asset retirement obligations | 5,746 | 5,700 | 52,807 |
| Other | 133,545 | 32,718 | 1,227,104 |
| Total | ¥204,265 | ¥101,869 | $1,876,919 |

## 13. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Guarantees | ¥267,306 | ¥273,239 | $2,456,187 |

## 14. ASSETS PLEDGED AS COLLATERAL

Cash and due from banks of ¥19,235 million ($176,751 thousand), other assets of ¥4,208 million ($38,673 thousand), tangible fixed assets of ¥219,630 million ($2,018,105 thousand) and intangible fixed assets of ¥5,130 million ($47,146 thousand) are pledged as collateral for borrowed money of ¥188,276 million ($1,730,004 thousand) and corporate bonds of ¥5,125 million ($47,092 thousand) as of March 31, 2020.

Cash and due from banks of ¥12,871 million, securities of ¥87,731 million, other assets of ¥4,400 million, tangible fixed assets of ¥188,151 million and intangible fixed assets of ¥5,414 million are pledged as collateral for payables under repurchase agreements of ¥93,761 million, borrowed money of ¥179,843 million and corporate bonds of ¥250 million as of March 31, 2019.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥154,643 million ($1,420,961 thousand) and ¥923,054 million ($8,481,620 thousand), as of March 31, 2020, respectively. Such securities and loans are pledged as collateral for transactions, including exchange settlements as of March 31, 2020. On behalf of the investees who borrow from third parties, ¥11,782 million ($108,268 thousand) of securities are pledged as collateral as of March 31, 2020. Additionally, ¥17,572 million ($161,464 thousand) of cash collateral paid for financial instruments and ¥10,273 million ($94,399 thousand) of margin deposits with the central clearing house are included in other assets as of March 31, 2020. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥701,289 million ($6,443,894 thousand) as of March 31, 2020.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥129,452 million and ¥1,147,624 million, as of March 31, 2019, respectively. Such securities and loans are pledged as collateral for transactions, including exchange settlements as of March 31, 2019. On behalf of the investees who borrow from third parties, ¥27,030 million of securities are pledged as collateral as of March 31, 2019. Additionally, ¥23,118 million of cash collateral paid for financial instruments and ¥34,284 million of margin deposits with the central clearing house are included in other assets as of March 31, 2019. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥701,289 million as of March 31, 2019.

## 15. EQUITY

Japanese companies including DBJ Inc. are regulated by the Companies Act. In addition, DBJ Inc. is regulated by the DBJ Inc. Act. The significant provisions in the Companies Act and the DBJ Inc. Act that affect financial and accounting matters are summarized as follows:

### (a) Dividends

Under the Companies Act, companies can distribute dividends at any time during the fiscal year, in addition to the year-end dividend, upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term in its articles of incorporation. With respect to the third condition above, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year, if the Board of Directors can declare dividends as prescribed in the company's articles of incorporation. DBJ Inc., however, shall not distribute such dividends based on resolution of the Board of Directors, since its articles of incorporation do not prescribe that the Board of Directors can take such action. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. Article 20 of the DBJ Inc. Act provides that the timing and amounts for dividends shall be authorized by the Finance Minister.

### (b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be set aside as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged for dividends, until the total aggregate amount of legal reserve and additional paid-in capital equal 25% of Common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be reclassified among the accounts under certain conditions and upon resolution by the shareholders.

### (c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of the treasury stock based on resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the distributable amount to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. The treasury stock acquisition rights are presented as a separate component of equity or deduction of stock acquisition rights.

### (d) Solicitation and Delivery of Shares or Stock Acquisition Rights

Article 12 of the DBJ Inc. Act regulates that, if DBJ Inc. intends to solicit those who will subscribe for shares or stock acquisition rights offered, or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, DBJ Inc. shall obtain an authorization from the Finance Minister.

## 16. CRISIS RESPONSE RESERVE

DBJ Inc. recorded the accumulated amounts of the government's contribution to implement the crisis response operations in accordance with the provision of Article 2-22 of the supplementary provision of the DBJ Inc. Act (hereinafter the "Act") as "Crisis response reserve."

The reserve is characterized as follows:

(a) For the purpose of calculating the amount of surplus, the amount of crisis response reserve is included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.

(b) In case of compensation for deficit, the amount of crisis response reserve may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amount of crisis response reserve, the amount of crisis response reserve shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.

(c) In case DBJ Inc. determined that a sufficient financial base required for the proper implementation of crisis response operations has been secured, DBJ Inc. shall pay the full or partial amount of crisis response reserve to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.
(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amount of crisis response reserve to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

## 17. SPECIAL INVESTMENT RESERVE AND SPECIAL INVESTMENT SURPLUS

DBJ Inc. recorded the amounts transferred from the government's investment and capital surplus to implement the special investment operations in accordance with the provision of Article 2-23 of the supplementary provision of the Act as "Special investment reserve". In addition, profit or loss arising from special investment operations is transferred from retained earnings to "Special investment surplus."

Special Investment Reserve and Special Investment Surplus are characterized as follows:
(a) For the purpose of calculating the amount of surplus, the amounts of special investment reserve and special investment surplus are included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.
(b) In case of compensation for deficit, the amounts of special investment reserve or special investment surplus may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amounts of special investment reserve or special investment surplus, the amounts of special investment reserve or special investment surplus shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.
(c) In case that DBJ Inc. determined that these amounts became unnecessary to implement special investment operations properly, DBJ Inc. may pay the full or partial amount of special investment reserve or special investment surplus to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.
(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amounts of special investment reserve and special investment surplus corresponding to the amount attributable to the National Treasury to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

## 18. PER SHARE INFORMATION

Equity per share of common stock as of March 31, 2020 and 2019 and basic net income per common share ("EPS") for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|---|---|---|---|
| Year ended March 31, 2020 | Equity related to common stock | Outstanding number of shares used to calculate equity per share | Equity per share | Equity per share |
| Equity per share | | | | |
| Total equity | ¥3,434,054 | | | |
| Items deducted from total equity | 652,244 | | | |
| (Crisis response reserve) | 206,529 | | | |
| (Special investment reserve attributable to the National Treasury) | 424,000 | | | |
| (Special investment surplus attributable to the National Treasury) | 6,218 | | | |
| (Non-controlling interests) | 15,496 | | | |
| Equity related to common stock | ¥2,781,810 | 43,632 | ¥63,755.66 | $585.83 |
| Year ended March 31, 2019 | | | | |
| Equity per share | | | | |
| Total equity | ¥3,296,345 | | | |
| Items deducted from total equity | 513,917 | | | |
| (Crisis response reserve) | 206,529 | | | |
| (Special investment reserve attributable to the National Treasury) | 294,000 | | | |
| (Special investment surplus attributable to the National Treasury) | 2,706 | | | |
| (Non-controlling interests) | 10,682 | | | |
| Equity related to common stock | ¥2,782,427 | 43,632 | ¥63,769.82 | |

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|---|---|---|---|
| Year ended March 31, 2020 | Net income attributable to owners of the parent | Weighted average shares | EPS | EPS |
| Basic EPS | | | | |
| Net income attributable to owners of the parent | ¥50,456 | | | |
| Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations) | 3,511 | | | |
| Net income attributable to owners of the parent related to common stock | ¥46,944 | 43,632 | ¥1,075.90 | $9.89 |
| Year ended March 31, 2019 | | | | |
| Basic EPS | | | | |
| Net income attributable to owners of the parent | ¥91,936 | | | |
| Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations) | 1,156 | | | |
| Net income attributable to owners of the parent related to common stock | ¥90,780 | 43,632 | ¥2,080.56 | |

Note: Diluted net income per share for the years ended March 31, 2020 and 2019 is not disclosed because there are no dilutive securities.

## 19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2020 and 2019 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Foreign exchange gains | ¥ — | ¥6,094 | $ — |
| Gains on sales of bonds | 762 | 283 | 7,006 |
| Gains on derivatives | 14,065 | — | 129,247 |
| Other | 336 | 609 | 3,094 |
| Total | ¥15,165 | ¥6,987 | $139,347 |

## 20. OTHER INCOME

Other income for the years ended March 31, 2020 and 2019 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Reversal of allowance for loan losses | ¥ — | ¥ 4,915 | $ — |
| Gains on sales of equities and other securities | 10,494 | 17,324 | 96,428 |
| Gains on redemption of securities | 7,727 | 457 | 71,009 |
| Equity in earnings of affiliates | 4,541 | 9,758 | 41,731 |
| Gains on sales of fixed assets | 4,333 | 1 | 39,815 |
| Collection of written-off claims | 6,255 | 1,994 | 57,481 |
| Gains on investments in limited partnerships and other similar partnerships | 26,575 | 27,070 | 244,194 |
| Rental income on land and buildings | 12,273 | 13,224 | 112,777 |
| Sales of electric power | 12,747 | 12,240 | 117,133 |
| Other | 6,738 | 8,572 | 61,921 |
| Total | ¥91,688 | ¥95,561 | $842,489 |

## 21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Losses on sales of bonds | ¥ 5 | ¥ 16 | $ 52 |
| Foreign exchange losses | 9,996 | — | 91,852 |
| Debenture issuance costs | 817 | 861 | 7,512 |
| Corporate bonds issuance costs | 1,486 | 1,271 | 13,661 |
| Losses on derivatives | — | 1,381 | — |
| Other | 4 | 1 | 41 |
| Total | ¥12,310 | ¥3,532 | $113,118 |

## 22. OTHER EXPENSES

Other expenses for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Losses on sales of fixed assets | ¥ 135 | ¥ 1,397 | $ 1,247 |
| Impairment losses | 165 | — | 1,522 |
| Write-off of equities | 32,758 | 1,577 | 301,007 |
| Losses on investments in limited partnerships and other similar partnerships | 5,377 | 2,979 | 49,416 |
| Depreciation | 9,045 | 8,539 | 83,115 |
| Provision of allowance for loan losses | 1,734 | — | 15,935 |
| Provision of allowance for investment losses | — | 6 | — |
| Other | 2,521 | 686 | 23,170 |
| Total | ¥51,739 | ¥15,187 | $475,414 |

## 23. EMPLOYEES' RETIREMENT BENEFITS

Employees whose service with DBJ Inc. is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

### (a) Defined Benefit Pension Plan

(1) The changes in retirement benefit obligation for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Balance at beginning of year | ¥35,372 | ¥34,476 | $325,024 |
| Service cost | 1,574 | 1,560 | 14,470 |
| Interest cost | 385 | 376 | 3,542 |
| Actuarial losses | 542 | 892 | 4,982 |
| Benefits paid | (1,707) | (1,933) | (15,692) |
| Balance at end of year | ¥36,167 | ¥35,372 | $332,326 |

(2) The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Balance at beginning of year | ¥29,641 | ¥29,009 | $272,363 |
| Expected return on plan assets | 148 | 145 | 1,362 |
| Actuarial (losses) gains | (529) | 384 | (4,866) |
| Contributions from the employer | 945 | 1,018 | 8,688 |
| Benefits paid | (866) | (916) | (7,962) |
| Balance at end of year | ¥29,338 | ¥29,641 | $269,585 |

(3) Reconciliation between the liability for retirement benefits recorded in the consolidated balance sheet and the balances of retirement benefit obligations and plan assets for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Funded retirement benefit obligations | ¥ 28,074 | ¥ 27,402 | $ 257,971 |
| Plan assets | (29,338) | (29,641) | (269,585) |
| | (1,263) | (2,238) | (11,614) |
| Unfunded retirement benefit obligations | 8,092 | 7,969 | 74,355 |
| Net liability for retirement benefits recorded in the consolidated balance sheet | ¥ 6,828 | ¥ 5,731 | $ 62,741 |
| Liability for retirement benefits | ¥ 8,092 | ¥ 7,969 | $ 74,355 |
| Asset for retirement benefits | (1,263) | (2,238) | (11,614) |
| Net liability for retirement benefits recorded in the consolidated balance sheet | ¥ 6,828 | ¥ 5,731 | $ 62,741 |

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Service cost | ¥1,574 | ¥1,560 | $14,470 |
| Interest cost | 385 | 376 | 3,542 |
| Expected return on plan assets | (148) | (145) | (1,362) |
| Amortization of net actuarial losses | 81 | 136 | 745 |
| Amortization of prior service cost | 7 | 12 | 70 |
| Net periodic retirement benefit costs | ¥1,900 | ¥1,940 | $17,465 |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Prior service cost | ¥ 7 | ¥ 12 | $ 70 |
| Actuarial losses | (990) | (372) | (9,103) |
| Total | ¥(983) | ¥(360) | $(9,033) |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Unrecognized prior service cost | ¥ (11) | ¥ (19) | $ (110) |
| Unrecognized actuarial losses | (1,353) | (363) | (12,440) |
| Total | ¥(1,365) | ¥(382) | $(12,550) |

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Debentures | 73% | 89% |
| Equity | 9% | 10% |
| Others | 18% | 1% |
| Total | 100% | 100% |

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2020 and 2019 were set forth as follows:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 1.1% | 1.1% |
| Expected salary increase rate | 1.7%–5.3% | 1.7%–5.3% |
| Expected rate of return on plan assets | 0.5% | 0.5% |

### (b) Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of DBJ Inc. and its consolidated subsidiaries for the years ended March 31, 2020 and 2019 are ¥243 million ($2,236 thousand) and ¥237 million, respectively.

## 24. INCOME TAXES

DBJ Inc. and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.62% for the years ended March 31, 2020 and 2019.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Normal effective statutory tax rate | 30.62 % | 30.62 % |
| Increase (decrease) in taxes resulting from: | | |
| Change in valuation allowance | 8.96 % | (1.83)% |
| Equity in earnings of affiliates | (1.67)% | (2.36)% |
| Other | 0.03 % | 0.01 % |
| Actual effective tax rate | 37.94 % | 26.44 % |

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Deferred tax assets: | | | |
| Allowance for loan losses | ¥ 12,589 | ¥ 14,478 | $115,680 |
| Losses from revaluation of securities | 21,313 | 11,955 | 195,846 |
| Excess of fair value over assets of consolidated subsidiaries | 3,426 | 3,426 | 31,489 |
| Liability for retirement benefits | 2,014 | 1,986 | 18,508 |
| Tax goodwill | 1,275 | 1,416 | 11,724 |
| Tax loss carryforwards | 6,498 | 6,289 | 59,710 |
| Other | 16,961 | 16,583 | 155,855 |
| Sub-total | 64,080 | 56,137 | 588,812 |
| Less-valuation allowance on total of temporary differences deductible in future periods | (46,208) | (38,765) | (424,596) |
| Sub-total*1 | (46,208) | (38,765) | (424,596) |
| Total | 17,871 | 17,371 | 164,216 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | (7,278) | (17,085) | (66,879) |
| Deferred gain on derivatives under hedge accounting | (8,398) | (10,696) | (77,170) |
| Other | (6,002) | (4,701) | (55,159) |
| Total | (21,679) | (32,483) | (199,208) |
| Net deferred tax assets (liabilities)*2 | ¥ (3,808) | ¥(15,111) | $ (34,992) |

*1. Changes in valuation allowance are principally due to an increase in valuation allowance for write-off of securities.
*2. Net deferred tax assets are included in the following items in the consolidated balance sheets.

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Deferred tax assets | ¥ 2,800 | ¥ 1,217 | $ 25,733 |
| Deferred tax liabilities | (6,608) | (16,328) | (60,725) |

## 25. LEASE TRANSACTIONS

### (a) Finance Leases

Information about finance leases is omitted since there is no materiality.

### (b) Operating Leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Due within 1 year | ¥1,757 | ¥1,700 | $16,153 |
| Due after 1 year | 2,255 | 3,824 | 20,722 |
| Total | ¥4,013 | ¥5,525 | $36,874 |

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Due within 1 year | ¥ 6,151 | ¥ 5,941 | $ 56,526 |
| Due after 1 year | 21,891 | 22,717 | 201,156 |
| Total | ¥28,043 | ¥28,659 | $257,681 |

## 26. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Unrealized (loss) gain on available-for-sale securities: | | | |
| (Loss) gain arising during the year | ¥(22,805) | ¥ 14,139 | $(209,549) |
| Reclassification adjustments to profit or loss | (6,035) | (15,836) | (55,457) |
| Amount before income tax effect | (28,840) | (1,697) | (265,006) |
| Income tax effect | 8,862 | (137) | 81,436 |
| Total | (19,977) | (1,834) | (183,570) |
| Deferred loss on derivatives under hedge accounting: | | | |
| (Loss) gain arising during the year | (704) | 1,233 | (6,473) |
| Reclassification adjustments to profit or loss | (7,126) | (7,520) | (65,480) |
| Amount before income tax effect | (7,830) | (6,286) | (71,953) |
| Income tax effect | 2,397 | 1,927 | 22,032 |
| Total | (5,432) | (4,359) | (49,921) |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | (75) | 113 | (692) |
| Reclassification adjustments to profit or loss | — | — | — |
| Amount before income tax effect | (75) | 113 | (692) |
| Income tax effect | — | — | — |
| Total | (75) | 113 | (692) |
| Adjustments for retirement benefits: | | | |
| Adjustments arising during the year | (1,071) | (508) | (9,848) |
| Reclassification adjustments to profit or loss | 88 | 148 | 815 |
| Amount before income tax effect | (983) | (360) | (9,033) |
| Income tax effect | 301 | 110 | 2,766 |
| Total | (682) | (249) | (6,267) |
| Share of other comprehensive loss in affiliates accounted for by the equity method: | | | |
| Loss arising during the year | (1,820) | (30) | (16,725) |
| Reclassification adjustments to profit or loss | (107) | (3,899) | (988) |
| Amount before income tax effect | (1,927) | (3,929) | (17,712) |
| Income tax effect | — | — | — |
| Total | (1,927) | (3,929) | (17,712) |
| Total other comprehensive loss | ¥(28,095) | ¥(10,260) | $(258,163) |

## 27. SEGMENT INFORMATION

DBJ Inc. consists of only one business segment of long-term financing and accordingly, the disclosure of the reportable segment information is omitted.

### Related Information:

Segment information by service for the years ended March 31, 2020 and 2019 is following:

| | Millions of Yen | | | |
|---|---|---|---|---|
| Year ended March 31, 2020 | Loan business | Securities investment | Other | Total |
| Ordinary income from external customers | ¥144,669 | ¥70,141 | ¥74,332 | ¥289,144 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| Year ended March 31, 2019 | Loan business | Securities investment | Other | Total |
| Ordinary income from external customers | ¥157,916 | ¥69,255 | ¥74,032 | ¥301,204 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| Year ended March 31, 2020 | Loan business | Securities investment | Other | Total |
| Ordinary income from external customers | $1,329,313 | $644,510 | $683,019 | $2,656,842 |

## 28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (a) Financial Instruments

#### (1) Policy for Financial Instruments

DBJ Inc. provides investment and loan services that are aimed to provide long-term stable funding. As the main methods of acquiring funds, in addition to issuing corporate bonds and long-term borrowings, DBJ Inc. relies on the stable procurement of long-term funds from the government's Fiscal Investment and Loan Program (FILP). Since the majority of its assets are long-term with a fixed rate, DBJ Inc. raises its funds mainly with long-term, fixed rate liabilities.

From both funding and investment aspects, DBJ Inc. implements comprehensive asset/liability management in order to mitigate the risk of capital shortfall and losses from fluctuations of interest rate and exchange rate. DBJ Inc. utilizes derivative financial instruments in order to hedge or manage the risks related to interest and currency.

#### (2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets of DBJ Inc. are mainly investments and loans in domestic customers, which are exposed to credit risk that stems from customers' default of contracts or decline of their creditworthiness. Main categories of industries of debtors are electricity, gas, thermal supply, water supply, real estate, rental, leasing, transportation, postal service and others as of March 31, 2020. The changes of economic circumstances surrounding these industries may influence the fulfillment of their obligations. DBJ Inc. holds securities such as bonds, equities and investments in limited partnerships and other similar partnerships, which are exposed to issuer's credit risk, interest rate risk, price volatility risk and other risks. DBJ Inc. does not have any trading-related risk because it does not engage in trading (specified transactions).

Although corporate bonds and borrowings are exposed to cash liquidity risk and interest rate risk, these risks are hedged or controlled by matching of financing and investing activities, interest-rate swap agreements and other transactions.

Foreign currency denominated investments, loans and others are exposed to exchange rate risk. DBJ Inc. mitigates this risk by matching foreign currency investments, loans and others with foreign currency corporate bonds as corresponding foreign currency denominated liabilities and by using exchange swaps and currency swaps.

DBJ Inc. utilizes derivative financial transactions such as interest-rate swap agreements and currency swap agreements in order to hedge or manage the risks related to interest and currency. DBJ Inc. applies hedge accounting as necessary. Details for hedging instruments, hedged items, hedging policy and assessment of effectiveness of the hedges are described in Note 2 (f) "Hedge Accounting."

#### (3) Risk Management for Financial Instruments

(i) Credit Risk Management

In accordance with the internal guidelines, DBJ Inc. utilizes credit exposure management and portfolio management for investments and loans. When making an investment or loan, DBJ Inc. examines the entity's viability and the entity's project's profitability. After that, DBJ Inc. sets ratings along with an internal rating system, grants credit amount, sets collateral and guarantee. The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual loans 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 governance of individual loans. DBJ Inc. performs a comprehensive analysis of data based on borrower ratings, and calculates the loan portfolio's overall exposure to credit risk, which is measured regularly to ensure that such risk remains within specified range of capital.

The credit risk of securities is managed in the same way as that of loans. In addition, DBJ Inc. regularly monitors changes in the market value of securities with market value. As for counterparty risk arising from derivative transactions, DBJ Inc. manages derivative transactions by setting a limit after continually monitoring the cost of restructuring its transactions and the creditworthiness of each counterparty and also manages risk by utilizing central clearance organization and through receipt/payment of margin money based on Credit Support Annex (CSA) between counterparties.

(ii) Market Risk Management

1) Interest Rate Risk Management

DBJ Inc. manages interest rate risk by asset/liability management. Details of risk management methods and procedures are determined on internal rules, and Management Committee and ALM & Risk Management Committee determine policies related to asset/liability management, monitoring of implementation and future plans. In addition, the risk management department monitors the interest rate and term of financial assets/liabilities overall. ALM & Risk Management Committee conducts regular monitoring with interest rate sensitivity analyses (duration, basis point value (BPV)), value at risk (VaR), and other methods. As part of asset/liability management, interest-rate swaps are used to avoid or hedge interest rate risk.

2) Foreign Exchange Risk Management

Foreign currency investments, loans and others are exposed to exchange rate risk, therefore those risks are hedged or managed not only by offsetting some foreign currency denominated investments, loans and others with foreign currency denominated corporate bonds and debentures but also by using exchange swaps and currency swaps.

3) Price Volatility Risk Management

When DBJ Inc. acquires financial assets entailing price volatility risk such as securities with readily available market quotations, it follows in-house regulations and policies which have been developed taking into account market fluctuation risks, and the risk management department is involved in decision-making, as necessary. Through regular monitoring, price volatility risks are reviewed on a timely basis and reported to ALM & Risk Management Committee periodically.

4) Derivative Transactions

In conducting derivative transactions, segregation of duties is maintained in the front office, the back office and the risk management department based on in-house regulations.

5) Quantitative Information about Market Risk

DBJ Inc. has not been engaged in trading activities, and all the assets and liabilities are financial instruments for the purposes other than trading.

Market risk exposure (estimated loss) is based on VaR methods through interest rate sensitivity analyses (100 BPV) and variance-covariance method (holding period of 1 year, observation period of 5 years or more, and confidence interval of 99.9%). The amount of market risk (risks pertaining to the changes in interest rates, foreign exchanges and market prices) as of March 31, 2020 and 2019 was ¥48,910 million ($449,422 thousand) and ¥63,410 million, respectively. Such measurements are conducted by the risk management department on a regular basis and reported to the ALM & Risk Management Committee to utilize for establishing ALM operating policies.

VaR or 100 BPV measures the market risk volume under a definite probability of incidence calculated based on the historical market movements and therefore, it may fail to capture risks which arise under exceptional market conditions affected by drastic change.

DBJ Inc. recognizes that rigid risk management is being conducted as risks that cannot be captured by the model alone are identified in detail by conducting backtesting to compare the risk volume calculated by the model with hypothetical performances calculated based on the actual market movements as well as performing measurement using other risk indices and stress tests.

(iii) Liquidity Risk Management on Financing

The risk management department monitors the possession amount of cash liquidity and the cash flow ladder and reports it to the ALM & Risk Management Committee periodically in line with in-house regulations of liquidity risk management on financing. The ALM & Risk Management Committee manages liquidity risk by appropriate operations of financing and investing activities based on the risk situation.

### (4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is measured at quoted market prices. If a quoted price is not available, DBJ Inc. measures fair value based on a reasonably assessed price. Because an assessed price is computed using certain assumptions, price could differ if different assumptions are used.

## (b) Fair Value Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2020 and 2019.

Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

| | Millions of Yen | | |
|---|---|---|---|
| | 2020 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | ¥ 1,298,955 | ¥ 1,298,955 | ¥ — |
| Call loans and bills bought | 720,000 | 720,000 | — |
| Money held in trust | 18,467 | 19,155 | 688 |
| Securities | | | |
| Held-to-maturity debt securities | 456,324 | 459,343 | 3,019 |
| Available-for-sale securities | 1,001,977 | 1,001,977 | — |
| Investments in affiliates | 2,612 | 2,272 | (340) |
| Loans | 12,415,985 | | |
| Allowance for loan losses*1 | (35,463) | | |
| | 12,380,522 | 12,885,374 | 504,852 |
| Total assets | ¥15,878,859 | ¥16,387,078 | ¥508,219 |
| Debentures | 3,314,656 | 3,399,500 | 84,844 |
| Payables under repurchase agreements | — | — | — |
| Borrowed money | 8,070,948 | 8,139,492 | 68,544 |
| Corporate bonds | 2,382,226 | 2,396,272 | 14,045 |
| Total liabilities | ¥13,767,831 | ¥13,935,265 | ¥167,434 |
| Derivative transactions*2 | | | |
| Derivative transactions not qualifying for hedge accounting | 33,367 | 33,367 | — |
| Derivative transactions qualifying for hedge accounting | 1,859 | 1,859 | — |
| Total derivative transactions | ¥ 35,226 | ¥ 35,226 | ¥ — |

| | Millions of Yen | | |
|---|---|---|---|
| | 2019 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | ¥ 966,903 | ¥ 966,903 | ¥ — |
| Call loans and bills bought | 260,000 | 260,000 | — |
| Money held in trust | 18,305 | 20,052 | 1,747 |
| Securities | | | |
| Held-to-maturity debt securities | 534,041 | 544,776 | 10,734 |
| Available-for-sale securities | 559,404 | 559,404 | — |
| Investments in affiliates | 2,334 | 2,822 | 488 |
| Loans | 12,923,938 | | |
| Allowance for loan losses*1 | (34,285) | | |
| | 12,889,653 | 13,452,296 | 562,642 |
| Total assets | ¥15,230,642 | ¥15,806,256 | ¥575,613 |
| Debentures | 3,190,536 | 3,295,915 | 105,379 |
| Payables under repurchase agreements | 93,761 | 93,761 | — |
| Borrowed money | 7,987,860 | 8,086,527 | 98,667 |
| Corporate bonds | 2,106,463 | 2,118,548 | 12,085 |
| Total liabilities | ¥13,378,621 | ¥13,594,754 | ¥216,132 |
| Derivative transactions*2 | | | |
| Derivative transactions not qualifying for hedge accounting | 30,160 | 30,160 | — |
| Derivative transactions qualifying for hedge accounting | (3,162) | (3,162) | — |
| Total derivative transactions | ¥ 26,998 | ¥ 26,998 | ¥ — |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2020 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | $ 11,935,641 | $ 11,935,641 | $ — |
| Call loans and bills bought | 6,615,823 | 6,615,823 | — |
| Money held in trust | 169,687 | 176,013 | 6,327 |
| Securities | | | |
| Held-to-maturity debt securities | 4,193,000 | 4,220,740 | 27,741 |
| Available-for-sale securities | 9,206,813 | 9,206,813 | — |
| Investments in affiliates | 24,008 | 20,878 | (3,130) |
| Loans | 114,086,054 | | |
| Allowance for loan losses*1 | (325,858) | | |
| | 113,760,197 | 118,399,102 | 4,638,905 |
| Total assets | $145,905,168 | $150,575,011 | $4,669,843 |
| Debentures | 30,457,192 | 31,236,800 | 779,607 |
| Payables under repurchase agreements | — | — | — |
| Borrowed money | 74,161,065 | 74,790,892 | 629,827 |
| Corporate bonds | 21,889,428 | 22,018,490 | 129,062 |
| Total liabilities | $126,507,686 | $128,046,181 | $1,538,495 |
| Derivative transactions*2 | | | |
| Derivative transactions not qualifying for hedge accounting | 306,599 | 306,599 | — |
| Derivative transactions qualifying for hedge accounting | 17,087 | 17,087 | — |
| Total derivative transactions | $ 323,685 | $ 323,685 | $ — |

*1. General and specific allowances for loan losses are deducted.
*2. Assets and liabilities arising from derivative transactions are presented on a net basis.

(1) Following are the methods used to calculate the fair values of financial instruments:

Assets

(i) Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. For deposits with maturity, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(ii) Call loans and bills bought

For each of these items, the majority of transactions have short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value.

(iii) Money held in trust

The fair value of financial assets that are the components of money held in trust is measured in the same manner as (v) "Loans."

Notes on money held in trust by holding purpose are described in Note 30.

(iv) Securities

The fair value of marketable equity securities is measured at the market price. The fair value of bonds is measured at the market price or the quoted price from third party. For bonds without such price, the fair value is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium based on types of securities, internal ratings and tenor.

Notes on securities by holding purpose are described in Note 30.

(v) Loans

The fair value of loans is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium that is based on types of loans, internal ratings and tenor. Foreign currency swap contracts which meet the hedging requirements of the assignment method is limited to loans for which the contractual cash flows are matched with the interest rate swap and foreign currency swap. For loans which are short contract terms (1 year or less), the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. With respect to the claims on debtors who are likely to become bankrupt or to be closely monitored, and for which future cash flows can reasonably be estimated, the fair values are determined by discounting expected cash flows that reflect expected loss at the risk free rate. For loans to obligors who are "legally bankrupt," "effectively bankrupt" and "possibly bankrupt," the reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. Carrying value net of the reserve as of the consolidated balance sheet date is a reasonable estimate of the fair value of those loans.

Liabilities

(i) Debentures

For floating rate debentures issued by DBJ Inc., the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. This is on the basis that the market interest rate is reflected in the fair value of such debentures because the terms of these were set within a short time period and that there has been no significant change in the creditworthiness of DBJ Inc. before and after the issuance. For fixed rate debentures with market prices, the fair value is determined based on their market price. For fixed rate debentures without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to debentures, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. Certain foreign currency denominated debentures are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated debentures.

(ii) Payables under repurchase agreements

For payables under repurchase agreements, the majority of transactions have short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value.

(iii) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. This is on the basis that the market interest rate is reflected in the fair value of such borrowed money because the terms of these were set within a short time period for such variable rate borrowings and that there has been no significant change in the creditworthiness of DBJ Inc. nor consolidated subsidiaries before and after such borrowings were made. For fixed rate borrowed money, the fair values are determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to borrowings, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. or consolidated subsidiaries. Certain foreign currency denominated borrowed money is translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated borrowed money.

(iv) Corporate bonds

For floating rate corporate bonds issued by DBJ Inc. and its consolidated subsidiaries, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. This is on the basis that the market interest rate is reflected in the interest rate set within a short time period and that there has been no significant change in the creditworthiness of DBJ Inc. or its consolidated subsidiaries before and after the issuance. For fixed rate corporate bonds with market prices, the fair value is determined based on their market price. For fixed rate corporate bonds without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to corporate bonds, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. or its consolidated subsidiaries. Certain foreign currency denominated corporate bonds are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated corporate bonds.

Derivatives

Derivatives consist of interest rate related derivatives (interest rate swaps), currency related derivatives (currency swaps, forward foreign exchange contracts) and credit derivatives. Fair value of these derivatives is determined based on the discounted present value, quoted prices presented by the financial institutions, etc.

(2) Following are the financial instruments whose fair value cannot be reliably determined as of March 31, 2020 and 2019:
These securities are not included in the amount in the table summarizing fair values of financial instruments.

| | Carrying amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2020 | 2019 | 2020 |
| Money held in trust*1 | ¥ 1,615 | ¥ 1,877 | $ 14,845 |
| Unlisted equities*2,3 | 328,439 | 340,182 | 3,017,917 |
| Investments in limited partnerships and other similar partnerships*1 | 327,173 | 303,185 | 3,006,281 |
| Unlisted other securities*2,3 | 286,597 | 253,570 | 2,633,443 |
| Total | ¥943,826 | ¥898,816 | $8,672,486 |

*1. Assets in trust and partnership assets which consist of financial instruments, whose fair value cannot be reliably determined, such as unlisted equities and other securities, are not subject to fair value disclosures.
*2. Financial instruments for which the quoted price is not available and fair value cannot be reliably determined, are not subject to fair value disclosures.
*3. Impairment loss on financial instruments whose fair value cannot be reliably determined for the years ended March 31, 2020 and 2019 was ¥28,734 million ($264,032 thousand) and ¥1,577 million, respectively, which consist of unlisted equities of ¥28,692 million ($263,646 thousand) and ¥496 million and unlisted other securities of ¥41 million ($386 thousand) and ¥1,080 million for the years ended March 31, 2020 and 2019, respectively.

(3) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Due from banks | ¥1,298,950 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Call loans and bills bought | 720,000 | — | — | — | — | — |
| Securities | | | | | | |
| Held-to-maturity debt securities with market values | 99,488 | 157,180 | 50,303 | 85,240 | 61,109 | 3,000 |
| Japanese government bonds | — | 15,077 | 10,061 | 10,070 | 45,315 | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 59,382 | 102,328 | 28,286 | 54,628 | 5,794 | 3,000 |
| Other | 40,105 | 39,775 | 11,955 | 20,541 | 10,000 | — |
| Available-for-sale securities with contractual maturities | 33,425 | 133,269 | 163,245 | 78,661 | 67,079 | 156,098 |
| Japanese government bonds | 5,069 | 25,447 | 18,483 | 5,139 | — | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 28,355 | 107,713 | 144,762 | 73,522 | 67,079 | 156,098 |
| Other | — | 108 | — | — | — | — |
| Loans*1 | 2,180,066 | 3,194,175 | 2,553,222 | 1,975,325 | 1,793,140 | 689,705 |
| Total | ¥4,331,931 | ¥3,484,626 | ¥2,766,772 | ¥2,139,226 | ¥1,921,329 | ¥848,803 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Due from banks | ¥ 966,897 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Call loans and bills bought | 260,000 | — | — | — | — | — |
| Securities | | | | | | |
| Held-to-maturity debt securities with market values | 128,787 | 170,576 | 114,088 | 61,848 | 50,717 | 8,022 |
| Japanese government bonds | 20,007 | 10,122 | 10,024 | 10,071 | 15,071 | 5,022 |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 54,688 | 104,007 | 73,538 | 34,321 | 25,680 | 3,000 |
| Other | 54,092 | 56,446 | 30,525 | 17,456 | 9,964 | — |
| Available-for-sale securities with contractual maturities | 32,021 | 98,848 | 61,450 | 59,235 | 86,403 | 138,479 |
| Japanese government bonds | — | 30,943 | 5,201 | 18,666 | — | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 32,021 | 67,904 | 56,249 | 37,133 | 86,403 | 138,479 |
| Other | — | — | — | 3,436 | — | — |
| Loans*2 | 2,893,034 | 3,274,683 | 2,355,054 | 1,778,849 | 1,911,117 | 681,015 |
| Total | ¥4,280,741 | ¥3,544,107 | ¥2,530,592 | ¥1,899,934 | ¥2,048,237 | ¥827,517 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Due from banks | $11,935,595 | $ — | $ — | $ — | $ — | $ — |
| Call loans and bills bought | 6,615,823 | — | — | — | — | — |
| Securities | | | | | | |
| Held-to-maturity debt securities with market values | 914,167 | 1,444,280 | 462,225 | 783,246 | 561,516 | 27,566 |
| Japanese government bonds | — | 138,539 | 92,456 | 92,536 | 416,384 | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 545,648 | 940,258 | 259,919 | 501,962 | 53,245 | 27,566 |
| Other | 368,519 | 365,483 | 109,850 | 188,749 | 91,886 | — |
| Available-for-sale securities with contractual maturities | 307,133 | 1,224,570 | 1,500,006 | 722,789 | 616,371 | 1,434,332 |
| Japanese government bonds | 46,582 | 233,828 | 169,839 | 47,220 | — | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 260,551 | 989,742 | 1,330,167 | 675,568 | 616,371 | 1,434,332 |
| Other | — | 1,000 | — | — | — | — |
| Loans*1 | 20,031,851 | 29,350,141 | 23,460,650 | 18,150,556 | 16,476,528 | 6,337,454 |
| Total | $39,804,569 | $32,018,991 | $25,422,880 | $19,656,591 | $17,654,415 | $7,799,351 |

*1. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥30,349 million ($278,875 thousand) are not included as of March 31, 2020.
*2. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥30,184 million are not included as of March 31, 2019.

(4) Maturity analysis for debentures, borrowed money and other interest-bearing liability as of March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Borrowed money | ¥1,104,333 | ¥2,048,497 | ¥1,406,720 | ¥1,013,993 | ¥1,056,239 | ¥1,441,165 |
| Debentures and Corporate bonds | 557,653 | 1,677,754 | 1,246,749 | 912,840 | 988,613 | 313,271 |
| Total | ¥1,661,986 | ¥3,726,252 | ¥2,653,469 | ¥1,926,833 | ¥2,044,852 | ¥1,754,436 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Borrowed money | ¥1,173,571 | ¥2,244,770 | ¥1,559,927 | ¥ 911,998 | ¥ 909,583 | ¥1,188,007 |
| Debentures and Corporate bonds | 616,192 | 1,297,462 | 1,390,372 | 783,657 | 1,004,043 | 205,270 |
| Total | ¥1,789,764 | ¥3,542,233 | ¥2,950,300 | ¥1,695,655 | ¥1,913,627 | ¥1,393,278 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Borrowed money | $10,147,323 | $18,822,914 | $12,925,848 | $ 9,317,221 | $ 9,705,407 | $13,242,353 |
| Debentures and Corporate bonds | 5,124,081 | 15,416,286 | 11,455,936 | 8,387,764 | 9,084,014 | 2,878,540 |
| Total | $15,271,404 | $34,239,200 | $24,381,783 | $17,704,984 | $18,789,421 | $16,120,893 |

## 29. DERIVATIVE TRANSACTIONS

### (a) Derivative Transactions to which Hedge Accounting is Not Applied

#### (1) Interest rate-related transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | ¥968,637 | ¥807,300 | ¥ 62,460 | ¥ 62,460 |
| Receive float/ Pay fixed | 965,871 | 804,875 | (33,290) | (33,290) |
| Total | — | — | ¥ 29,169 | ¥ 29,169 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | ¥992,660 | ¥842,185 | ¥ 55,996 | ¥ 55,996 |
| Receive float/ Pay fixed | 987,611 | 839,729 | (26,188) | (26,188) |
| Total | — | — | ¥ 29,807 | ¥ 29,807 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | | Unrealized gains (losses) |
| | Total | Due after 1 year | Fair value | |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | $8,900,461 | $7,417,992 | $ 573,925 | $ 573,925 |
| Receive float/ Pay fixed | 8,875,053 | 7,395,711 | (305,897) | (305,897) |
| Total | — | — | $ 268,028 | $ 268,028 |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.

### (2) Currency-related transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | | Unrealized gains (losses) |
| | Total | Due after 1 year | Fair value | |
| Over-the-counter | | | | |
| Swaps | ¥ 5,226 | ¥5,226 | ¥ 71 | ¥ 71 |
| Forwards | | | | |
| Sold | 188,973 | — | 3,867 | 3,867 |
| Bought | 234,247 | — | 259 | 259 |
| Total | — | — | ¥4,198 | ¥4,198 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Contract amount | | | Unrealized gains (losses) |
| | Total | Due after 1 year | Fair value | |
| Over-the-counter | | | | |
| Swaps | ¥ 5,226 | ¥5,226 | ¥ 80 | ¥ 80 |
| Forwards | | | | |
| Sold | 172,643 | — | 5 | 5 |
| Bought | 89,460 | — | 264 | 264 |
| Total | — | — | ¥350 | ¥350 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | | Unrealized gains (losses) |
| | Total | Due after 1 year | Fair value | |
| Over-the-counter | | | | |
| Swaps | $ 48,027 | $48,027 | $ 657 | $ 657 |
| Forwards | | | | |
| Sold | 1,736,410 | — | 35,538 | 35,538 |
| Bought | 2,152,416 | — | 2,387 | 2,387 |
| Total | — | — | $38,582 | $38,582 |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based primarily on discounted present values.

(3) **Equity-related transactions**

Not applicable.

(4) **Bond-related transactions**

Not applicable.

(5) **Commodity-related transactions**

Not applicable.

(6) **Credit derivative transactions**

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | Fair value | Unrealized gains (losses) |
| | Total | Due after 1 year | | |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | ¥1,500 | ¥— | ¥ 6 | ¥ 6 |
| Bought | 1,500 | — | (7) | (7) |
| Total | — | — | ¥(1) | ¥(1) |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Contract amount | | Fair value | Unrealized gains (losses) |
| | Total | Due after 1 year | | |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | ¥7,500 | ¥4,000 | ¥ 96 | ¥ 96 |
| Bought | 7,500 | 4,000 | (94) | (94) |
| Total | — | — | ¥ 2 | ¥ 2 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Contract amount | | Fair value | Unrealized gains (losses) |
| | Total | Due after 1 year | | |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | $13,783 | $— | $ 61 | $ 61 |
| Bought | 13,783 | — | (73) | (73) |
| Total | — | — | $(12) | $(12) |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based on discounted present values or the counterparties' tendered price.
*3. "Sold" means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

### (b) Derivative Transactions to which Hedge Accounting is Applied

#### (1) Interest rate-related transactions

| | Hedged item | Millions of Yen 2020 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | | | | |
| Swaps | Borrowed money and Loans | | | |
| Receive float/ Pay fixed | | ¥ 73,200 | ¥ 65,246 | ¥(3,977) |
| Accrual method | | | | |
| Swaps | Debentures, Borrowed money, Corporate bonds and Loans | | | |
| Receive fixed/ Pay float | | 2,059,552 | 2,038,302 | *3 |
| Receive float/ Pay fixed | | 9,111 | 9,111 | |
| Total | | — | — | ¥(3,977) |

| | Hedged item | Millions of Yen 2019 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | | | | |
| Swaps | Borrowed money and Loans | | | |
| Receive float/ Pay fixed | | ¥ 73,150 | ¥ 65,765 | ¥(1,592) |
| Accrual method | | | | |
| Swaps | Debentures, Borrowed money, Corporate bonds and Loans | | | |
| Receive fixed/ Pay float | | 1,849,613 | 1,725,556 | *3 |
| Receive float/ Pay fixed | | 8,948 | 8,592 | |
| Total | | — | — | ¥(1,592) |

| | Hedged item | Thousands of U.S. Dollars 2020 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | | | | |
| Swaps | Borrowed money and Loans | | | |
| Receive float/ Pay fixed | | $ 672,612 | $ 599,531 | $(36,545) |
| Accrual method | | | | |
| Swaps | Debentures, Borrowed money, Corporate bonds and Loans | | | |
| Receive fixed/ Pay float | | 18,924,491 | 18,729,232 | *3 |
| Receive float/ Pay fixed | | 83,726 | 83,726 | |
| Total | | — | — | $(36,545) |

*1. The deferral method or the accrual method is applied as a hedge accounting method.
*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.
*3. The above interest rate swap contracts which qualify for the hedging requirements of the accrual method are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 28 “Financial Instruments and Related Disclosures” is included in that of hedged items such as debentures, borrowed money, corporate bonds, securities and loans.

### (2) Currency-related transactions

| | Hedged item | Millions of Yen 2020 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method Swaps | Foreign currency denominated loans | ¥ 5,503 | ¥ 5,503 | ¥ 142 |
| Translated at contractual rates Swaps | Foreign-currency debentures, Borrowed money, and Corporate bonds | 267,332 | 267,332 | *3 |
| Forwards | Foreign-currency available-for-sale securities | 66,320 | — | 5,694 |
| Total | | — | — | ¥5,836 |

| | Hedged item | Millions of Yen 2019 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method Swaps | Foreign currency denominated loans | ¥ 5,503 | ¥ 5,503 | ¥ (25) |
| Translated at contractual rates Swaps | Foreign-currency debentures, Borrowed money, and Corporate bonds | 320,813 | 267,332 | *3 |
| Forwards | Foreign-currency available-for-sale securities | 86,494 | — | (1,544) |
| Total | | — | — | ¥(1,570) |

| | Hedged item | Thousands of U.S. Dollars 2020 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method Swaps | Foreign currency denominated loans | $ 50,570 | $ 50,570 | $ 1,309 |
| Translated at contractual rates Swaps | Foreign-currency debentures, Borrowed money, and Corporate bonds | 2,456,425 | 2,456,425 | *3 |
| Forwards | Foreign-currency available-for-sale securities | 609,393 | — | 52,323 |
| Total | | — | — | $53,632 |

*1. These derivatives are primarily accounted for by the deferral method of hedge accounting provided in "Accounting and Auditing Treatments on Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
*2. Fair values are based primarily on discounted present values.
*3. The above currency swaps which qualify for the hedging requirements of assignment method are not subject to the disclosure of fair value information. In addition, the fair value of such foreign currency swaps in Note 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures, borrowed money and corporate bonds.

### (3) Equity-related transactions

Not applicable.

### (4) Bond-related transactions

Not applicable.

## 30. FAIR VALUE OF SECURITIES AND MONEY HELD IN TRUST

Fair value of securities, money held in trust and negotiable certificate of deposit classified as "Cash and due from banks" as of March 31, 2020 and 2019 is summarized below.

### (a) Securities

(1) Held-to-maturity debt securities as of March 31, 2020 and 2019 are as follows:

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2020 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | ¥ 50,241 | ¥ 55,670 | ¥ 5,428 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 171,981 | 174,010 | 2,029 |
| | Other | 66,739 | 67,150 | 410 |
| Sub-total | | 288,963 | 296,831 | 7,868 |
| Fair value does not exceed carrying amount | Japanese government bonds | 30,282 | 30,261 | (21) |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 81,439 | 78,533 | (2,905) |
| | Other | 55,638 | 53,716 | (1,921) |
| Sub-total | | 167,360 | 162,511 | (4,849) |
| Total | | ¥456,324 | ¥459,343 | ¥ 3,019 |

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2019 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | ¥ 70,321 | ¥ 77,085 | ¥ 6,763 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 265,195 | 269,052 | 3,857 |
| | Other | 134,328 | 135,691 | 1,363 |
| Sub-total | | 469,845 | 481,829 | 11,984 |
| Fair value does not exceed carrying amount | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 30,040 | 28,926 | (1,113) |
| | Other | 34,156 | 34,019 | (136) |
| Sub-total | | 64,196 | 62,946 | (1,249) |
| Total | | ¥534,041 | ¥544,776 | ¥10,734 |

| | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| | | 2020 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | $ 461,655 | $ 511,536 | $ 49,882 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 1,580,277 | 1,598,923 | 18,646 |
| | Other | 613,247 | 617,024 | 3,776 |
| Sub-total | | 2,655,179 | 2,727,483 | 72,304 |
| Fair value does not exceed carrying amount | Japanese government bonds | 278,259 | 278,058 | (202) |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 748,320 | 721,620 | (26,701) |
| | Other | 511,240 | 493,580 | (17,660) |
| Sub-total | | 1,537,820 | 1,493,257 | (44,563) |
| Total | | $4,193,000 | $4,220,740 | $ 27,741 |

Note: Fair value is based on the closing price at the consolidated balance sheet date.

(2) Available-for-sale securities as of March 31, 2020 and 2019 are as follows:

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2020 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | ¥ 348,451 | ¥ 320,959 | ¥27,491 |
| | Bonds | 249,726 | 246,558 | 3,167 |
| | Japanese government bonds | 54,139 | 53,246 | 893 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 195,586 | 193,312 | 2,274 |
| | Other | 12,652 | 8,199 | 4,453 |
| Sub-total | | 610,830 | 575,717 | 35,112 |
| Carrying amount does not exceed cost | Equities | 7,516 | 8,913 | (1,397) |
| | Bonds | 381,944 | 386,158 | (4,213) |
| | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 381,944 | 386,158 | (4,213) |
| | Other | 61,685 | 61,754 | (69) |
| Sub-total | | 451,146 | 456,826 | (5,679) |
| Total | | ¥1,061,977 | ¥1,032,544 | ¥29,433 |

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2019 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | ¥ 72,595 | ¥ 25,172 | ¥47,423 |
| | Bonds | 433,969 | 428,458 | 5,511 |
| | Japanese government bonds | 54,811 | 53,452 | 1,358 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 379,158 | 375,005 | 4,152 |
| | Other | 5,910 | 3,581 | 2,329 |
| Sub-total | | 512,475 | 457,211 | 55,263 |
| Carrying amount does not exceed cost | Equities | 7,896 | 10,005 | (2,109) |
| | Bonds | 39,032 | 39,165 | (133) |
| | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 39,032 | 39,165 | (133) |
| | Other | 60,000 | 60,000 | — |
| Sub-total | | 106,929 | 109,171 | (2,242) |
| Total | | ¥619,404 | ¥566,383 | ¥53,021 |

| | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| | | 2020 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | $3,201,794 | $2,949,185 | $252,610 |
| | Bonds | 2,294,645 | 2,265,538 | 29,107 |
| | Japanese government bonds | 497,469 | 489,261 | 8,209 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 1,797,176 | 1,776,278 | 20,898 |
| | Other | 116,264 | 75,342 | 40,921 |
| Sub-total | | 5,612,703 | 5,290,065 | 322,638 |
| Carrying amount does not exceed cost | Equities | 69,068 | 81,905 | (12,838) |
| | Bonds | 3,509,555 | 3,548,270 | (38,714) |
| | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 3,509,555 | 3,548,270 | (38,714) |
| | Other | 566,805 | 567,441 | (636) |
| Sub-total | | 4,145,428 | 4,197,616 | (52,188) |
| Total | | $9,758,131 | $9,487,682 | $270,450 |

Note: Carrying amount above represents the fair values determined based on the closing price at the fiscal year-end.

### (3) Available-for-sale securities sold during the years ended March 31, 2020 and 2019 are as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2020 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | ¥16,148 | ¥ 9,634 | ¥92 |
| Bonds | 55,303 | 299 | 5 |
| Japanese government bonds | — | — | — |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | 55,303 | 299 | 5 |
| Other | 10,584 | 1,321 | — |
| Total | ¥82,035 | ¥11,256 | ¥98 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2019 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | ¥ 37,643 | ¥16,514 | ¥ — |
| Bonds | 78,390 | 283 | 16 |
| Japanese government bonds | — | — | — |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | 78,390 | 283 | 16 |
| Other | 4,428 | 810 | 80 |
| Total | ¥120,462 | ¥17,608 | ¥96 |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2020 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | $148,379 | $ 88,532 | $849 |
| Bonds | 508,163 | 2,755 | 52 |
| Japanese government bonds | — | — | — |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | 508,163 | 2,755 | 52 |
| Other | 97,255 | 12,147 | — |
| Total | $753,798 | $103,434 | $901 |

(b) Money Held in Trust

(1) Money held in trust for the purpose of investment and held to maturity

Not applicable.

(2) Other (other than for the purpose of investment and held to maturity)

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | ¥20,082 | ¥19,693 | ¥388 | ¥986 | ¥597 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | ¥20,182 | ¥19,554 | ¥628 | ¥867 | ¥239 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | $184,532 | $180,960 | $3,572 | $9,060 | $5,488 |

(c) Unrealized Gain on Available-for-Sale Securities

The breakdown of unrealized gain on available-for-sale securities is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Unrealized gain on | | | |
| Available-for-sale securities | ¥27,727 | ¥ 56,686 | $254,777 |
| Other money held in trust | 986 | 867 | 9,060 |
| Deferred tax liabilities | (8,387) | (17,250) | (77,073) |
| Unrealized gain on available-for-sale securities before interest adjustments | 20,325 | 40,303 | 186,764 |
| Amount corresponding to non-controlling interests | — | — | — |
| DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method | 3,971 | 4,349 | 36,496 |
| Unrealized gain on available-for-sale securities, net of taxes | ¥24,297 | ¥ 44,652 | $223,260 |

*1. The loss of ¥5,565 million ($51,141 thousand) and the profit of ¥684 million recognized by applying the fair value hedge accounting, which were reflected in profit or loss, are deducted from the above unrealized gains and losses, net of taxes, as of March 31, 2020 and 2019, respectively.
*2. Unrealized gain includes foreign currency translation adjustments on available-for-sale securities and other money held in trust denominated in foreign currency whose fair value cannot be reliably determined as of March 31, 2020 and 2019.

## 31. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2020 and 2019 are as follows:

| | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Transaction Amount | | Balance at March 31, 2020 | |
| Related party | Category | Description | Account item | Millions of Yen | Thousands of U.S. Dollars | Millions of Yen | Thousands of U.S. Dollars |
| Finance Minister | Shareholder | Receipt of contribution*1 | — | ¥ 130,000 | $ 1,194,524 | — | — |
| | | Borrowings*2 | Borrowed money | 800,000 | 7,350,914 | ¥4,816,195 | $44,254,300 |
| | | Repayments | | 363,739 | 3,342,271 | | |
| | | Payment for interest | Accrued expenses | 23,485 | 215,798 | 6,277 | 57,684 |
| | | Guarantees*3 | — | 3,226,516 | 29,647,310 | — | — |

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥1,433,843 million ($13,175,071 thousand) from Japan Finance Corporation relating to the crisis response operations.
*1. Receipt of contribution is related to the special investment operations.
*2. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is December 20, 2039 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

| | | | | 2019 | |
|---|---|---|---|---|---|
| | | | | Transaction Amount | Balance at March 31, 2019 |
| Related party | Category | Description | Account item | Millions of Yen | Millions of Yen |
| Finance Minister | Shareholder | Receipt of contribution*1 | — | ¥ 129,000 | — |
| | | Borrowings*2 | Borrowed money | 300,000 | ¥4,379,934 |
| | | Repayments | | 444,524 | |
| | | Payment for interest | Accrued expenses | 28,376 | 9,677 |
| | | Guarantees*3 | — | 3,102,852 | — |

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥1,793,756 million ($16,161,420 thousand) from Japan Finance Corporation relating to the crisis response operations.
*1. Receipt of contribution is related to the special investment operations.
*2. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is February 20, 2039 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

## 32. SUBSEQUENT EVENT

(a) On June 5, 2020, Nordic Aviation Capital Designated Activity Company, a customer of DBJ Inc., filed a scheme of arrangements based on the Companies Act of Ireland, which was accepted. The total amount of the claims associated with the said customer was ¥14,652 million ($134,639 thousand) as of March 31, 2020. The total amount of the claims collateralized is ¥4,516 million ($41,497 thousand) and the total amount of the claims which are planned to be collateralized is ¥10,136 million ($93,142 thousand). The estimated amount to be recovered is under discussion and examination. With respect to the amount estimated to be uncollectible out of the total amount of the claims, DBJ Inc. will record an allowance for loan losses for the year ending March 31, 2021, or will deduct it directly from the claims.

(b) On June 26, 2020, the shareholders approved the following appropriations of retained earnings. On the same day, the Finance Minister authorized becoming effective of the timing and amounts for dividends as of June 29, 2020:
Appropriations of retained earnings as of March 31, 2020

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends-Common stock (¥228–$2.10 per share) | ¥9,948 | $91,410 |

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Development Bank of Japan Inc.:

## Opinion

We have audited the consolidated financial statements of Development Bank of Japan Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statements of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 12, 2020
(June 26, 2020 as to Note 32(b))

# NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

Development Bank of Japan Inc.

| As of March 31, | Millions of Yen 2020 | Millions of Yen 2019 | Thousands of U.S. Dollars (Note) 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | ¥ 1,252,106 | ¥ 959,585 | $ 11,505,158 |
| Call loans | 720,000 | 260,000 | 6,615,823 |
| Money held in trust | 18,467 | 18,305 | 169,688 |
| Securities | 2,400,948 | 1,984,876 | 22,061,459 |
| Loans | 12,521,358 | 13,063,197 | 115,054,292 |
| Other assets | 151,158 | 177,711 | 1,388,937 |
| Tangible fixed assets | 110,442 | 110,833 | 1,014,818 |
| Intangible fixed assets | 12,038 | 13,883 | 110,614 |
| Prepaid pension costs | 1,191 | 1,215 | 10,946 |
| Customers' liabilities for acceptances and guarantees | 267,306 | 273,239 | 2,456,187 |
| Allowance for loan losses | (35,578) | (35,412) | (326,921) |
| Allowance for investment losses | (36) | (46) | (336) |
| Total assets | ¥17,419,402 | ¥16,827,388 | $160,060,665 |
| **Liabilities and equity** | | | |
| **Liabilities:** | | | |
| Debentures | ¥ 3,314,656 | ¥ 3,190,536 | $ 30,457,192 |
| Payables under repurchase agreements | — | 93,761 | — |
| Borrowed money | 7,882,447 | 7,807,941 | 72,428,994 |
| Corporate bonds | 2,377,101 | 2,106,213 | 21,842,336 |
| Other liabilities | 187,896 | 85,544 | 1,726,513 |
| Accrued bonuses to employees | 4,831 | 4,688 | 44,392 |
| Accrued bonuses to directors | 15 | 15 | 140 |
| Reserve for employees' retirement benefits | 6,419 | 6,355 | 58,989 |
| Reserve for directors' retirement benefits | 136 | 115 | 1,258 |
| Deferred tax liabilities | 5,047 | 15,882 | 46,384 |
| Acceptances and guarantees | 267,306 | 273,239 | 2,456,187 |
| Total liabilities | 14,045,859 | 13,584,295 | 129,062,385 |
| **Equity:** | | | |
| Common stock authorized, 160,000 thousand shares in 2020 and 2019; issued, 43,632 thousand shares in 2020 and 2019 | 1,000,424 | 1,000,424 | 9,192,539 |
| Crisis response reserve | 206,529 | 206,529 | 1,897,721 |
| Special investment reserve | 848,000 | 588,000 | 7,791,969 |
| Special investment surplus | 12,436 | 5,412 | 114,273 |
| Capital surplus | 636,466 | 766,466 | 5,848,262 |
| Retained earnings | 629,290 | 610,436 | 5,782,323 |
| Unrealized gain on available-for-sale securities | 20,709 | 42,079 | 190,289 |
| Deferred gain on derivatives under hedge accounting | 19,687 | 23,745 | 180,903 |
| Total equity | 3,373,542 | 3,243,093 | 30,998,280 |
| Total liabilities and equity | ¥17,419,402 | ¥16,827,388 | $160,060,665 |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥108.83 = $1.00, the effective exchange rate prevailing as of March 31, 2020, has been used in the conversion.

The DBJ Group's Value Creation Story
The DBJ Group's Strategy
The DBJ Group's Corporate Governance
Corporate Data
Data Section

# NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Development Bank of Japan Inc.

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|---|---|---|
| For the year ended March 31, | 2020 | 2019 | 2020 |
| **Income** | | | |
| Interest income: | ¥174,958 | ¥188,051 | $1,607,627 |
| Interest on loans | 139,508 | 152,860 | 1,281,896 |
| Interest and dividends on securities | 28,976 | 27,814 | 266,255 |
| Interest on call loans | 31 | 100 | 291 |
| Interest on due from banks | 108 | 27 | 995 |
| Interest on swaps | 6,339 | 7,263 | 58,250 |
| Other interest income | (6) | (16) | (60) |
| Fees and commissions | 11,561 | 12,854 | 106,237 |
| Other operating income | 15,172 | 7,274 | 139,411 |
| Other income | 58,475 | 60,816 | 537,311 |
| **Total income** | **260,167** | **268,996** | **2,390,586** |
| **Expenses** | | | |
| Interest expense: | 77,086 | 87,896 | 708,318 |
| Interest on debentures | 33,958 | 37,676 | 312,037 |
| Interest on call money | (72) | (52) | (671) |
| Interest on payables under repurchase agreements | (60) | (62) | (555) |
| Interest on borrowed money | 36,605 | 45,257 | 336,353 |
| Interest on short-term corporate bonds | 947 | 317 | 8,707 |
| Interest on corporate bonds | 5,723 | 4,766 | 52,594 |
| Other interest expense | (15) | (7) | (147) |
| Fees and commissions | 130 | 105 | 1,199 |
| Other operating expenses | 12,316 | 3,523 | 113,171 |
| General and administrative expenses | 53,644 | 50,912 | 492,918 |
| Other expenses | 39,856 | 9,708 | 366,228 |
| **Total expenses** | **183,033** | **152,147** | **1,681,833** |
| **Income before income taxes** | **77,133** | **116,849** | **708,753** |
| Income taxes: | | | |
| Current | 29,817 | 32,068 | 273,980 |
| Deferred | 408 | (1,719) | 3,751 |
| **Total income taxes** | **30,225** | **30,348** | **277,732** |
| **Net income** | **¥ 46,908** | **¥ 86,500** | **$ 431,021** |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥108.83 = $1.00, the effective exchange rate prevailing as of March 31, 2020, has been used in the conversion.

# NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Development Bank of Japan Inc.

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For the year ended March 31, 2020 | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus |
| Balance at beginning of year | ¥1,000,424 | ¥206,529 | ¥588,000 | ¥ 5,412 | ¥ 766,466 |
| Investment from government | | | 130,000 | | |
| Transfer from capital surplus to special investment reserve | | | 130,000 | | (130,000) |
| Cash dividends | | | | | |
| Net income | | | | | |
| Transfer from retained earnings to special investment surplus | | | | 7,023 | |
| Net change during the year | | | | | |
| Balance at end of year | ¥1,000,424 | ¥206,529 | ¥848,000 | ¥12,436 | ¥ 636,466 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| For the year ended March 31, 2020 | Retained earnings | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Total equity |
| Balance at beginning of year | ¥610,436 | ¥ 42,079 | ¥23,745 | ¥3,243,093 |
| Investment from government | | | | 130,000 |
| Transfer from capital surplus to special investment reserve | | | | — |
| Cash dividends | (21,030) | | | (21,030) |
| Net income | 46,908 | | | 46,908 |
| Transfer from retained earnings to special investment surplus | (7,023) | | | — |
| Net change during the year | | (21,369) | (4,057) | (25,427) |
| Balance at end of year | ¥629,290 | ¥ 20,709 | ¥19,687 | ¥3,373,542 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For the year ended March 31, 2019 | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus |
| Balance at beginning of year | ¥1,000,424 | ¥206,529 | ¥330,000 | ¥3,099 | ¥895,466 |
| Investment from government | | | 129,000 | | |
| Transfer from capital surplus to special investment reserve | | | 129,000 | | (129,000) |
| Cash dividends | | | | | |
| Net income | | | | | |
| Transfer from retained earnings to special investment surplus | | | | 2,313 | |
| Net change during the year | | | | | |
| Balance at end of year | ¥1,000,424 | ¥206,529 | ¥588,000 | ¥5,412 | ¥766,466 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| For the year ended March 31, 2019 | Retained earnings | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Total equity |
| Balance at beginning of year | ¥548,371 | ¥47,773 | ¥28,018 | ¥3,059,681 |
| Investment from government | | | | 129,000 |
| Transfer from capital surplus to special investment reserve | | | | — |
| Cash dividends | (22,121) | | | (22,121) |
| Net income | 86,500 | | | 86,500 |
| Transfer from retained earnings to special investment surplus | (2,313) | | | — |
| Net change during the year | | (5,693) | (4,273) | (9,967) |
| Balance at end of year | ¥610,436 | ¥42,079 | ¥23,745 | ¥3,243,093 |

| For the year ended March 31, 2020 | Thousands of U.S. Dollars (Note) | | | | |
|---|---|---|---|---|---|
| | Common stock | Crisis response reserve | Special investment reserve | Special investment surplus | Capital surplus |
| Balance at beginning of year | $9,192,539 | $1,897,721 | $5,402,922 | $ 49,733 | $ 7,042,786 |
| Investment from government | | | 1,194,524 | | |
| Transfer from capital surplus to special investment reserve | | | 1,194,524 | | (1,194,524) |
| Cash dividends | | | | | |
| Net income | | | | | |
| Transfer from retained earnings to special investment surplus | | | | 64,540 | |
| Net change during the year | | | | | |
| Balance at end of year | $9,192,539 | $1,897,721 | $7,791,969 | $114,273 | $ 5,848,262 |

| For the year ended March 31, 2020 | Thousands of U.S. Dollars (Note) | | | |
|---|---|---|---|---|
| | Retained earnings | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Total equity |
| Balance at beginning of year | $5,609,087 | $ 386,650 | $218,189 | $29,799,627 |
| Investment from government | | | | 1,194,524 |
| Transfer from capital surplus to special investment reserve | | | | — |
| Cash dividends | (193,244) | | | (193,244) |
| Net income | 431,021 | | | 431,021 |
| Transfer from retained earnings to special investment surplus | (64,540) | | | — |
| Net change during the year | | (196,361) | (37,286) | (233,647) |
| Balance at end of year | $5,782,323 | $ 190,289 | $180,903 | $30,998,280 |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥108.83=$1.00, the effective exchange rate prevailing as of March 31, 2020, has been used in the conversion.

# Capital Adequacy Ratio

Although DBJ is not subject to Article 14-2 of the Banking Act, the capital adequacy ratio has been calculated in accordance with “Standards for Bank to Examine the Adequacy of Its Capital Based on Assets, etc., under the Provision of Article 14-2 of the Banking Act” (2006, Financial Services Agency Notification No. 19, hereinafter, the “Capital Adequacy Ratio Notification”), and therefore effectively conforms to this act.
(Reference)
In addition to the application of uniform international standards, credit risk assets were calculated using the standardized approach, and the operational risk equivalent amount was calculated using the basic indicator approach. DBJ Group has not introduced procedures in line with market risk regulations.
As a complementary indicator to the capital adequacy ratio, the leverage ratio is calculated on a consolidated basis in accordance with “Standards for Determining the Soundness of Leverage, Defined as a Complementary Indicator for the Standard to Determine the Capital Adequacy of a Bank in Light of the Assets Owned by the Bank and Other Factors, Based on Article 14-2 of the Banking Act.”

## [1] Capital Structure Information

### Capital Structure Information (Consolidated)

(Units: Millions of yen, %)

| Items | | March 31, 2019 | March 31, 2020 | Basel III Template No. |
|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves (1)** | | | | |
| Directly issued qualifying common share capital plus related capital surplus and retained earnings | | 2,397,747 | 2,302,784 | 1a+2–1c–26 |
| of which: common stock and capital surplus | | 1,766,890 | 1,636,890 | 1a |
| of which: retained earnings | | 651,887 | 675,842 | 2 |
| of which: treasury stock | | — | — | 1c |
| of which: planned distribution of income | | 21,030 | 9,948 | 26 |
| of which: other than the above | | — | — | |
| Rights to acquire new common shares | | — | — | 1b |
| Accumulated other comprehensive income and other disclosed reserves | | 866,884 | 1,105,824 | 3 |
| Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1) | | — | — | 5 |
| Common Equity Tier 1 capital: instruments and reserves | (A) | 3,264,631 | 3,408,609 | 6 |
| **Common Equity Tier 1 capital: regulatory adjustments (2)** | | | | |
| Total intangible assets (excluding those relating to mortgage servicing rights) | | 40,014 | 37,509 | 8+9 |
| of which: goodwill (including those equivalent) | | 25,668 | 24,494 | 8 |
| of which: other intangible assets other than goodwill and mortgage servicing rights | | 14,346 | 13,015 | 9 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | | 67 | 1,455 | 10 |
| Deferred gains or losses on derivatives under hedge accounting | | 23,766 | 16,934 | 11 |
| Shortfall of eligible reserves to expected losses | | — | — | 12 |
| Capital increase due to securitization transactions | | 72 | 36 | 13 |
| Gains and losses due to changes in own credit risk on fair valued liabilities | | — | — | 14 |
| Assets for retirement benefits | | 1,553 | 876 | 15 |
| Investments in own shares (excluding those reported in the Equity section) | | — | — | 16 |
| Reciprocal cross-holdings in common equity | | — | — | 17 |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold) | | — | — | 18 |
| Amount exceeding the 10% threshold on specified items | | — | — | 19+20+21 |
| of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions | | — | — | 19 |
| of which: mortgage servicing rights | | — | — | 20 |
| of which: deferred tax assets arising from temporary differences (net of related tax liability) | | — | — | 21 |
| Amount exceeding the 15% threshold on specified items | | — | — | 22 |

(Units: Millions of yen, %)

| Items | | March 31, 2019 | March 31, 2020 | Basel III Template No. |
|---|---|---|---|---|
| of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions | | — | — | 23 |
| of which: mortgage servicing rights | | — | — | 24 |
| of which: deferred tax assets arising from temporary differences (net of related tax liability) | | — | — | 25 |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | | — | — | 27 |
| Common Equity Tier 1 capital: regulatory adjustments | (B) | 65,474 | 56,812 | 28 |
| Common Equity Tier 1 capital (CET1) | | | | |
| Common Equity Tier 1 capital (CET1) ((A)-(B)) | (C) | 3,199,157 | 3,351,796 | 29 |
| **Additional Tier 1 capital: instruments (3)** | | | | |
| Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown | | — | — | 30 / 31a |
| Rights to acquire new shares in relation to Additional Tier 1 instruments | | — | — | 30 / 31b |
| Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards | | — | — | 30 / 32 |
| Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities | | — | — | 30 |
| Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1) | | 1,534 | 1,887 | 34–35 |
| Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments | | — | — | 33+35 |
| of which: instruments issued by banks and their special purpose vehicles | | — | — | 33 |
| of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles) | | — | — | 35 |
| Additional Tier 1 capital: instruments | (D) | 1,534 | 1,887 | 36 |
| Additional Tier 1 capital: regulatory adjustments | | | | |
| Investments in own Additional Tier 1 instruments | | — | — | 37 |
| Reciprocal cross-holdings in Additional Tier 1 instruments | | — | — | 38 |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | | — | — | 39 |
| Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions) | | 9 | 17 | 40 |
| Regulatory adjustments applied to Common Equity Tier 1 due to sufficient Additional Tier 2 to cover deductions | | — | — | 42 |
| Additional Tier 1 capital: regulatory adjustments | (E) | 9 | 17 | 43 |
| **Additional Tier 1 capital (AT1)** | | | | |
| Additional Tier 1 capital ((D)-(E)) | (F) | 1,525 | 1,870 | 44 |
| **Tier 1 capital (T1 = CET1 + AT1)** | | | | |
| Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) | (G) | 3,200,682 | 3,353,665 | 45 |
| **Tier 2 capital: instruments and reserves (4)** | | | | |
| Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown | | — | — | 46 |
| Rights to acquire new shares in relation to Tier 2 instruments | | — | — | 46 |
| Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards | | — | — | 46 |
| Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities | | — | — | 46 |
| Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2) | | 361 | 416 | 48–49 |
| Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves | | — | — | 47+49 |

(Units: Millions of yen, %)

| Items | | March 31, 2019 | March 31, 2020 | Basel III Template No. |
|---|---|---|---|---|
| of which: instruments issued by banks and their special purpose vehicles | | — | — | 47 |
| of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles) | | — | — | 49 |
| Total of general allowance for loan losses and eligible reserves included in Tier 2 | | 13,759 | 19,358 | 50 |
| of which: general allowance for loan losses | | 13,759 | 19,358 | 50a |
| of which: eligible reserves | | — | — | 50b |
| Tier 2 capital: instruments and reserves | (H) | 14,120 | 19,775 | 51 |
| **Tier 2 capital: regulatory adjustments (5)** | | | | |
| Investments in own Tier 2 instruments | | — | — | 52 |
| Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | | — | — | 53 |
| Non-significant investments in the Tier 2 capital and other TLAC liabilities of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold) | | — | — | 54 |
| Significant investments in the Tier 2 capital and other TLAC liabilities of Other Financial Institutions, net of eligible short positions | | — | — | 55 |
| Tier 2 capital: regulatory adjustments | (I) | — | — | 57 |
| **Tier 2 capital (T2)** | | | | |
| Tier 2 capital (T2) ((H)-(I)) | (J) | 14,120 | 19,775 | 58 |
| **Total capital (TC = T1 + T2)** | | | | |
| Total capital (TC = T1 + T2) ((G) + (J)) | (K) | 3,214,802 | 3,373,441 | 59 |
| **Risk weighted assets (6)** | | | | |
| Risk weighted assets | | 19,203,324 | 19,418,634 | 60 |
| **Capital ratio (consolidated) (7)** | | | | |
| Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L)) | | 16.65% | 17.26% | 61 |
| Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L)) | | 16.66% | 17.27% | 62 |
| Total risk-weighted capital ratio (consolidated) ((K)/(L)) | | 16.74% | 17.37% | 63 |
| **Regulatory adjustments (8)** | | | | |
| Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting) | | 108,587 | 102,567 | 72 |
| Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting) | | 3,382 | 3,830 | 73 |
| Mortgage servicing rights that are below the thresholds for deduction (before risk weighting) | | — | — | 74 |
| Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting) | | 6,447 | 6,377 | 75 |
| **Reserves included in Tier 2 capital: instruments and reserves (9)** | | | | |
| General allowance for loan losses | | 13,759 | 19,358 | 76 |
| Cap on inclusion of general allowance for loan losses | | 237,437 | 240,116 | 77 |
| Eligible reserves for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | — | — | 78 |
| Cap for inclusion of reserves in Tier 2 under internal ratings-based approach | | — | — | 79 |
| **Capital instruments subject to transitional arrangements (10)** | | | | |
| Current cap on Additional Tier 1 instruments subject to transitional arrangements | | — | — | 82 |
| Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities) | | — | — | 83 |
| Current cap on Tier 2 instruments subject to transitional arrangements | | — | — | 84 |
| Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities) | | — | — | 85 |

## [2] Qualitative Disclosure

| | |
|---|---|
| 1. Scope of Consolidation | (1) Differences and the reasons for those differences at companies included in the scope of consolidation based on the regulation (Ministry of Finance Regulation No. 28, 1976) related to the companies belonging to the group of companies included in the scope of calculation of the consolidated capital adequacy ratio as provided in Article 3 of the Notification (hereinafter, the "Consolidated Group"), and the language, format and preparation method of their consolidated financial statements (hereinafter, the "Scope of Accounting Consolidation")<br>No differences.<br>(2) Within the Consolidated Group, the number of consolidated subsidiaries and the names and main businesses of principal consolidated subsidiaries<br>The number of consolidated subsidiaries as of March 31, 2019 is 33.<br>Please refer to page 167, "Group Companies" in "Corporate Information" for major consolidated subsidiaries.<br>(3) Number of affiliated companies that conduct financial business to which Article 9 of the Notification applies, the names of affiliated companies conducting such related financial business and their primary businesses<br>Not applicable.<br>(4) Companies that belong to the Consolidated Group but are not included in the Scope of Accounting Consolidation and companies that do not belong to the Consolidated Group but are included in the Scope of Accounting Consolidation, as well as the amount of total assets and net assets on their balance sheets, and their primary businesses<br>Not applicable.<br>(5) Overview of limitations related to the transfer of funds or capital within the Consolidated Group<br>Not applicable. |
| 2. Overview of Methods for Evaluating the Degree of Capital Adequacy | Please refer to page 58 to 61, "Comprehensive Risk Management" in Section Four: "Risk Management". |
| 3. Overview of Risk Characteristics and Risk Management Policies, Procedures and Structure of the Consolidated Group | Please refer to page 58 to 61, Section Four: "Risk Management". |
| 4. Credit Risk | (a) Overview of Risk Management Policies and Procedure<br>Please refer to page 58 to 59, "Credit Risk in Comprehensive Risk" in Section Four: "Risk Management".<br>(b) Rating Agencies Eligible to Weight Risks<br>The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to type of exposure.<br>The rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Corp. (S&P). |
| 5. Overview of Risk Management Policies and Procedures for Reducing Credit Risk | DBJ obtains collateral or guarantees as necessary based on changes in the borrower's creditworthiness. If required, the effectiveness of collateral is determined from the perspective of the amount certain to be recovered based on a reasonable evaluation of the collateral.<br>In principle, collateral valuation is performed by the Credit Analysis Department, based on the request of investment and loan departments/offices. Investment and loan departments/offices and the Credit Analysis Department manage credit risk based on valuation results. In principle, the valuation of all collateral property is reviewed once or twice each year to ensure DBJ is aware of the current status of its collateral property. |

| | |
|---|---|
| 6. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties in Derivative Product Transactions and Transactions with Long Settlement Periods | DBJ regularly refers to the ratings and credit amounts of transaction counterparties to determine the advisability of entering a transaction or to understand the risks of existing transactions. |
| 7. Securitization Exposure | (a) Overview of Risk Management Policies and Risk Characteristics<br>Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Different from the internal ratings that are applied to standard corporate credit, this exposure is given a rating by using a grading system applied to match the characteristics of specialized lending. DBJ conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, DBJ reviews these ratings periodically.<br>DBJ's involvement in securitized and resecuritized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity.<br>(b) Overview of status of implementation and operation of systems stipulated in Article 248, Paragraph 1, Items 1–4, of the Capital Adequacy Ratio Notification<br>DBJ has created the systems necessary for operating within its credit risk management framework. Specifically, as one aspect of our credit risk management, our sales department endeavors to appropriately collect information related to comprehensive risk characteristics and performance, and DBJ monitors conditions to determine any changes in the borrower's creditworthiness. Related information is also provided to the credit analysis department, which may revise borrower ratings or make other adjustments on the basis of this related information as necessary.<br>(c) Name of Special Purpose Entity and its securitization exposure status in case DBJ securitizes third party's assets through Special Purpose Entity and, of subsidiaries and affiliated companies of the Consolidated Group, name of those which hold securitization exposure implemented by the Consolidated Group and whose management are involved or advised by the Consolidated Group<br>Not applicable.<br>(d) Name of Special Purpose Entity providing credit enhancement other than an agreement, and effect of the credit enhancement other than the agreement on Capital Adequacy by Special Purpose Entity<br>Not applicable.<br>(e) Method of Accounting for Securitized Transactions<br>DBJ's involvement in securitized transactions is that of an investor. DBJ adequately accounts for these transactions in accordance with the "Accounting Standard for Financial Instruments."<br>(f) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure<br>The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to type of securitization exposure.<br>The rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Corp. (S&P). |
| 8. Market Risk | DBJ includes in its calculation method no market risk equivalent amount. |
| 9. Operational Risk | (a) Overview of Risk Management Policies and Procedures<br>Please refer to page 60, "Operational Risk" in Comprehensive Risk in Section Four: "Risk Management".<br>(b) Method Used to Calculate Operational Risk Equivalent Amount<br>DBJ uses the basic indicator approach to calculate this risk. |

| | |
|---|---|
| 10. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections | Please refer to page 59 “Comprehensive Risk: Investment Risk” in “Risk Management.” |
| 11. Interest Rate Risk | (a) Overview of Risk Management Policies and Procedures<br>Please refer to page 60, “Comprehensive Risk: Market Risk, Interest Rate Risk” in “Risk Management.”<br>(b) Overview of Methods for Calculating Interest Rate Risk<br>The quantitative disclosure items, ΔEVE (changes in Economic Value of Equity) and ΔNII (changes in Net Interest Income), are calculated as stated below.<br>First, as stipulated in the FSA Notification No. 7 in 2014, the changes in economic value of equity and annual net interest income caused by interest rate shocks are measured for each currency. Then, ΔEVE is calculated by adding up the amounts of such changes only if the changes for the currency result in loss, and ΔNII is calculated by adding up the amounts of such changes.<br>In addition, DBJ measures interest rate risks using the following methods.<br>(1) VaR: Holding period of one year, Observation period of 10 years, Confidence interval of 99.9%, using Delta method,<br>(2) 100BPV: changes in economic value when interest rates are shifted by 1% (parallel) |

## [3] Quantitative Disclosure

### Quantitative Disclosure (Consolidated)

1. Overview of Risk Weighted Assets

(Unit: Millions of yen)

| | Risk Weighted Assets | | Capital Requirement | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2020 | March 31, 2019 | March 31, 2020 |
| Credit Risk | 10,819,578 | 10,446,939 | 865,566 | 835,754 |
| Of which, exposure to which standardized approach applied | 10,307,602 | 9,988,828 | 824,608 | 799,106 |
| Other | 511,976 | 458,111 | 40,958 | 36,648 |
| Counterparty Credit Risk | 119,675 | 227,502 | 9,573 | 18,198 |
| Of which, exposure to which current exposure method applied | 25,805 | 45,797 | 2,064 | 3,663 |
| Of which, CVA risk | 93,576 | 181,396 | 7,486 | 14,511 |
| Of which, exposure for central counterparty clearing house | 294 | 309 | 23 | 24 |
| Other | — | — | — | — |
| Equity investments in funds (look-through approach) | 1,379,774 | 1,354,133 | 110,381 | 108,330 |
| Equity investments in funds (mandate-based approach) | 2,270,585 | 2,200,381 | 181,646 | 176,030 |
| Equity investments in funds (simple approach (subject to 250% risk weight)) | — | — | — | — |
| Equity investments in funds (simple approach (subject to 400% risk weight)) | — | — | — | — |
| Equity investments in funds (fall-back approach; 1.250% risk weight) | 987,777 | 1,356,243 | 79,022 | 108,499 |
| Unsettled transactions | — | — | — | — |
| Securitization exposure subject to calculation of credit risk assets | 3,393,053 | 3,598,594 | 271,443 | 287,886 |
| Of which: securitisation external ratings-based approach (SEC-ERBA) | 118,433 | 32,248 | 9,474 | 2,579 |
| Of which: securitisation standardised approach (SEC-SA) | 1,100,618 | 1,176,328 | 88,049 | 94,106 |
| Of which, exposure with a risk weight of 1,250% | 2,174,002 | 2,390,018 | 173,920 | 191,201 |
| Operational risk | 208,302 | 209,315 | 16,664 | 16,745 |
| Of which, exposure to which basic indicator approach applied | 208,302 | 209,315 | 16,664 | 16,745 |
| Exposure with related to specified items not included in adjustments | 24,573 | 25,521 | 1,965 | 2,041 |
| Amount of items included in risk weighted assets subject to transitional arrangements | — | — | — | — |
| Total | 19,203,324 | 19,418,634 | 1,536,261 | 1,553,483 |

## 2. Items Related to Credit Risk

(a) Fiscal year-end credit risk exposure, broken down as follows:

(1) By region

(Unit: Millions of yen)

| | March 31, 2020 |
|---|---|
| Domestic | 16,480,139 |
| Overseas | 55,286 |
| Total | 16,535,426 |

Note: "Overseas" refers to overseas consolidated subsidiaries. DBJ has no overseas branches.

(2) By industry and transaction counterparty

(Unit: Millions of yen)

| | March 31, 2020 |
|---|---|
| Manufacturing | 3,205,128 |
| Agriculture and forestry | 205 |
| Fisheries | 35 |
| Mining, quarrying and gravel extraction | 45,042 |
| Construction | 49,816 |
| Electrical, gas, heat supply and water | 3,287,891 |
| Information and communications | 339,804 |
| Transportation and postal | 2,339,294 |
| Wholesale and retail | 801,571 |
| Finance and insurance | 2,747,728 |
| Real estate and leasing of goods | 2,615,288 |
| Services | 299,851 |
| Municipal government | 14,109 |
| Other | 789,659 |
| Total | 16,535,426 |

(3) By period to maturity

(Unit: Millions of yen)

| | March 31, 2020 |
|---|---|
| Five years or less | 8,154,125 |
| More than five years, up to 10 | 4,983,808 |
| More than 10 years, up to 15 | 1,030,434 |
| More than 15 years | 996,147 |
| No maturity date | 1,370,910 |
| Total | 16,535,426 |

(b) Credit Risk Mitigation Techniques

(Unit: Millions of yen)

| | March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Exposure not secured | Exposure secured | Exposure secured by collateral | Exposure secured by guarantee | Exposure secured by credit derivatives |
| Loans | 10,695,771 | 866,965 | — | 792,701 | — |
| Securities (debt securities) | 958,930 | 12,634 | — | 12,634 | — |
| Other on-balance sheet assets (debt instruments) | 720,002 | — | — | — | — |
| Total | 12,374,703 | 879,599 | — | 805,335 | — |
| Of which, default items | — | — | — | — | — |

(c) Standardized Approach - Credit risk exposure by asset class and risk weight

(Unit: Millions of yen)

| | March 31, 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amounts of credit risk exposure (after applying CCF and credit risk mitigation techniques) | | | | | | | | |
| Asset Class / Risk Weight | 0% | 10% | 20% | 50% | 100% | 150% | 250% | 1250% | Total |
| Cash | 2 | — | — | — | — | — | — | — | 2 |
| Japanese government and Bank of Japan | 984,887 | — | — | — | — | — | — | — | 984,887 |
| Foreign central governments and central banks | — | — | — | — | — | — | — | — | — |
| Bank for International Settlements and other | — | — | — | — | — | — | — | — | — |
| Municipal governments in Japan | 14,109 | — | — | — | — | — | — | — | 14,109 |
| Foreign public bodies other than central banks | — | — | 500 | — | — | — | — | — | 500 |
| Multilateral Development Bank | — | — | — | — | — | — | — | — | — |
| Japan Finance Organization for Municipalities | — | — | — | — | — | — | — | — | — |
| Japanese government agencies | — | — | — | — | — | — | — | — | — |
| Three local public corporations | — | — | — | — | — | — | — | — | — |
| Financial institutions and Type I Financial Instruments Business Operators | — | — | 1,189,580 | 19,254 | 9,138 | — | — | — | 1,217,972 |
| Corporations | 35,623 | 4,238 | 771,935 | 6,782,272 | 4,499,124 | 6,961 | — | — | 12,100,153 |
| Small and medium-sized enterprises and individuals | — | — | — | — | — | — | — | — | — |
| Mortgage loans (loans secured by residential properties) | — | — | — | — | — | — | — | — | — |
| Real estate investment business | — | — | — | — | 830,128 | — | — | — | 830,128 |
| Delinquent for 3 months or more (excluding mortgage loans) | — | — | — | — | — | — | — | — | — |
| Mortgage loans that are delinquent for 3 months or more | — | — | — | — | — | — | — | — | — |
| Bills and checks in process of collection | — | — | — | — | — | — | — | — | — |
| Guaranteed by Credit Guarantee Association and other | — | — | — | — | — | — | — | — | — |
| Guaranteed by Regional Economy Vitalization Corporation of Japan and other | — | — | — | — | — | — | — | — | — |
| Investments (excluding significant investments) | — | — | — | — | 846,403 | — | — | — | 846,403 |
| Total | 1,034,621 | 4,238 | 1,962,015 | 6,801,526 | 6,184,793 | 6,961 | — | — | 15,994,154 |

### 3. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods

(a) Counterparty credit risk

(1) Counterparty credit risk exposure by technique

(Unit: Millions of yen)

| | March 31, 2020 | |
|---|---|---|
| | Exposure after applying a credit risk mitigation technique | Amount of risk weighted assets |
| Current exposure method | 170,275 | 45,797 |

(2) Counterparty credit risk exposure by industry and risk weight

(Unit: Millions of yen)

| | March 31, 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Credit equivalent amount (after taking credit risk mitigations into account) | | | | | | | | |
| Asset Class / Risk Weight | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total |
| Japanese government and Bank of Japan | – | – | – | – | – | – | – | – | – |
| Foreign central governments and central banks | – | – | – | – | – | – | – | – | – |
| Bank for International Settlements and others | – | – | – | – | – | – | – | – | – |
| Municipal governments in Japan | 28 | – | – | – | – | – | – | – | 28 |
| Foreign public bodies other than central banks | – | – | – | – | – | – | – | – | – |
| Multilateral Development Bank | – | – | – | – | – | – | – | – | – |
| Japan Finance Organization for Municipalities | – | – | – | – | – | – | – | – | – |
| Japanese government agencies | – | – | – | – | – | – | – | – | – |
| Three local public corporations | – | – | – | – | – | – | – | – | – |
| Financial institutions and Type I Financial Instruments Business Operators | – | – | 154,273 | – | – | – | – | – | 154,273 |
| Corporations | – | – | 915 | 597 | – | 14,386 | – | – | 15,898 |
| Small and medium-sized enterprises and individuals | – | – | – | – | – | – | – | – | – |
| Other | – | – | – | – | – | 74 | – | – | 74 |
| Total | 28 | – | 155,188 | 597 | – | 14,460 | – | – | 170,273 |

(b) Capital requirement for CVA risk

(Unit: Millions of yen)

| | March 31, 2020 | |
|---|---|---|
| | Exposure after applying a credit risk mitigation technique | Amount of risk weighted assets (Amount calculated by dividing CVA risk equivalent by 8%) |
| Total portfolio subject to the standardized risk measurement approach | 168,483 | 181,396 |

(c) Composition of collateral for counterparty credit risk exposure

(Unit: Millions of yen)

| | March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Collateral used in derivative transactions | | | | Collateral used in repo transactions | |
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash (domestic currency) | — | — | — | — | — | — |
| Cash (foreign currency) | — | — | — | — | — | — |
| Domestic sovereign bonds | — | — | — | — | — | — |
| Other sovereign bonds | — | — | — | — | — | — |
| Government-related agency bonds | — | — | — | — | — | — |
| Corporate bonds | — | — | — | — | — | — |
| Equity | — | — | — | — | — | — |
| Other collateral | — | — | — | — | — | — |
| Total | — | — | — | — | — | — |

(d) Exposure for central counterparty clearing house

(Unit: Millions of yen)

| | March 31, 2020 | |
|---|---|---|
| | Protection purchased | Protection provided |
| Notional amount | | |
| Single-name credit default swaps | 1,500 | — |
| Index credit default swaps | — | 1,500 |
| Total return swaps | — | — |
| Credit options | — | — |
| Other credit derivatives | — | 3,000 |
| Total notional amount | 1,500 | 4,500 |
| Fair value | | |
| Positive fair value (Assets) | — | 6 |
| Negative fair value (Liabilities) | 7 | — |

(e) Exposure for central counterparty clearing house

(Unit: Millions of yen)

| | March 31, 2020 | |
|---|---|---|
| | Exposure for central clearing house (after applying a credit risk mitigation technique) | Amount of risk weighted assets |
| Exposure for Qualified Central Counterparty Clearing House (Total) | / | 309 |
| Trade exposure for Qualified Central Counterparty Clearing House (excluding initial margin) | 15,498 | 309 |
| (i) Derivative product transactions (other than listed transactions) | 15,498 | 309 |
| (ii) Derivative product transactions (listed transactions) | — | — |
| (iii) Repurchase / reverse repurchase transactions | — | — |
| (iv) Netting set in case where cross-product netting is approved | — | — |
| Initial margin maintained in segregated accounts | 20,000 | / |
| Initial margin not maintained in segregated accounts | — | — |
| Pre-contributed Clearing Fund | — | — |
| Uncontributed Clearing Fund | — | — |

### 4. Securitization Exposure

(1) Securitization exposure by underlying asset type (limited to the securitization exposure subject to calculation of credit risk assets)

(Unit: Millions of yen)

| | March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | | DBJ as an investor | | |
| | DBJ as the originator | DBJ as the sponsor | Traditional securitization | Synthetic securitization | Subtotal |
| Retail (Total) | — | — | — | — | — |
| Wholesale (Total) | 0 | — | 1,465,487 | — | 1,465,487 |
| Structured Finance | 0 | — | 1,465,487 | — | 1,465,487 |
| Other | — | — | — | — | — |
| Resecuritization | — | — | — | — | — |

(2) Securitization exposure subject to calculation of credit risk assets and required capital amounts

(Unit: Millions of yen)

| | March 31, 2020 |
|---|---|
| Amount of exposure (by risk weight) | |
| Securitization exposure by risk weight of 20% or less | 83,018 |
| Securitization exposure by risk weight of over 20% and 50% or less | 4,772 |
| Securitization exposure by risk weight of over 50% and 100% or less | 1,177,955 |
| Securitization exposure by risk weight of over 100% and below 1.250% | 8,540 |
| Securitization exposure by risk weight of 1.250% | 191,201 |
| Required capital amounts (by calculation method) | |
| Required capital amounts for securitization exposure to which SEC-ERBA is applied | 2,579 |
| Required capital amounts for securitization exposure to which SEC-SA is applied | 94,106 |
| Required capital amounts for securitization exposure to which 1.250% risk weight is applied | 191,201 |

### 5. Interest Rate Risk (Non-consolidated)

(Unit: Hundred Millions of yen)

| | March 31, 2019 | | March 31, 2020 | |
|---|---|---|---|---|
| | ΔEVE | ΔNII | ΔEVE | ΔNII |
| Parallel up | 569 | 39 | 1 | 82 |
| Parallel down | 11 | (97) | 458 | (141) |
| Steepener | 303 | / | 15 | / |
| Flattener | 1 | / | 492 | / |
| Short rate up | 154 | / | 185 | / |
| Short rate down | 21 | / | 26 | / |
| Maximum | 569 | 39 | 492 | 82 |

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Tier 1 capital | 31,877 | 33,346 |

## Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

| | | March 31, 2019 | March 31, 2020 | Corresponding Line No. on Basel III Disclosure Template Table 2 | Corresponding Line No. on Basel III Disclosure Template Table 1 |
|---|---|---|---|---|---|
| **On-balance sheet exposures (1)** | | | | | |
| On-balance sheet exposures before deducting adjustments items | | 16,725,746 | 17,337,028 | 1 | |
| Total assets reported in the consolidated balance sheet | | 17,079,580 | 17,693,665 | 1a | 1 |
| The amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (–) | | — | — | 1b | 2 |
| The amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet) | | — | — | 1c | 7 |
| The amount of assets that are deducted from the total assets reported in the consolidated balance sheet (except adjustment items) (–) | | 353,834 | 356,636 | 1d | 3 |
| The amount of adjustment items pertaining to Tier 1 capital (–) | | 41,644 | 39,859 | 2 | 7 |
| Total on-balance sheet exposures | (a) | 16,684,101 | 17,297,169 | 3 | |
| **Exposures related to derivatives transactions (2)** | | | | | |
| Replacement cost associated with derivatives transactions, multiplied by 1.4 | | — | — | 4 | |
| Add-on amount associated with derivatives transactions, etc. | | 53,794 | 147,336 | | |
| PFE associated with derivatives transactions, multiplied by 1.4 | | — | — | 5 | |
| The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc. | | 57,256 | 70,174 | | |
| The amount of receivables arising from providing cash margin in relation to with derivatives transactions | | 23,118 | 17,572 | | |
| The amount of collateral paid for derivative transactions deducted from the consolidated balance sheet | | — | — | 6 | |
| The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework | | — | — | | |
| The amount of deductions of receivables (out of those arising from providing cash variation margin) (–) | | — | — | 7 | |
| The amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (–) | | — | — | 8 | |
| Adjusted effective notional amount of written credit derivatives | | 7,500 | 1,500 | 9 | |
| The amount of deductions from effective notional amount of written credit derivatives (–) | | — | — | 10 | |
| Total exposures related to derivative transactions | (b) | 141,669 | 236,582 | 11 | 4 |
| **Exposures related to repo transactions (3)** | | | | | |
| The amount of assets related to repo transactions, etc. | | — | — | 12 | |
| The amount of deductions from the assets above (line 12) (–) | | — | — | 13 | |
| The exposures for counterparty credit risk for repo transactions, etc. | | — | — | 14 | |
| The exposures for agent repo transactions | | — | — | 15 | |
| Total exposures related to repo transactions, etc. | (c) | — | — | 16 | 5 |
| **Exposures related to off-balance sheet transactions (4)** | | | | | |
| Notional amount of off-balance sheet transactions | | 1,876,615 | 1,797,519 | 17 | |
| The amount of adjustments for conversion in relation to off-balance sheet transactions (–) | | 692,441 | 666,306 | 18 | |
| Total exposures related to off-balance sheet transactions | (d) | 1,184,173 | 1,131,213 | 19 | 6 |
| **Leverage ratio on a consolidated basis (5)** | | | | | |
| The amount of capital (Tier 1 capital) | (e) | 3,200,682 | 3,353,665 | 20 | |
| Total exposures ((a)+(b)+(c)+(d)) | (f) | 18,009,944 | 18,664,965 | 21 | 8 |
| Leverage ratio on a consolidated basis ((e)/(f)) | | 17.77% | 17.96% | 22 | |

## Key Indicators (Consolidated)

(Unit: Millions of yen, %)

| | March 31, 2019 | September 30, 2019 | March 31, 2020 |
|---|---|---|---|
| Capital | | | |
| Common Equity Tier 1 capital | 3,199,157 | 3,222,794 | 3,351,796 |
| Tier 1 capital | 3,200,682 | 3,225,179 | 3,353,665 |
| Total capital | 3,214,802 | 3,245,545 | 3,373,441 |
| Risk weighted assets | | | |
| Risk weighted assets | 19,203,324 | 18,905,045 | 19,418,634 |
| Capital ratio | | | |
| Common Equity Tier 1 risk-weighted capital ratio (consolidated) | 16.65% | 17.04% | 17.26% |
| Tier 1 risk-weighted capital ratio (consolidated) | 16.66% | 17.05% | 17.27% |
| Total risk-weighted capital ratio (consolidated) | 16.74% | 17.16% | 17.37% |
| Leverage ratio (consolidated) | | | |
| Total exposures | 18,009,944 | 17,738,487 | 18,664,965 |
| Leverage ratio (consolidated) | 17.77% | 18.18% | 17.96% |

# 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<br>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 Singapore Limited is a Singapore-based subsidiary established in December 2008. It mainly provides support for investments and loans as well as advisory services in the Asia-Pacific region, and also collects and disseminates information locally.

**DBJ Europe Limited**

DBJ Europe Limited is a London-based subsidiary established in November 2009. It mainly provides support for investment and loan services in Europe, and also collects and disseminates information locally.

**DBJ Investment Consulting (Beijing) Co., Ltd.**

DBJ Investment Consulting (Beijing) Co., Ltd. became a wholly owned subsidiary in June 2014 and is based in Beijing and Shanghai. It mainly offers support for investment and loan services in China, and also collects and disseminates information locally.

**DBJ Americas Inc.**

Launched in October 2018, DBJ Americas Inc. is a local subsidiary based in New York, U.S.A. It mainly provides support for investment and loan services in the Americas, and also collects and disseminates information locally.

## Investments / Securities / Asset Management

**DBJ Capital Co., Ltd.**

DBJ Capital Co., Ltd. is the venture capital arm of the DBJ Group. It mainly makes early-stage equity investments in venture firms, and supports their growth through hands-on management.

DBJキャピタル株式会社

**DBJ Investment Advisory Co., Ltd.**

DBJ Investment Advisory Co., Ltd. provides advice related to DBJ's VG (Value for Growth) Investment Program.*

* Value-added equity investment that supports growth strategies

**DBJ Securities Co., Ltd.**

DBJ Securities Co., Ltd. is a securities subsidiary that assists the DBJ Group with investment and loan services. It supports optimal capital procurement, centered on alternative product fields, provides asset management opportunities, and flexibly fulfills diverse needs.

DBJ証券株式会社

**DBJ Asset Management Co., Ltd.**

DBJ Asset Management Co., Ltd. is an asset management company focused on real estate, private equity, and infrastructure investments. It provides quality investment opportunities to investors with the comprehensive financial backing of the DBJ Group.

DBJ DBJアセットマネジメント

## Research / Consulting

**Japan Economic Research Institute Inc.**

Japan Economic Research Institute Inc. is a comprehensive think tank that primarily conducts surveys and consulting. It meets customer needs from a comprehensive viewpoint, leveraging synergies in its three survey fields: public, solutions, and international.

JERI 株式会社日本経済研究所 Japan Economic Research Institute Inc.

**Value Management Institute, Inc.**

Value Management Institute, Inc. is a comprehensive think tank with strengths derived from its insight into advanced technologies and analysis using proprietary economic models. It provides tailor-made solutions to a broad range of government policy issues.

DBJ 株式会社価値総合研究所

## Real estate management / IT services

**DBJ Real Estate Co., Ltd.**

DBJ Real Estate Co., Ltd. handles administrative functions for the DBJ Group for office building leasing, rental conference rooms, and business libraries.

DBJ リアルエステート DBJ Real Estate Co.,Ltd.

**Consist, Inc.**

Consist, Inc. provides one-stop consulting services for developing, maintaining, and operating IT, using technology to help solve social issues.

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DBJ Development Bank of Japan

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