DBJ Development Bank of Japan

Integrated Report 2021

Mission

Design the Future with Financial Expertise

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

A Long-term Perspective | Impartiality | Public-mindedness | Reliability

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

Editorial Policy

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

Period Covered and Scope

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

Guidelines and Entities Referenced

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

Environment Social Governance
Guidance for Collaborative Value Creation

Disclaimer

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

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

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

Contents

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.

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

Corporate Governance

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

Corporate Governance

Risk Management

Corporate Data

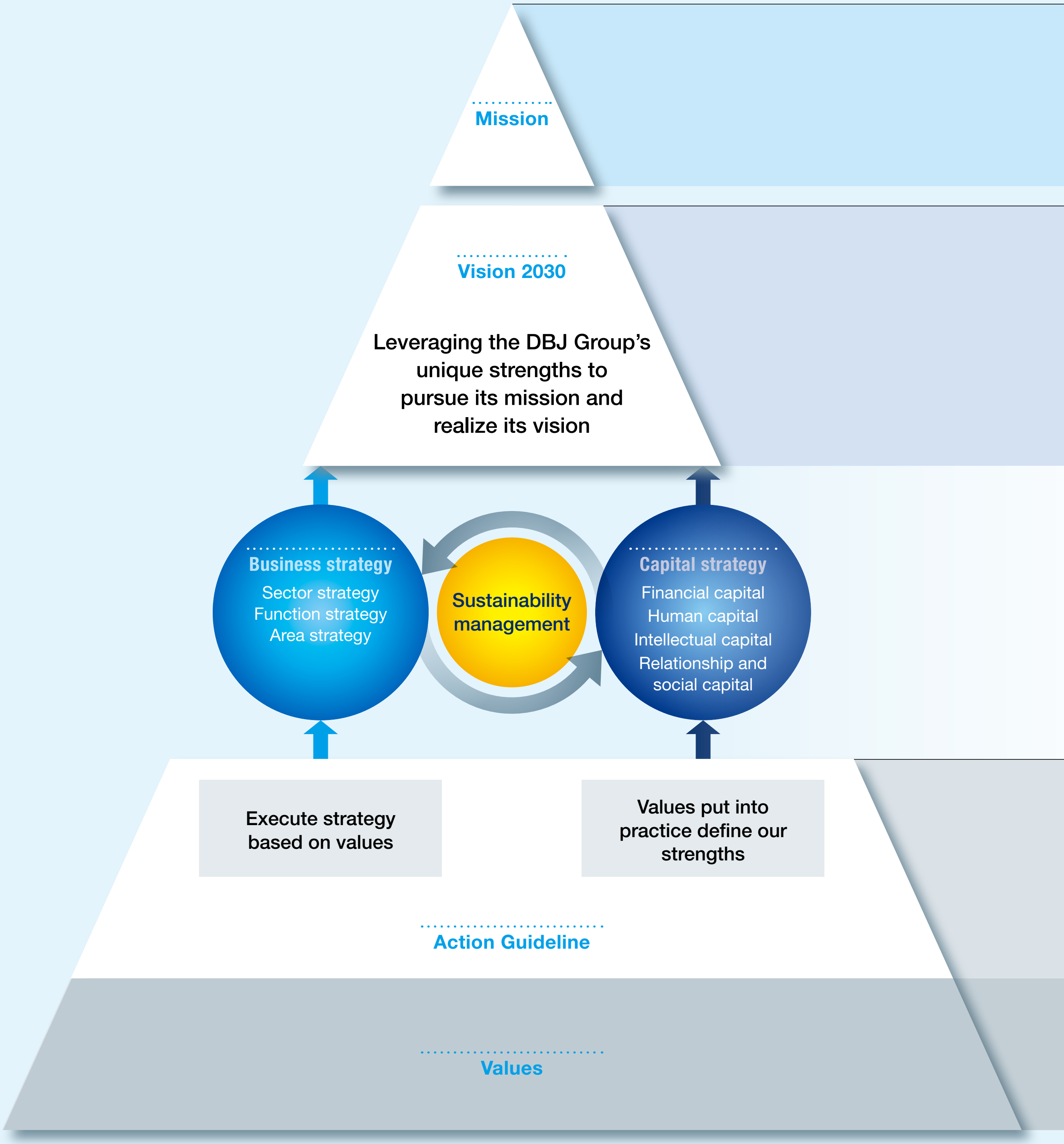
Data Section

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

Roles played by DBJ

Economic recovery

Rapid growth

Reconstruction and self-reliance of the economy

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

High-growth infrastructure development

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

https://www.dbj.jp/en/co/info/history/
Please refer to DBJ's website for more details on our history and timeline.

Expansion and reinforcement of industrial bases

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

Collections of NYK Maritime Museum

Development of domestic technologies

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

Development of innovative financial products focused on sources of corporate value

Corporation established

Stable growth | Economic bubble | Post-bubble economy

Strengthening of international competitiveness

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

Improvements to quality of life

In the 1970s, JDB engaged in 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 2020
Amendments to the Development Bank of Japan Inc. Act

Structural reform

The global financial crisis
The Great East Japan Earthquake

The COVID-19 pandemic

Regional revitalization

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

Business regeneration

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

Financial crisis response, post-earthquake reconstruction

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

Provision of risk capital

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

Response to the 2008 Global Financial Crisis

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

Great East Japan Earthquake disaster and crisis response

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

Crisis response to impact of COVID-19

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

Vision 2030

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

Future Changes in the External Environment

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

- Population problems
- Climate change, natural resources, and energy
- Globalization
- AI, fintech, and other technological innovations
- Government budgets, finances, and regulations

Realizing a sustainable society

Our Three Priority Areas

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

Rebuilding and Reinforcement of Infrastructure

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

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

Creation, Conversion, and Growth in Industry

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

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

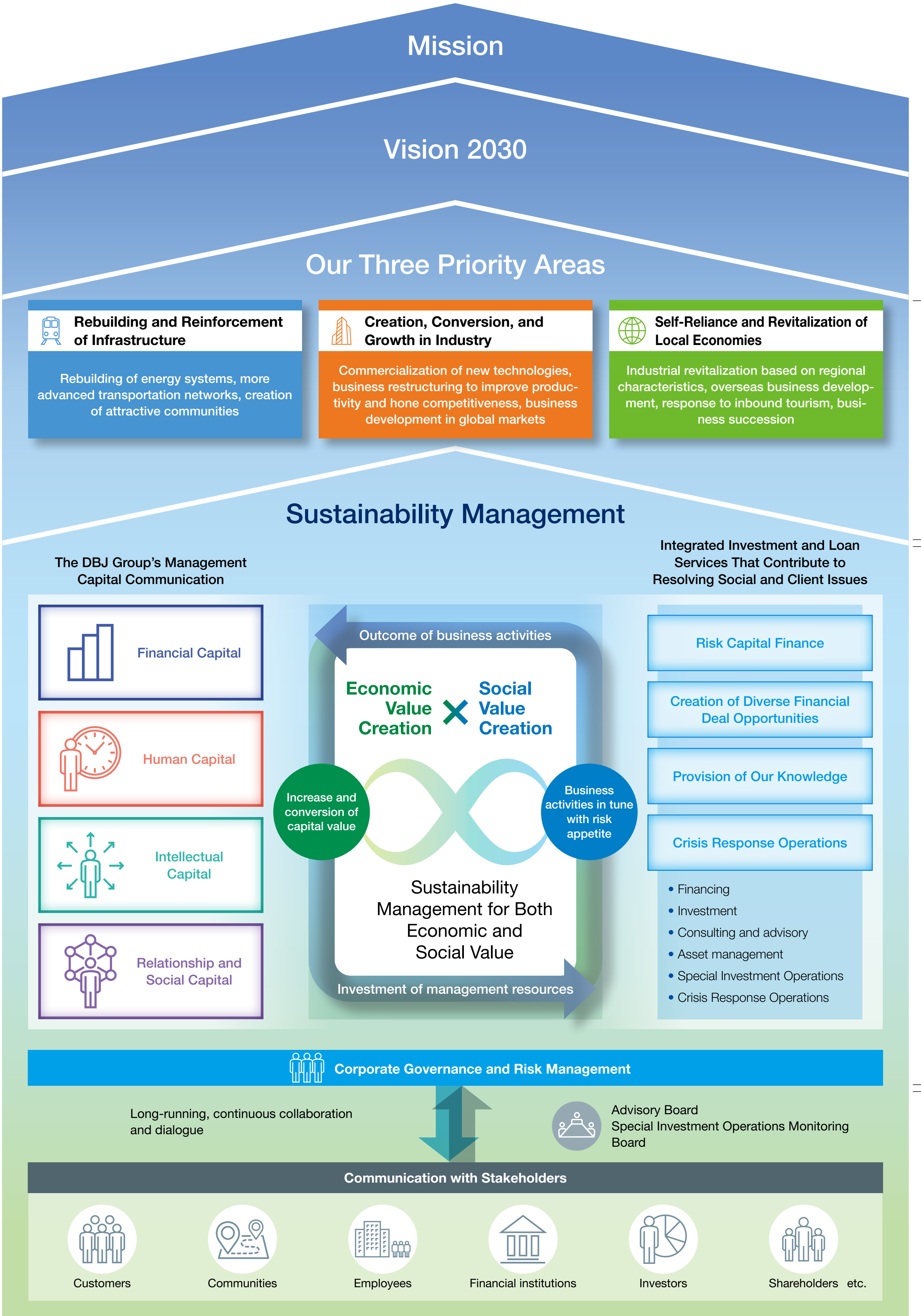
Self-Reliance and Revitalization of Local Economies

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

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

Sustainability Management

Value Creation Process



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

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

Solving Challenges in Priority Areas through Sustainability Management

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

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

Balancing Economic and Social Value

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

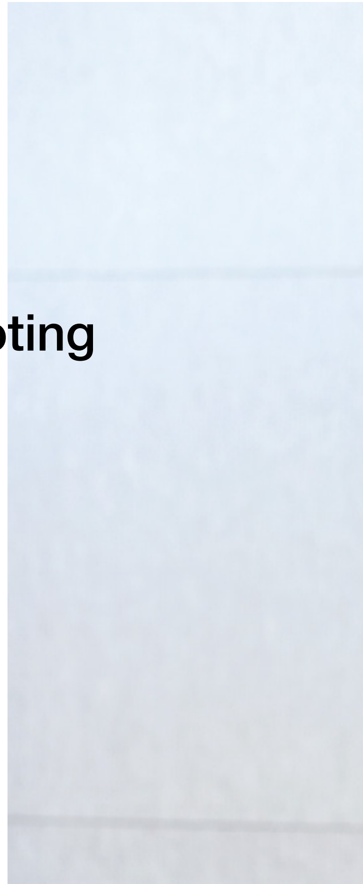
As mandated under the DBJ Act, we also rapidly and accurately undertake Crisis Response Operations as required by events such as major natural disasters and financial market instability. We contribute to the sustained growth of society through Group measures to create new industries and support while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

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

Building a Foundation for Sustainability Management through Communication with Stakeholders

Communication with our stakeholders helps us continuously improve our sustainability management, our unique value creation process. As part of this process, the Advisory Board, an advisory body to the Board of Directors, and the Special Investment Operations Monitoring Board, receive third-party advice from outside experts and outside members of the Board of Directors. Through communication in its daily operations with stakeholders, including customers, regions, financial institutions, investors, and shareholders, the DBJ Group reaffirms its functions and examines how those functions should evolve in the years to come.

Message from the President



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

Hajime Watanabe

President and CEO
Development Bank of Japan Inc.

Our Response to the COVID-19 Crisis

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

As of March 31, 2021, we have already extended 345 Crisis Response Operations worth ¥2,231.8 billion and, through the Regional Emergency Response Program, provided a total of ¥103.9 billion in financing to 64 cases. At the request of the government, we set up a special team in March 2021 to strengthen time-limited and concentrated support for businesses severely impacted by the ongoing pandemic, such as those in the hospitality sector. Through these and other measures, we are focusing on rapidly and properly implementing Crisis Response Operations while collaborating and coordinating with private financial institutions to address the needs of customers adversely affected by COVID-19.

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

The Role of the DBJ Group and Our Achievements to Date

Since the days of its predecessors, Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation, the DBJ Group has worked to promote Japan's sustainable development. We have achieved this by responding flexibly to the issues of the day, through the periods of postwar reconstruction, high and stable growth, and the bubble economy and its collapse. In more recent years, we have addressed the declining birth rate and aging population, and become a leader in the areas of globalization and growing environmental and disaster awareness. The past decade alone has seen dramatic change in the wake of the global financial crisis and such major events as the Great East Japan

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

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

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

Our Mission: Design the future with financial expertise

Our Action Guidelines:

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

Our Values: Initiative and Integrity

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 determined 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, take steps toward carbon neutrality and look forward to 2030, we will fulfill our unique role in the economy and society by taking action during times of crisis and otherwise responding to social demand.

Sustainability Management at the DBJ Group

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

To this end, we must accurately understand the current issues affecting industries and our customers, in addition to longer-term trends and issues in society and the impact they may have on our customers and specific sectors. Leveraging our knowledge to produce future visions through research and analysis, and sharing these visions with customers and regional communities while offering financial solutions such as risk capital to deal with related issues, the DBJ Group will take the lead in creating industries and initiatives that can serve as pillars of Japan's economy and society in the years to come. At the same time, Crisis Response Operations will play an important role, undertaken with flexibility and precision as required by events such as major disasters and instability in financial markets.

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

Fiscal 2020 Results

In its results for fiscal 2020, DBJ generated net income of ¥45.2 billion, a decline of 10% from the previous fiscal year, due to owing to an increase in valuation allowance in light of the COVID-19 pandemic. We will continue to focus Crisis Response Operations on issues related to the pandemic, while also helping our customers rebuild their finances and take measures to recover and grow from the pandemic.

Fifth Medium-Term Management Plan

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

With dramatic changes underway around the world amid increasing uncertainty due to the pandemic, DBJ drew up its Fifth Medium-Term Management Plan while backcasting from its long-term vision, Vision 2030. The Bank is also taking heed of four major social issues that are having a significant impact on economies and communities worldwide: the advancement of digitalization, the decline of working-age populations, internationalization, and sustainability. The idea of capitalism is being tested more than ever before by this pandemic. As social issues become inseparable from the business challenges faced by our customers, we must work to solve issues from the customer's perspective. With this in mind, we unveiled our Fifth Medium-Term Management Plan for fiscal 2021 onward.

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

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

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

Business Profit and Loss (Consolidated)

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

Note: Business categories are those used in business management.

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

The third aspect to note is the GRIT Strategy (see page 17), concrete initiatives created by the Group to enable it to fulfill the abovementioned role. With the realization of a sustainable society as our ultimate goal, we will collaborate with customers and all other stakeholders on Green, Resilience & Recovery, Innovation, and Transition & Transformation initiatives.

Special Investment Operations

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

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

Development of Human Resources Focused on Best Practices in Sustainability Management

Sustainability management, a key to the DBJ Group's value creation process, relies above all on personnel who share the core values of initiative and integrity and who display the four elements of our core corporate values in the pursuit of balancing economic and social value. Officers and employees of the DBJ Group have inherited the core corporate values of long-term perspective, impartiality, public mindedness, and reliability, which have evolved over the years in the course of our business. Bolstered by these corporate values, the Group has consistently risen to meet the challenges of the times. We always

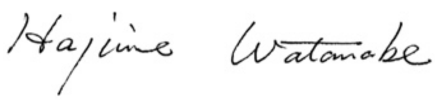
strive to enhance our skills in corporate and project assessment. Our know-how, capability, and developed networks reinforce the DBJ Group's core asset of expertise in long-term screening and assessment based on a comprehensive view of regional and current issues.

The employees embodying the Group's values should be able to pursue their activities creatively and in good health, and we are promoting workstyle reforms for this purpose. To bring more flexibility to working patterns, we have introduced telecommuting and a flex-time work system, and we aim to enhance our paid parental and caregiving leave programs. As part of our response to COVID-19, we are encouraging employees to take a flexible approach to working at home or coming to work on staggered schedules, because the health and safety of our executives and employees are of paramount importance. We are also making every effort to update our systems so that Crisis Response Operations can be smoothly implemented.

Improving Collaboration with Stakeholders

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

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



President and CEO
August 2021

Our Response to COVID-19

Implementation of Crisis Response Operations

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

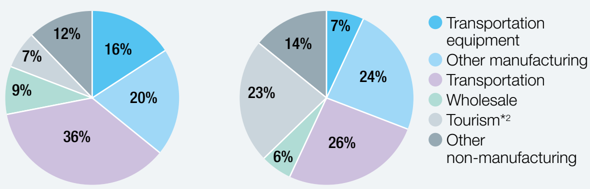
Led by the Coronavirus Response Headquarters, DBJ has moved to rapidly and precisely implement Crisis Response Operations as a designated financial institution. DBJ will continue to collaborate and coordinate with private financial institutions to meet the needs of businesses that have been adversely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

State of Initiatives for Crisis Response Operations

Timeline	2020	January:	Opened consulting service counters
		February:	Added this crisis to its unique Regional Emergency Response Program
		March:	Established Coronavirus Response Headquarters (headed by President and CEO Hajime Watanabe)
		March:	Started Crisis Response Operations upon the Japanese government's declaration of a state of emergency over this crisis
		April:	First supplementary budget passed by government
		May:	Growth Fund for Coronavirus Revival established
		June:	Second supplementary budget passed by government
	2021	January:	Third supplementary budget passed by government
		March:	DBJ increased support for restaurant and hotel businesses
Agreements with Regional Financial Institutions to Coordinate Disaster Response Operations*1			• Cooperative agreements signed with approximately 70 regional financial institutions with objective of appropriately responding to this crisis and contributing to regional economic development
Status of Crisis Response Operations*1			• Crisis Response Operations (total): 345 loans, ¥2,231.8 billion
			• Regional Emergency Response Program loans (total): 64 loans, ¥103.9 billion

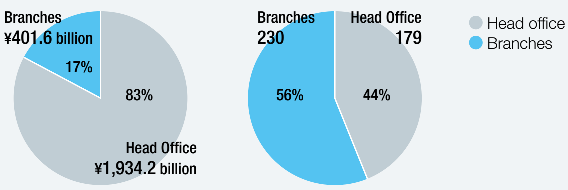
Breakdown of Financing by Sector*1

Amount (%) **Number** (%)



Breakdown of Financing by Office Type*1

Amount (billions of yen) **Number** (%)



*1 As of March 31, 2021
*2 Total for hotels, retailers, and restaurants

Increase in Support for Restaurants and Hotels

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

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

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

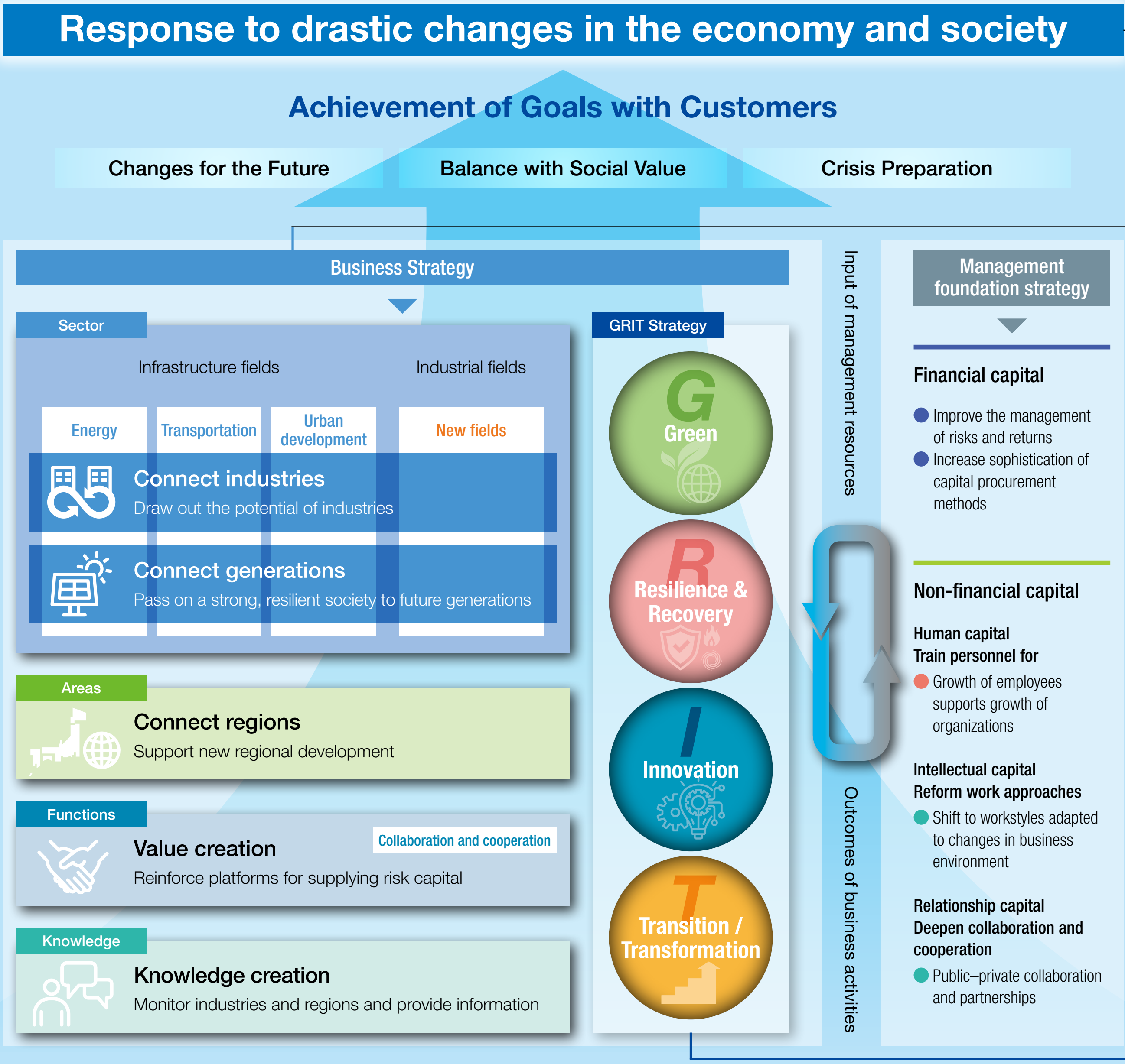
https://www.dbj.jp/topics/dbj_news/2020/html/20210331_203199.html
Please refer to the DBJ website for more information about assistance for restaurant and hotel companies (Japanese only).

Fifth Medium-Term Management Plan:

Innovation for Sustainability

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

Recently, sweeping changes have occurred in demographics and social structures, and social issues have become inseparable from the business challenges faced by our customers. While collaborating and cooperating with private financial institutions, the DBJ Group utilizes risk capital and its knowledge to help customers solve their issues and thereby contribute to sustainable growth. Against this backdrop, we formulated as an action plan our Fifth Medium-Term Management Plan: Innovation for Sustainability. Due to the still unpredictable impact the COVID-19 pandemic will have on the economy and society, the plan spans five years, longer than the three-year periods of previous plans.



Financial Targets

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

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

*1 Excludes credit costs
*2 Cost ratio and ROA versus gross ordinary income. ROE versus net income
*3 Common equity Tier 1 risk-weighted capital ratio (Fifth Medium-Term Management Plan estimates on a finalized Basel III basis)

Response to drastic changes in the economy and society

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

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

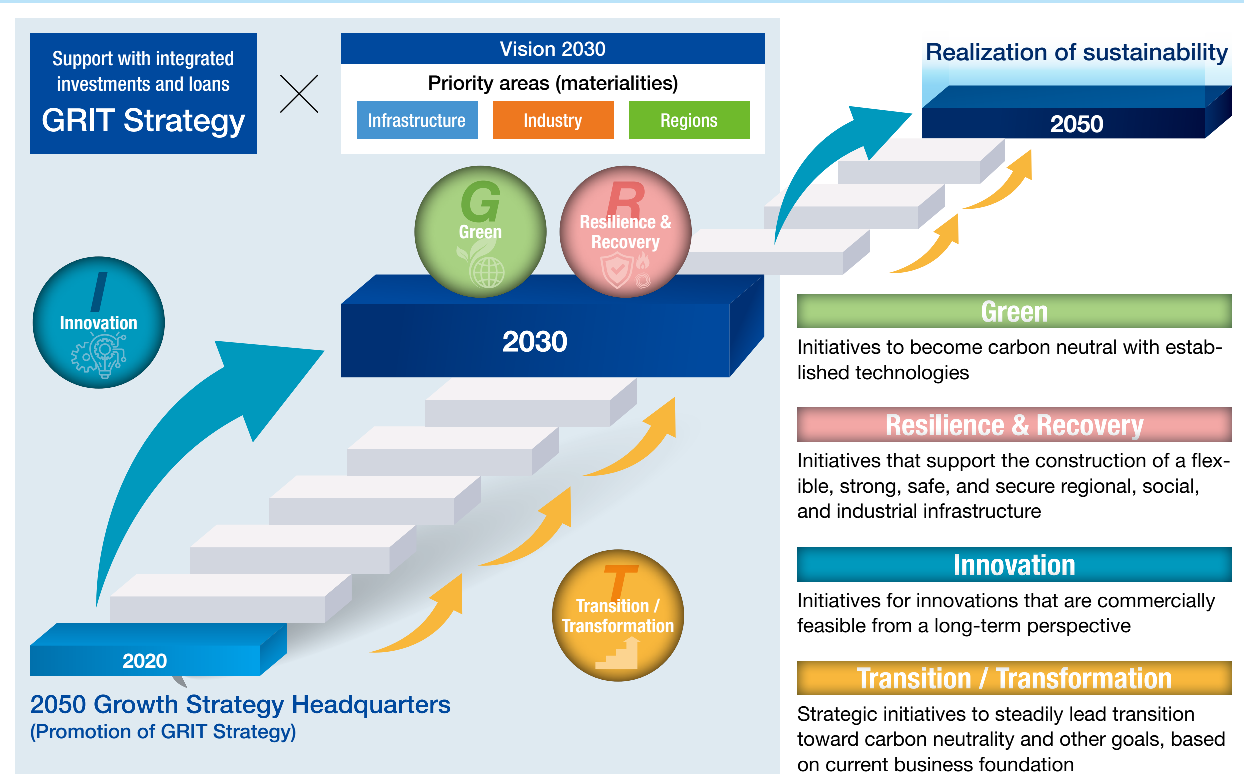
Connecting industries, regions, and generations to create value

Responding to changes in society caused by D.A.I.S. requires efforts that exceed traditional concepts, and in this regard it is important to collaborate and cooperate with customers and private-sector financial institutions. The DBJ Group aims to create value with its stakeholders by advancing initiatives to bring them together through nodes and catalysts that facilitate the taking on of new challenges above and beyond the borders defining sectors and corporations.

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

GRIT Strategy

In line with its long-term vision, the DBJ Group devised the GRIT Strategy as a core action for 2030, with the aim of contributing to the realization of a sustainable society by 2050 through the advancement of initiatives to marshal resources. While starting with the specific needs of customers, the GRIT Strategy aims to build industry foundations as well as resilient, safe and worry-free regions and communities, along with the realization of a green society. Toward this goal, the DBJ Group is engaged in initiatives at innovations that can be commercialized and objectively assessed, as well as strategic initiatives for the transition to a sustainable society on the basis of current business base. To advance the GRIT Strategy, DBJ set up the 2050 Growth Strategy Headquarters, directly led by the President.



https://www.dbj.jp/en/co/info/plan.html
Please refer to the DBJ website for more information about the Fifth Medium-Term Management Plan.

Key Initiatives toward Realizing Sustainability

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

Policy on Sustainability

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

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

https://www.dbj.jp/en/sustainability/management/regular.html
Please refer to the DBJ website for details on our Policy on Sustainability.

Main Initiatives

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

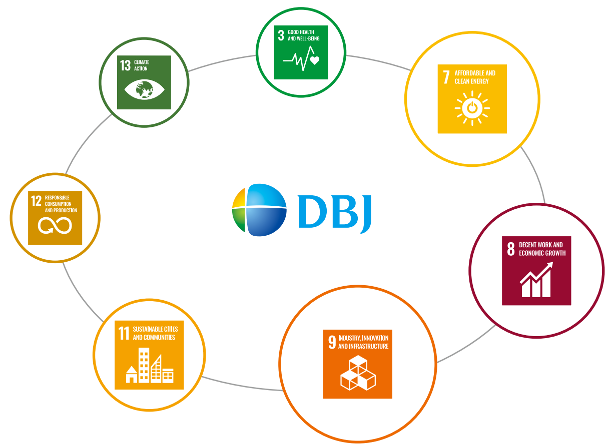
Corporate Governance Framework

Establishment of Sustainability Committee	DBJ established the Sustainability Committee to identify important social issues from ESG and other perspectives and to incorporate these matters into its financing, asset management, and other business activities.	See page **54**

Increasing Visibility on Social Values: DBJ SDGs Mapping

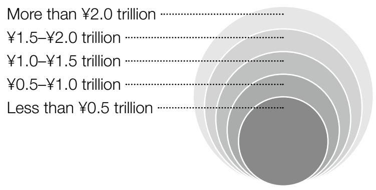
With the aim of engaging in more dialogue with its stakeholders, the DBJ Group began a trial of SDGs Mapping to increase visibility of the social value created through its investment and loans operations. To instill this awareness within DBJ, we are working to increase the literacy of all employees by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

Achievements in Fiscal 2020



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

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



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

Comments from experts on SDGs Mapping

Takasaki City University of Economics
President

Takeshi Mizuguchi

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

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

Takejiro Sueyoshi

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

Cre-en Inc.
Representative Director

Ayako Sonoda

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

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

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

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

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

Businesses subject to this policy

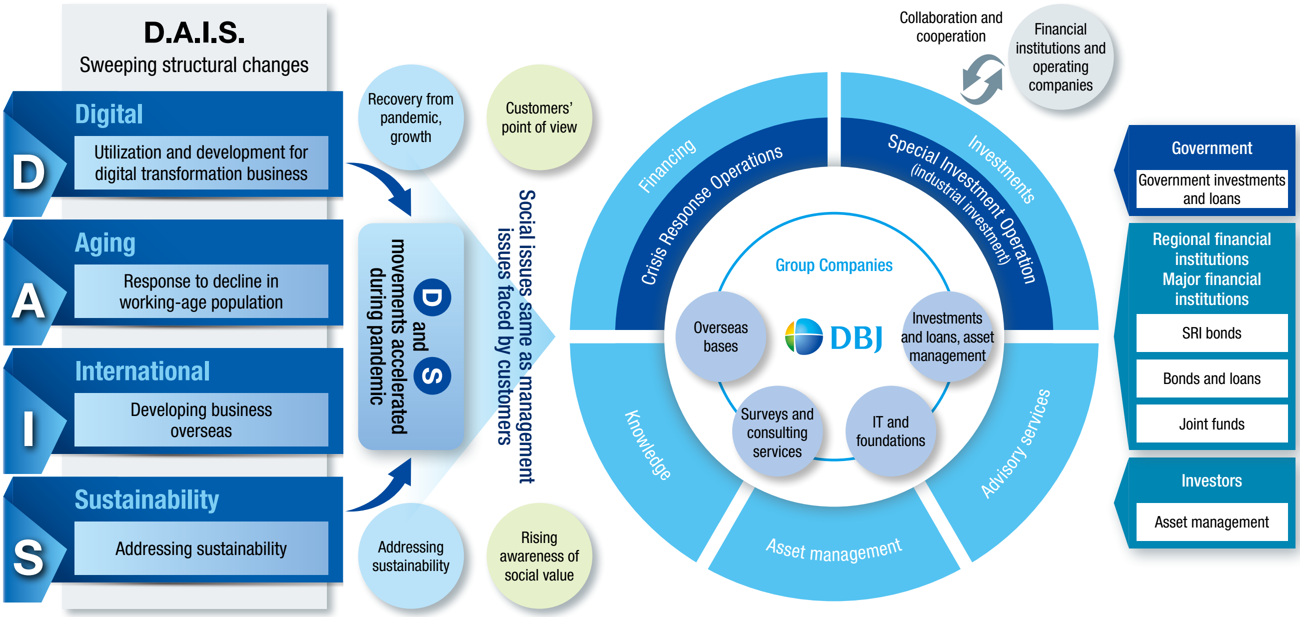
1. Businesses prohibited from receiving investments and loans regardless of sector
2. Businesses that require additional due diligence for investments and loans regardless of sector
3. Policies for specific sectors
   (1) Weapons
   (2) Coal-fired thermal power generation
   (3) Palm oil (4) Lumber
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

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

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

Invigoration and Stabilization of Financial Markets through Partnerships and Collaboration

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



Procurement and Management of Funds

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

Provision of Knowledge

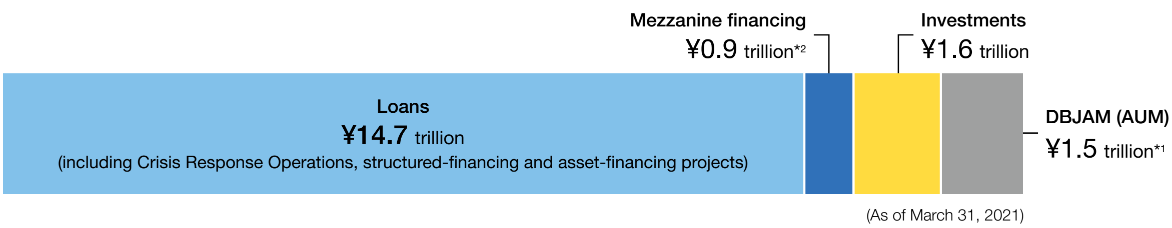
Backed by its experience and know-how in industrial and infrastructure fields as well as in risk analysis and structuring, the DBJ Group creates added value through the provision of knowledge in such forms as surveys and analyses.

Crisis Response Operations and Special Investment Operations

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

Supply of Risk Capital by the DBJ Group

DBJ's financing operations address diverse risks. These operations include investments (balance of ¥1.6 trillion) and loans (balance of approximately ¥15.6 trillion), ranging from crisis response loans for emergencies and risk-tailored project financing to hybrid and mezzanine financing. DBJ Asset Management Co., Ltd. (DBJAM) has ¥1.5 trillion in capital entrusted by investors, regional financial institutions, and other customers desiring expert fund management. In its work in asset management, DBJAM focuses on assets that allow the DBJ Group to best apply its strengths. We will continue to enhance the supply of risk capital in order to better meet the diverse needs of our customers.



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

The DBJ Group's Strategy

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

Business Strategy

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 / Shared Service

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

Rebuilding and Reinforcement of Infrastructure

Energy Sector

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

Main Business Fields

Provision of financing and advisory services to companies and projects in the following sectors	• Electricity • Gas • Oil

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

As of March 31, 2021

¥3.3 trillion

Identified Social Issues

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

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

Identified Risks and Opportunities

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

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

Strategy

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

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

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

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

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

https://www.dbj.jp/case/list/?field=energy
Please refer to the DBJ website to see examples and case studies (Japanese only) in the energy sector.

Connect with DBJ — Project Spotlight

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

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

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

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

Staff Comment

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

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

GRIT Strategy **Contribute to the Realization of a Sustainable Society**

Initiatives in the Renewable Energy Field

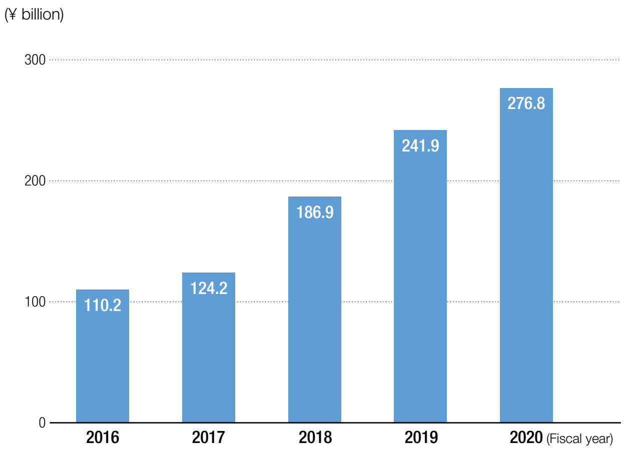
DBJ proactively supplies risk and other capital for projects to turn renewable energy into a primary source of electricity, and the balance of investments and loans in such projects stood at ¥276.8 billion as of the end of fiscal 2020.

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

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

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

Renewable Energy* Investment and Loan Balance



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

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

Rebuilding and Reinforcement of Infrastructure

Transportation Sector

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

Main Business Fields

Provision of financing to companies and for projects in the transportation sector	• Land transportation • Marine transportation • Air transportation

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

As of March 31, 2021

¥3.2 trillion

Identified Social Issues

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

Identified Risks and Opportunities

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

Strategy

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

https://www.dbj.jp/case/list/?field=transport
Please refer to the DBJ website to see case studies (Japanese only) in the transportation sector.

Connect with DBJ | Project Spotlight

Upgrading LNG Bunkering Vessels in Tokyo Bay

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

In the marine transportation sector, environmental regulations concerning sulfur content in ship fuel were tightened in January 2020, making it impossible to use traditional heavy fuel oil (HFO) as in the past. The number of ships using LNG as an alternative fuel is expected to increase, as LNG has a lower environmental impact, with 100% less sulfur and 25% less CO_2 than HFO.

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

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

© Ecobunker Shipping Co., Ltd.

Staff Comment

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

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

GRIT Strategy Contribute to the Realization of a Sustainable Society

Signatory to the Poseidon Principles

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

Since the end of the Second World War, DBJ has assisted domestic operators and shippers in rebuilding the Japanese merchant fleet through financing for shipbuilding. In recent years, the Poseidon Principles have become a global movement for financial institutions to assist with the decarbonization of the maritime industry. DBJ decided to become a signatory to the Poseidon Principles, partly because they tie in with its GRIT Strategy.

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

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

Rebuilding and Reinforcement of Infrastructure

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Urban Development Sector

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

Main Business Fields

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

Balance of Loans in the Real Estate Sector

As of March 31, 2021

¥1.9 trillion

Identified Social Issues

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

Identified Risks and Opportunities

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

Strategy

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

https://www.dbj.jp/case/list/?field=development
Please refer to the DBJ website to see examples and case studies (Japanese only) in the urban development sector.

https://www.dbj.jp/en/service/program/g_building/
Please refer to the DBJ website to see more information about DBJ Green Building Certification.

Connect with DBJ | Project Spotlight

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

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

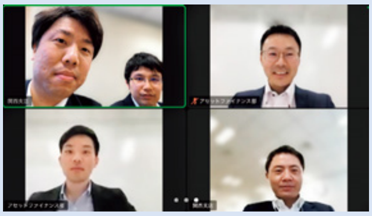
In its medium-term management plan, the JR West Japan Group calls for "enhancing coexistence with local communities and taking on the challenge of creating new value." The creation of this privately offered real estate investment fund was in line with these values. The JR West Japan Group is also looking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

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

Staff Comment

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

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



Online meeting between the Kansai Branch Office and Asset Finance Department

GRIT Strategy　Contribute to the Realization of a Sustainable Society

Establishment of Arc Japan Inc.

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

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

Approximately 40% of the world's indirect emissions of CO_2 are said to come from the construction of real estate, including homes. The real estate market is expected to step up its efforts to decarbonize by improving the comprehensive monitoring of environmental loads in real estate properties owned or used by a wide swath of businesses, in addition to buildings that have obtained real estate environmental certifications.

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

Since establishing the DBJ Green Building Certification system in fiscal 2011, DBJ has promoted ESG in the real estate sector by working with several related parties. Through the promotion of the Arc platform, DBJ and Arc Japan intend to provide a framework that links financing to efforts to visualize and improve the environmental performance of real estate, thus facilitating the transition to a carbon-free society and improving the sustainability of real estate in Japan.

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

Priority Areas | Sector Strategy

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

Creation, Conversion, and Growth in Industry

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Industrial Sectors

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

Main Business Fields

Provision of financing and advisory services for companies and projects in industrial sectors	• Manufacturing • Communications, broadcasting, media • Retail and foods • Healthcare • Hotels, Japanese-style inns, tourism, etc.

Identified Social Issues

While struggling to overcome the challenges presented during the COVID-19 pandemic, Japanese industry has accelerated efforts to solve issues it has long faced, such as ensuring workplace safety, reforming workstyles, innovating with AI/MI, and realizing manufacturing not dependent upon the skills and intuition of veteran workers. Moreover, the Japanese government declared the goal of becoming carbon neutral by 2050 amid the so-called green recovery, a global movement that has drawn much attention to new issues in sectors mainly responsible for generating CO_2 emissions.

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

Identified Risks and Opportunities

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

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

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

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

Strategy

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

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

Connect with DBJ Project Spotlight

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

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

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

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

Staff Comment

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

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

GRIT Strategy Contribute to the Realization of a Sustainable Society

Creation of Society 5.0 Investment Program

DBJ created the Society 5.0 Investment Program as a new framework for investing in activities that contribute to the creation of a more sustainable society, while aiming to create new industries with new value systems to solve social issues in Japan. This program invests in projects that did not readily align with DBJ's investment values in the past, due to an uncertain outlook for the timeline of commercialization and monetization of business, even though the technologies and ideas, and the combinations thereof, might have a major impact on solving social issues in the future.

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

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

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

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

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

Dialogue with Customers to Realize a Sustainable Society

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

History of Sustainability at DBJ

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

1950–

Events inside and outside Japan	DBJ Initiatives
1953 Minamata disease 1958 Act on Regulation of Factory Effluent	**Creation of pollution prevention loan programs** 1960 Wastewater treatment loan program 1963 Soot prevention loan program
1967 Basic Law for Environmental Pollution Control 1968 Air Pollution Control Act	1970 Flue gas desulfurization loan program
1973 Oil crisis	1975 Resource recycling and energy conservation loan programs
1985 Vienna Convention for the Protection of the Ozone Layer	1988 Ozone layer protection loan program

1990–

Events inside and outside Japan	DBJ Initiatives
1993 Basic Environment Law	**Creation of comprehensive loan programs for environmental measures**
2000 Basic Law for Establishing a Recycling-Based Society	2004 Environmental Rated Loan Program launched
2002 Kyoto Protocol	2006 Enterprise Disaster Resilience Loan Program launched
2003 UNEP FI Roundtable in Tokyo	2011 BCM Rated Loan Program launched
2008 Global Financial Crisis	2011 DBJ Green Building Certification Program launched
2011 Great East Japan Earthquake	2012 Employees' Health Management Rated Loan Program launched
2015 Paris Agreement	2020 DBJ Sustainability Linked Loans with Engagement Dialogue created

DBJ Sustainability Evaluation Certification Program

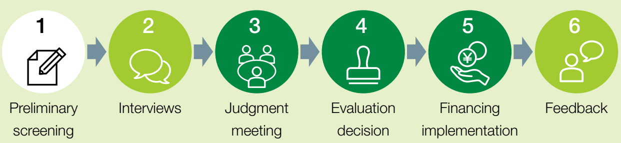
The DBJ Sustainability Evaluation Certification Program is a list of financing options based on the non-financial information of companies screened with DBJ's proprietary systems.

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

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

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

Assessment Flow of DBJ Certification Programs



DBJ Sustainability Linked Loans with Engagement Dialogue

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

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

Connect with DBJ | Project Spotlight

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

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

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

Under KAITEKI Vision 30, its basic medium- to long-term management strategy that was unveiled in February 2020, Mitsubishi Chemical Holdings Corporation plans to transform its business portfolio into one that solves social problems. It lists social challenges that the Mitsubishi Chemical Group should tackle in order to realize its vision for society by 2050, and identifies six areas of business with the potential for growth through helping to solve these problems. Mitsubishi Chemical Holdings Corporation aims for these businesses to make up at least 70% of its portfolio by 2030. In carbon recycling, one of the six areas, it proposes (1) bio-based polymers, (2) chemical and material recycling, and (3) CO_2 capture and utilization as concrete solutions.

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

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

Staff Comment

Corporate Finance Department, Division 1

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

Sustainable Solution Department

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

Message from the Client

Mitsubishi Chemical Holdings Corporation

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

Track record for DBJ Sustainability Evaluation Certification Program

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

Priority Areas | Area Strategy

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

Self-Reliance and Revitalization of Local Economies

Regions

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

Outline

Provision by the DBJ Group of services tailored to the characteristics of the respective regions in Japan from 10 branches and eight representative offices across the country	• Investments and loans • Consulting services • Planning and research services

Total Number of Business Alliances with Financial Institutions

As of March 31, 2021

112

Longer-Term External Environment and Social Issues

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

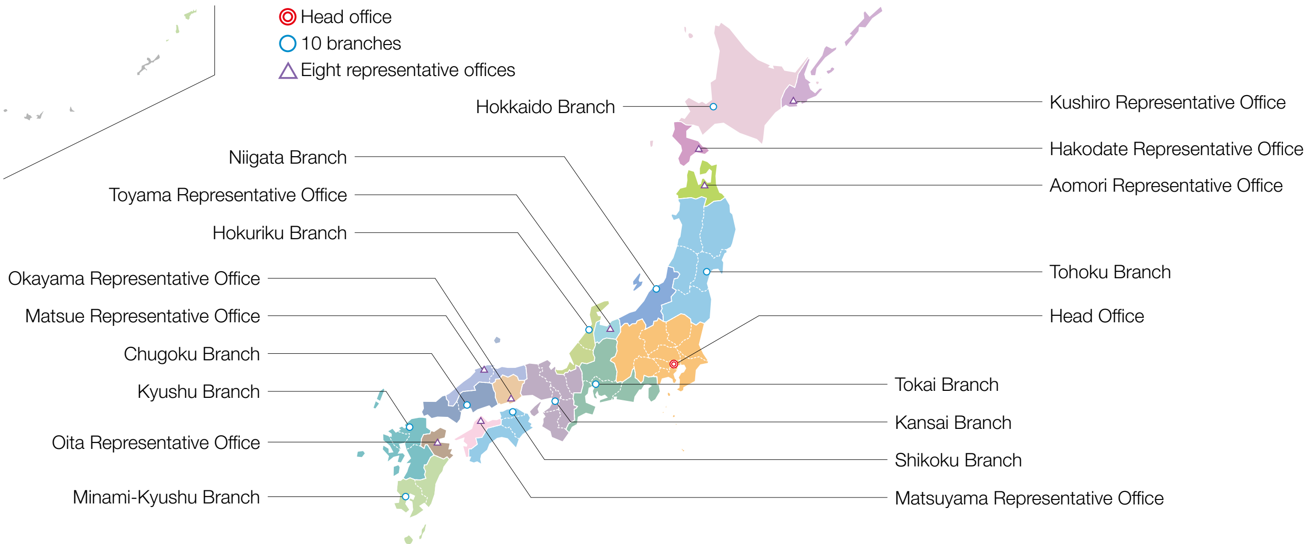
Strategy

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

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

Accomplishments and Initiatives to Date

	Fiscal 2019	Fiscal 2020
Special Investment Operations	• Supported upgrading of exchange centers, with a focus on sports venues, through financing provided to XSM Flat Hachinohe Co., Ltd. (Aomori), which owns Japan's first multi-purpose arena • Provided project financing to PPP Shinsakura K.K. (Toyama) to advance a public–private project to create compact communities	• Invested in JR West Fund No. 1, which seeks to enhance the attractiveness of regions by advancing development along railway lines • Helped regional financial institutions change the business models of local companies during the pandemic by providing subordinated capital loans to Precision System Science Co., Ltd. through the Chiba Corporate Value Improvement Fund, a joint fund set up with The Chiba Bank Ltd.
Supply of risk capital through collaboration and cooperation with regional financial institutions	• Signed cooperative agreement for disaster response operations with regional financial institutions in response to COVID-19 • Cooperated with regional financial institutions through funds	
Others	• Issued reports about solving regional issues • Promoted PPP/PFI projects and made proposals for rebuilding public infrastructure • Offered advisory services to local public organizations related to comprehensive government policies • Provided knowledge to local governments, including assistance for managing public assets	



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

Collaboration and Cooperation with Regional Financial Institutions

Support for Regional Financial Institutions with Business Feasibility Studies

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

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

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

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

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

Regional Emergency Response Program

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

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

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

https://www.dbj.jp/service/finance/area/index.html
Please go to the DBJ website to see the areas supported by each branch (Japanese only).

Provision of Knowledge about Local Issues

Utilizing the Diverse Value of Forests

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

Smart Venues and Estimations of Economic Scale of Sports Industry

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

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

Regional Revitalization with Traditional Japanese-Style Homes

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

NIPPONIA Mino merchant family town

State of Community Creation during the Pandemic

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

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

Second meeting of experts (December 23, held remotely)

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

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

https://www.dbj.jp/investigate/etc/index.html
Please refer to the DBJ website to see the Regional, Industry, and Economic Report (Japanese only).

Priority Areas | Area Strategy

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

Self-Reliance and Revitalization of Local Economies

Overseas

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

Outline

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

Longer-Term External Environment and Social Issues

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

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

Strategy

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

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

Accomplishments and Initiatives to Date

	Fiscal 2019	Fiscal 2020
Collaboration with other financial institutions	• 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	• Jointly established Excelsior Energy Capital Fund I targeting renewable energy power generation in the U.S. and solicited investments from prominent institutional investors overseas as well as several investors in Japan
Investment operations	• Preferred equity financing for developing renewable energy projects overseas (offshore wind power plants in Taiwan) with JERA Co., Inc. • Joint investment with Aica Kogyo Co., Ltd. (Aichi) to aggressively invest in Asia • Signed financing agreement for a fund to invest in medical equipment venture firms in Japan and the U.S.	• Signed an agreement to invest in Catalys Pacific Fund LP, a venture capital fund to advance the global development of drug discovery innovations originating in Japan • Signed a financing agreement with other Japanese investors for a new fund set up by Airbus Ventures, a venture capital firm belonging to the Airbus SE. (Operating from its office in Tokyo, this fund will invest in Japanese venture firms and help them make inroads into foreign markets after the investment)
Others	• Addressed M&A needs of customers in Asia	

Function Strategy

Special Investment Operations and Crisis Response Operations

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

Outline

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

DBJ's Initiatives to Supply Risk Capital

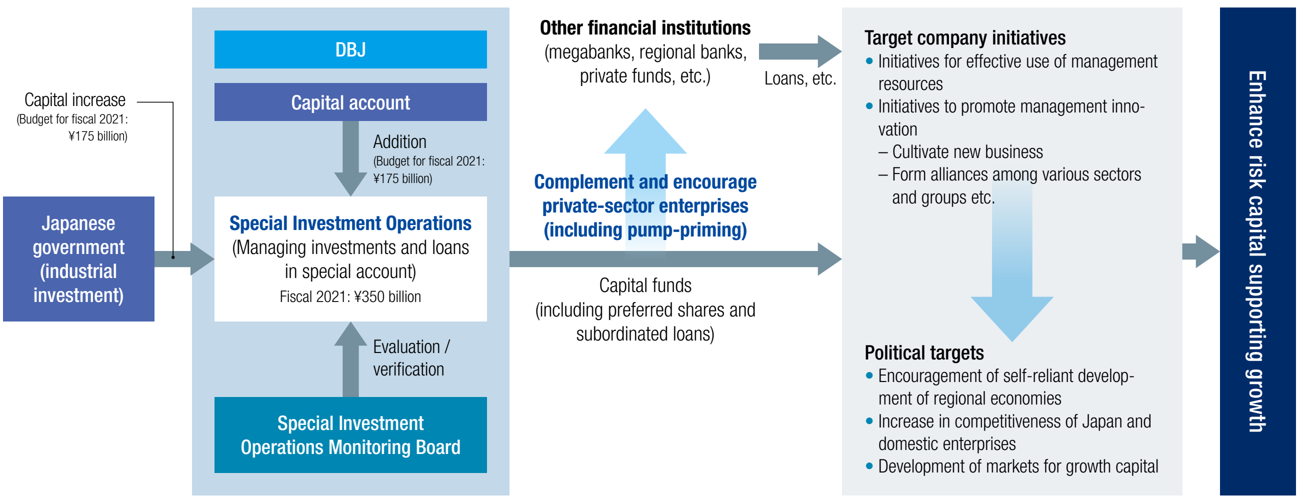
Special Investment Operations

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

Special Investment Operations follow policy objectives, in accordance with the law, complementing and encouraging private-sector enterprises and ensuring appropriate competitive relationships. To improve the structure of Special Investment Operations and thereby maintain objective evaluation and supervision of activities, an advisory body to the Board of Directors was established—the Special Investment Operations Monitoring Board—with participation from outside experts in financial and capital markets, industry, and other professional groups (see page 53).

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

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



Overview of Special Investment Operations

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

DBJ Innovation and Life Sciences Fund

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

Growth Fund for Coronavirus Revival

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

Green Investment Fund

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

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

Special Investment Operations

DBJ Innovation and Life Sciences Fund	Growth Fund for Coronavirus Revival	Green Investment Fund
This fund supports initiatives to promote innovation in Japanese industry and strengthen the competitiveness of the life sciences industry.	This fund helps companies impacted by COVID-19 recover and grow.	This fund invests in renewable energy projects toward the realization of carbon neutrality by 2050.

Connect with DBJ | Project Spotlight

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

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

Through its Special Investment Operations, DBJ invested in CROSS SYNC based on its innovative concept of supporting acute-stage healthcare, through the combination of the expert and tacit knowledge of practicing physicians with AI and other IT to identify and display relevant information for the patient's healthcare needs, and quickly determining and sharing the healthcare priorities of patients, based on estimates of illness severity.

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

iBSEN

Function Strategy

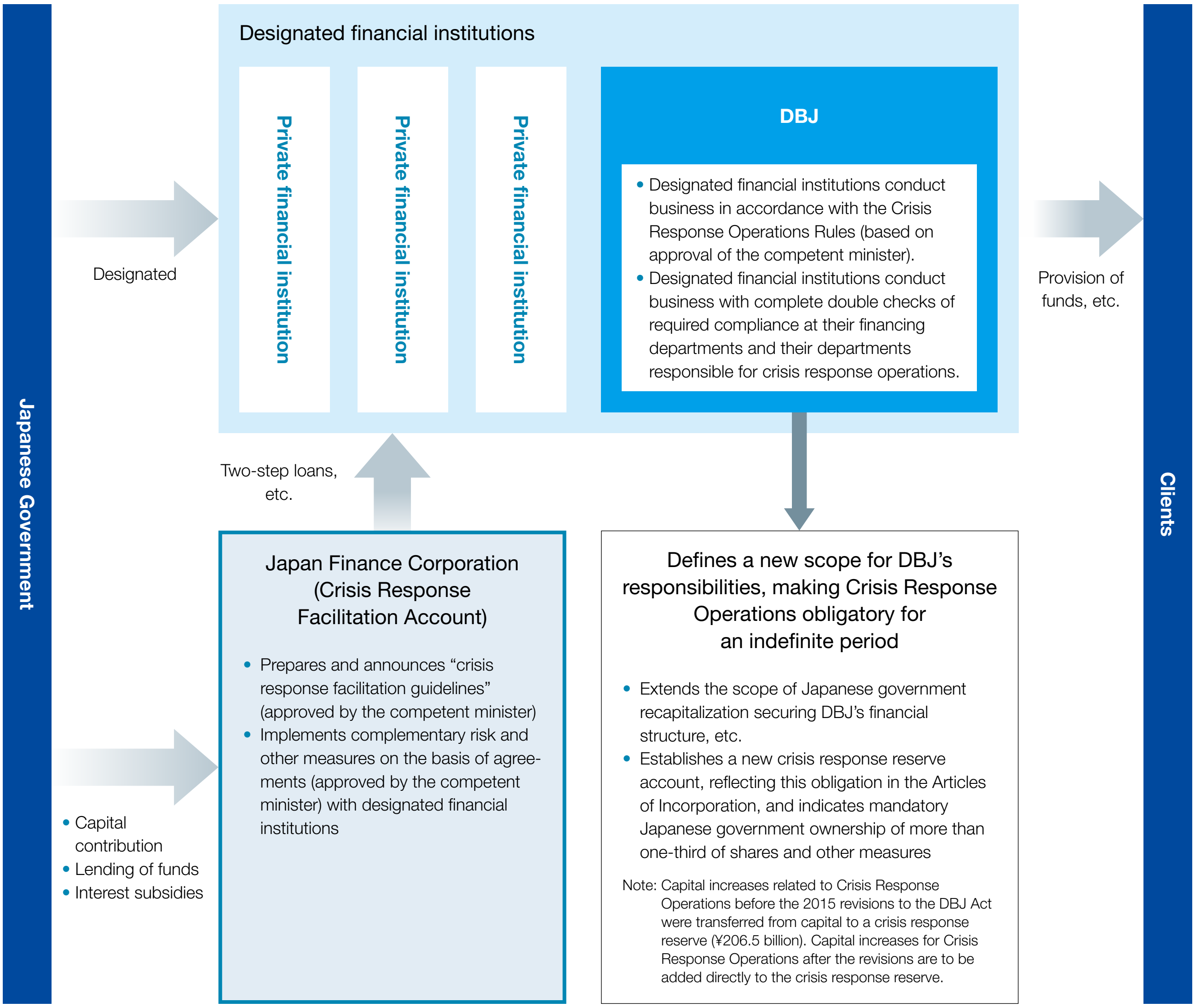
Crisis Response Operations

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

The Finance Corporation Act (Act No. 57 of 2007, including later revisions), consists of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. In response to crisis-related damage, Japan Finance Corporation provides two-step loans as a complementary risk measure, among other measures, to government-designated financial institutions that supply necessary funds to address such damage.

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

Crisis Response Operations Scheme



Accomplishments and Initiatives to Date

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

¥206.5 billion (As of March 31, 2021)

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

- Loans: ¥8,447.9 billion (1,494 projects)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

Total Crisis Response Operations related to COVID-19

¥2,231.8 billion (345 projects)

(As of March 31, 2021)

Project Spotlight

Great East Japan Earthquake of 2011

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

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

In December 2014, in response to the shift of the stage of earthquake reconstruction from the restoration of production facilities (the "restoration stage") to efforts to open up a new enterprise-based market that resumes production, collaborates among multiple enterprises to boost industry competitiveness, builds infrastructure, and reinforces functions (the "reconstruction and growth stage"), we established a reconstruction and growth support fund in collaboration with the Regional Economy Vitalization Corporation of Japan.

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

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

Kumamoto Earthquakes in 2016

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

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

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

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

Function Strategy

Syndication, Advisory, and Consulting Services

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

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

Outline

Syndication

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

Advisory Services

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

Research and Consulting

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

Strategy and Initiatives to Date

Syndication

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

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

Advisory Services

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

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

Research and Consulting

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

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

Asset Management

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

Outline

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

External Environment and Social Issues

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

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

Strategy

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

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

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

Achievements

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

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

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

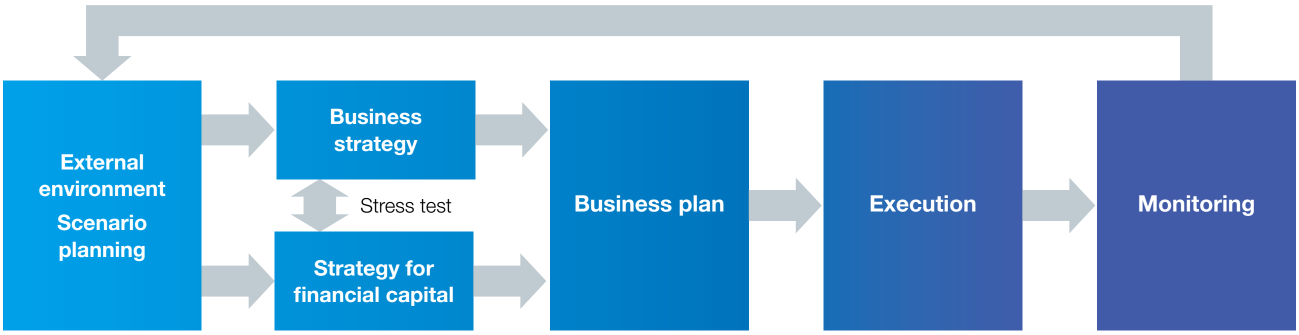
Financial Strategy

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 36). A robust financial foundation of funds and capital is necessary for the DBJ Group to execute its sector strategy, supply risk capital, and engage in Crisis Response Operations.

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



Financial Soundness Indicators

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

Specific Initiatives to Improve the Value of Financial Capital

A pillar of the DBJ Group's business strategy is to provide long-term financing for infrastructure projects. To do so, the DBJ Group procures long-term funds through corporate bonds and the Fiscal Investment and Loan Program (FILP). In recent years, DBJ has stably procured funds through FILP as well as by issuing corporate bonds, thereby augmenting its fund procurement activities with diversified maturities and methods. DBJ has been issuing green bonds and sustainability bonds since fiscal 2014. The issuance of these bonds has not only diversified our fund procurement base but also invigorated the socially responsible investment (SRI) bond market.

DBJ Socially Responsible Investment Bonds

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

In January 2017, DBJ became an issuer member of the Green Bond Principles,* the first Japanese firm to attain such a status, and in March 2020 it participated on a committee created by the Ministry of the Environment to revise the Green Bond Guidelines. DBJ will continue to support the sustainable growth of this market by continuing to issue SRI bonds and proactively engaging in international and domestic initiatives.

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

Issuance of SRI bonds

(As of March 31, 2021)

The Green Bond Principles

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

Capital Procurement (Non-Consolidated)

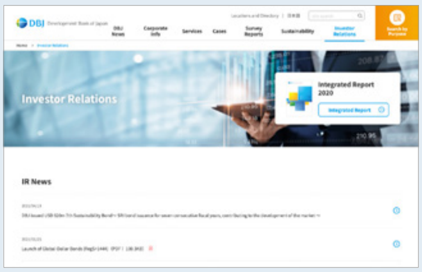
(¥ billion)

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

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

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

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



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

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

Management Foundation Strategy

Human Resource Development

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

Basic Policy

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

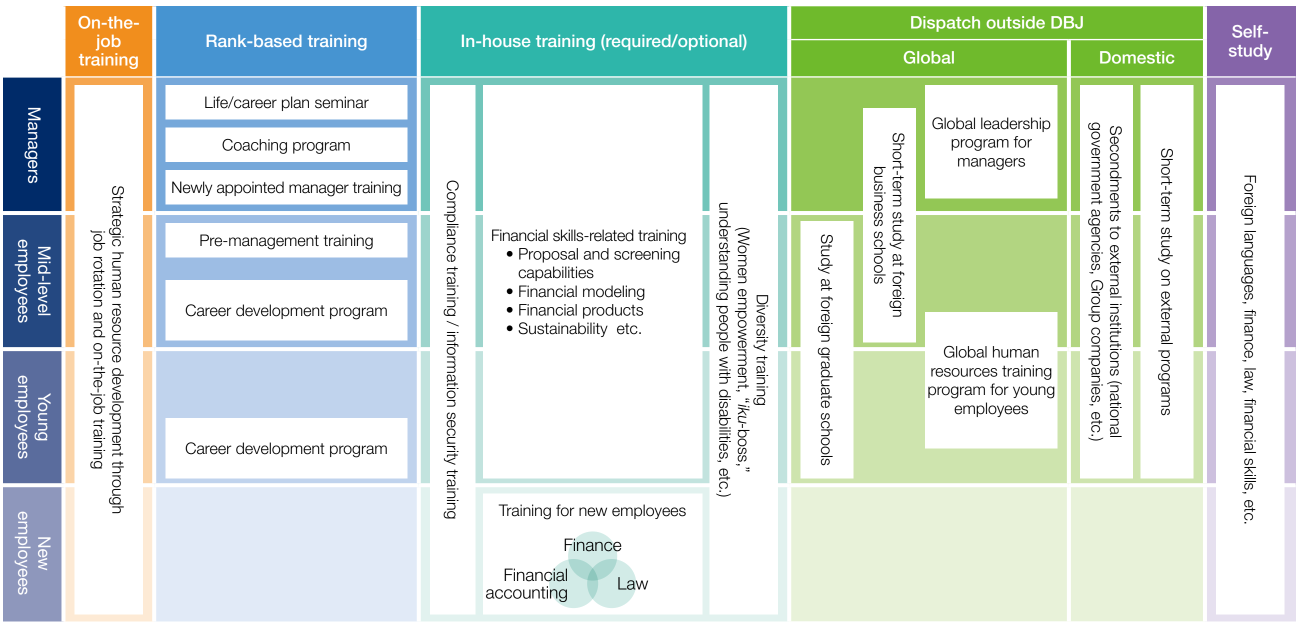
To this end, we think it is important to create structures in which employees will be highly motivated. Improving the value of human capital is one of our most important priorities, and DBJ is taking concrete steps to achieve this goal.

Human Resource Development Vision

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

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

Outline of Human Resource Training System



Specific Initiatives to Increase the Value of Human Capital

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

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

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

Skills Development

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

- Employees are strategically rotated so that they steadily develop highly specialized skills by gaining practical and diverse experience and broad perspectives in multiple departments and outside institutions.*

* DBJ dispatches employees to national government agencies, Group companies around the world, and companies that have received investments.

- New employees receive thorough growth assistance with approximately three months of DBJ's own accounting and financial analysis courses and a full year of new-employee training programs.
- In addition to work-related training, DBJ provides not only supplementary programs for self-improvement but also a skills development program, extensive in terms of both quality and quantity, that provides rank-based training for required subjects whenever necessary.
- Opportunities to study abroad at overseas universities and training systems are made available for developing global human resources. DBJ also operates its own leadership training program (entirely in English) in collaboration with top overseas universities for young employees and management-level employees.
- Almost all training has been moved online due to the COVID-19 pandemic, and DBJ continues to proactively enhance the flexibility and sophistication of classroom training environments.
- DBJ plans to develop and advance initiatives to prepare personnel for engaging in investment and loan activities to realize a sustainable society based on GRIT Strategy.

Seminars and events for women empowerment and leadership training

Diversity Management and Productivity Improvements

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

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

Motivation and Engagement

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

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

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

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

Management Foundation Strategy

Knowledge and Collaboration

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

Basic Policy

Intellectual Capital

Knowledge

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

Processes

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

Relationship Capital

Collaboration

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

Social Capital

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

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

Specific Initiatives to Improve the Value of Intellectual Capital

Knowledge

Industry Analysis

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

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

https://www.dbj.jp/en/investigate/
Please refer to the DBJ website for more information.

2050 Growth Strategy Headquarters Meeting

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

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

Capital Investment Planning Survey

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

Research Institute of Capital Formation

The Research Institute of Capital Formation (RICF) was established in 1964 with Dr. Osamu Shimomura, who advocated for the principles behind Japan's post-1940s, high economic growth, as its first executive officer. The institute serves as a venue for creating intellectual capital through cooperation and collaboration between DBJ and external experts at universities and other organizations. Its research includes a focus on the formation of a sustainable economy and society from an academic and liberal standpoint. In recent years, the institute has expanded the means for creating intellectual capital by establishing new committees for researching sustainability, publishing research papers through Springer, an international academic publishing company, and holding international academic conferences in conjunction with overseas academic journals and think tanks.

Processes

Digital Strategy Office

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

Concrete Measures to Increase the Value of Relationship and Social Capital

Collaboration and Dialogue with Stakeholders

Customers	• Provided DBJ Sustainability Certification Loan programs • Held a business plan competition for women • Provided platforms via DBJ Connect • Supported innovation with iHub
Financial institutions	• Collaborated with LTIC • Coordinated operations with Bridges Fund Management Ltd. in the United Kingdom
Government	• Participated in high-level panel about ESG finance • Participated in TCFD scenario analysis support project
Research institutions	• Held DBJ Academy at RICF
Participation and assessment of outside initiatives	PRI Principles for Responsible Investment UNEP FINANCE INITIATIVE CDP DISCLOSURE INSIGHT ACTION GRESB PFA21 Principles for Financial Action for the 21st Century ADFIAP financing sustainable development TCFD Consortium POSEIDON PRINCIPLES EQUATOR PRINCIPLES

DBJ Women Entrepreneurs Center (DBJ-WEC)

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

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

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

DBJ
女性起業サポートセンター

https://www.jeri.or.jp/wec/
Please refer to the DBJ website for more information about the DBJ Women Entrepreneurs Center (Japanese only).

DBJ iHub (DBJ innovation Hub)

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

DBJ innovation Hub
i Hub

https://www.jeri.or.jp/sctm/about/ihub.php
Please refer to the DBJ website for more information (Japanese only).

DBJ Connect

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

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

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

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

https://dbj-i.net/ja
Please refer to the DBJ website for more information (Japanese only).

Participation in and Evaluation of Outside Initiatives

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

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

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

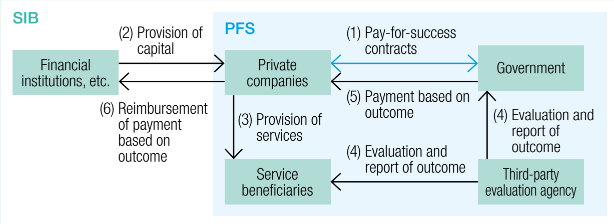
What are PFS and SIB?

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

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

PFS and SIB have gained traction overseas, mainly in the U.K. and the U.S. In Japan, the Cabinet Office drafted the Action Plan for the Promotion of Pay-For-Success Contracts with Private Service Providers (2020) based on the Growth Strategy Action Plan (June 21, 2019, Cabinet decision). This action plan calls for promoting the use of PFS and SIB in three priority fields: healthcare, nursing care, and crime prevention. The Basic Policy on Economic and Fiscal Management and Reform 2021 (June 18, 2021, Cabinet decision) also clearly calls for expansion in PFS and SIB initiatives.

PFS and SIB Scheme



Initiatives to Date

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

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

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

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

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

Launched PFS and SIB Conference

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

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

PFS and SIB Study Group

Aiming to Further Spread PFS and SIB

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

Corporate Governance

Message from the Chairman

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

Creation of a Unique Business Model

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

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

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

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

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

Governance Suited to Our Unique Business Model and Dialogue with Stakeholders

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

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

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

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

A Value Creation Process That Balances Economic and Social Value

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

To realize a sustainable society while balancing economic and social value, the DBJ Group offers solutions to issues faced by society and by our customers. The Group has continued to create innovative business models, centered on the supply of risk capital, in an effort to advance sustainability management and maintain a balanced value creation process. As the social significance of balancing these two types of value increases, we will continue making every effort to engage in dialogue with our diverse stakeholders and ensure robust and effective corporate governance, based on the notion that nothing is more important than embodying best practices that will continue to earn us the trust of our customers and society.

Yasushi Kinoshita

Chairman
August 2021

Corporate Governance

Basic Position on Corporate Governance

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

Article 1

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

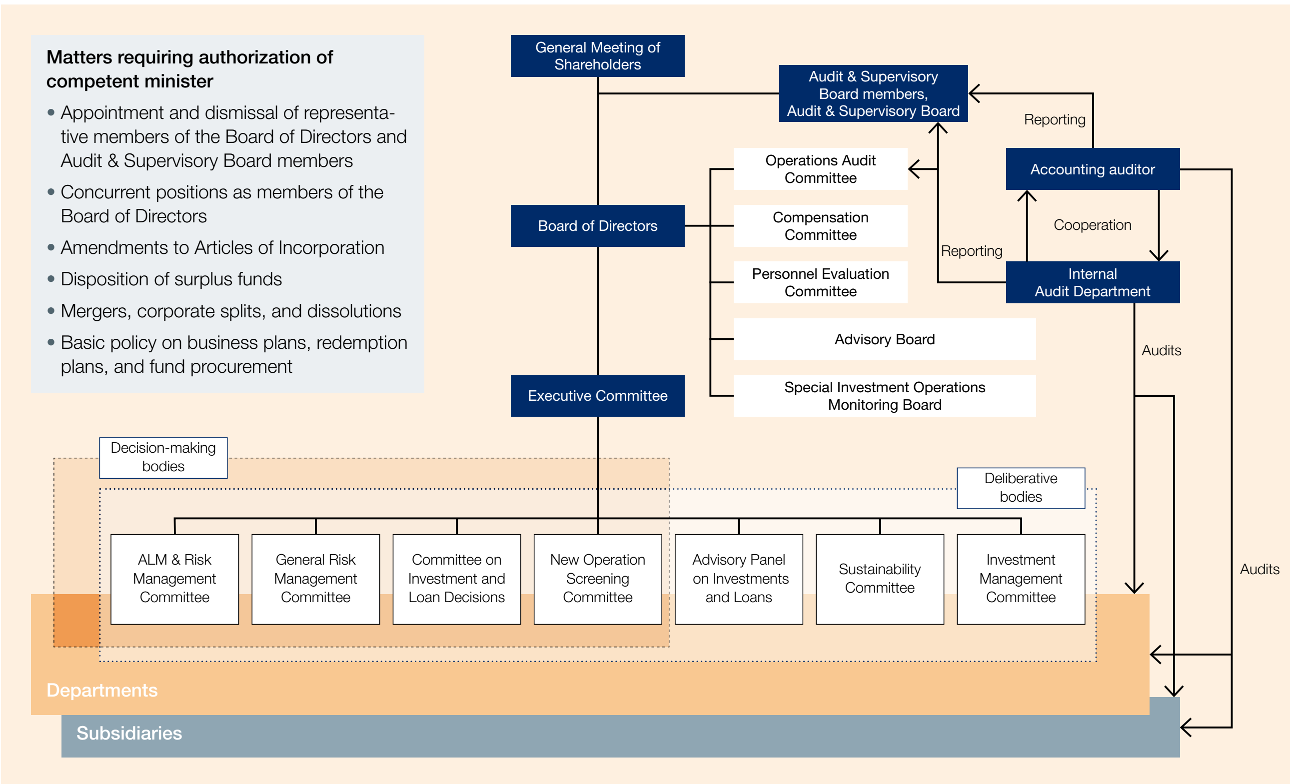
DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board), through a business model built upon features such as integrated investments and loans and proper execution of the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

Specifically, the 2015 revisions to the DBJ Act established Special Investment Operations and obligatory measures to be considered, requiring that DBJ conduct its operations in a manner that does not obstruct appropriate competitive relations with other entities, in particular, applying these requirements to the Advisory Board, made up of outside experts and outside members of the Board of Directors, and the Special Investment Operations Monitoring Board, composed of outside experts, which function as advisory bodies to the Board of Directors. These bodies provide advice on DBJ’s overall management and deliberate and evaluate business results, including consistency with the policy objectives of Special Investment Operations, ensuring that appropriate competitive relations are maintained with private financial institutions.

DBJ’s Corporate Governance System

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

Overview of DBJ’s Corporate Governance System



Audit & Supervisory Board Members, Audit & Supervisory Board

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

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

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

Advisory Bodies to the Board of Directors

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

Operations Audit Committee

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

Compensation Committee

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

Personnel Evaluation Committee

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

Advisory Board

Since DBJ's establishment as a joint-stock company in October 2008, the Advisory Board has been in place as an advisory body to the Executive Committee, providing advice on overall management. Revisions in 2015 to the DBJ Act stipulate for an indefinite period obligatory measures to be considered—in particular, requiring that DBJ conduct its operations in a manner that would not obstruct appropriate competitive relations with other entities. Accordingly, this board is positioned anew as an advisory body to the Board of Directors. As one of its roles, even more than before, the Advisory Board is tasked with deliberating and evaluating important affairs related to ensuring that appropriate competitive relations are maintained with private financial institutions.

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

Outside Experts

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

Outside Members of the Board of Directors

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

Special Investment Operations Monitoring Board

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

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

Outside Experts

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

Executive Committee

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

Committees under the Executive Committee

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

Internal Audits

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

Accounting Audits

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

Three-Pronged Auditing Approach

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

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

Securities filings (state of corporate governance, etc.) (Japanese only)
https://www.dbj.jp/ir/financial/report.html

Internal Control System Basic Policy (Japanese only)
https://www.dbj.jp/co/info/governance_policy.html

Policy on Sustainability
https://www.dbj.jp/en/sustainability/management/regular.html

Compliance with Japan's version of the Stewardship Code (Japanese only)
https://www.dbj.jp/co/info/stewardship.html

Executive Compensation

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

DBJ takes the following basic approach to executive compensation.

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

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

(1) Fixed compensation is paid monthly in an amount based on the executive's position.

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

(3) Executive retirement benefits are paid out upon retirement in an amount reflecting successful service over the longer term.

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

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

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

The amount of compensation paid to members of the Board of Directors is determined after deliberation by the Board of Directors, within the maximum amount approved at the General Meeting of Shareholders following discussions by the Compensation Committee. Compensation amounts are based on the position and responsibilities of each member of the Board of Directors, with due consideration given to social trends, DBJ's financial performance, and other standards balanced against employee salaries. The Articles of Incorporation limit the number of directors to 13 or less.

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

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

Meetings of the Compensation Committee in fiscal 2020

	Number of meetings held in fiscal 2020
Compensation Committee	2

Members of the Compensation Committee

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

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

(¥ million)

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

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

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers (as of the end of August 2021)

Members of the Board of Directors

Chairman

Yasushi Kinoshita

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

President and CEO

Hajime Watanabe

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

Deputy President

Seiji Jige

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

Member of the Board of Directors, Managing Executive Officer

Shoichiro Kubota

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

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

Member of the Board of Directors, Managing Executive Officer

Takeshi Harada

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

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

Member of the Board of Directors, Managing Executive Officer

Tsutomu Murakami

In charge of Business Planning & Coordination Department

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

Member of the Board of Directors,
Managing Executive Officer

Makoto Anayama

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

1986: Joined Japan Development Bank
2011: Head of Economic & Industrial Research Department
2013: Executive Officer, Head of Business Planning & Coordination Department
2015: Managing Executive Officer of DBJ
2018: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors,
Managing Executive Officer

Norifumi Sugimoto

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

1988: Joined Japan Development Bank
2013: General Manager, Secretariat Office
2015: Executive Officer, Head of Corporate Planning & Coordination Department
2018: Managing Executive Officer of DBJ
2020: Member of the Board of Directors, Managing Executive Officer of DBJ

Outside Member of the Board of Directors

Akio Mimura

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

2008: Outside Member of the Board of Directors at DBJ

Outside Member of the Board of Directors

Kazuo Ueda

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

2008: Outside Member of the Board of Directors at DBJ

Notes:
* Of the 15 members of the Board of Directors and Audit & Supervisory Board members, 14 are male and one is female, leaving the female to male ratio at 6.7%.
* Standards and policies related to independence in the selection of outside members of the Board of Directors and outside Audit & Supervisory Board members are not applicable.
* Akio Mimura, Honorary Chairman of Nippon Steel Corporation, is an outside member of the Board of Directors of DBJ. DBJ has no special relationship with Mr. Mimura, and its business with Nippon Steel Corporation is conducted normally. Outside Audit & Supervisory Board member Naoko Saiki is also an outside director of Sojitz Corporation. DBJ has no conflicts of interest with Sojitz Corporation, and its business is conducted normally with the Company.
  DBJ has no special-interest relationship with any other of its outside members of the Board of Directors or outside Audit & Supervisory Board members.
* DBJ has signed liability limitation agreements with its outside members of the Board of Directors and Audit & Supervisory Board, based on Paragraph 1, Article 427, of the Companies Act.

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Atsushi Kurashige

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

Audit & Supervisory Board Member

Shigeru Tamagoshi

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

Outside Audit & Supervisory Board Member

Toshio Yamasaki

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

Outside Audit & Supervisory Board Member

Masato Dogauchi

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

2020: Audit & Supervisory Board Member of DBJ

Outside Audit & Supervisory Board Member

Naoko Saiki

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

2020: Audit & Supervisory Board Member of DBJ

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

Managing Executive Officer

Hiroshi Shimizu

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

Managing Executive Officer

Keita Arakaki

In charge of Corporate Finance Department, Division 4

Managing Executive Officer

Tomoya Sato

In charge of Corporate Finance Department, Division 5

Executive Officer

Yoshinari Furuta

Head of Credit Analysis Department

Managing Executive Officer

Kazufusa Matsushima

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

Managing Executive Officer
(Head of Kansai Branch)

Toshiyasu Takazawa

In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Executive Officer

Masao Masuda

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

Executive Officer

Fumiyo Harada

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

Managing Executive Officer

Masashi Kumagae

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

Managing Executive Officer

Seiji Tomosada

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

Executive Officer

Isao Nishio

In charge of Financial Institution

Executive Officer

Hirofumi Maki

Head of Corporate Planning & Coordination Department

Managing Executive Officer

Katsushi Kitajo

In charge of Corporate Finance Department, Division 1 and 2

Executive Officer

Takao Isozaki

In charge of Internal Audit

Executive Officer

Shingo Kobayashi

Head of Human Resources Management Department

Messages from Outside Members of the Board of Directors

Leveraging Corporate Governance to Help Solve Social Issues

Akio Mimura
Outside Member of the Board of Directors

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

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

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

Career

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

Reinforcing Corporate Governance to Advance Sustainability Management

Kazuo Ueda
Outside Member of the Board of Directors

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

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

Career

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

Compliance

Basic Stance

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

Business Conduct and Compliance

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

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

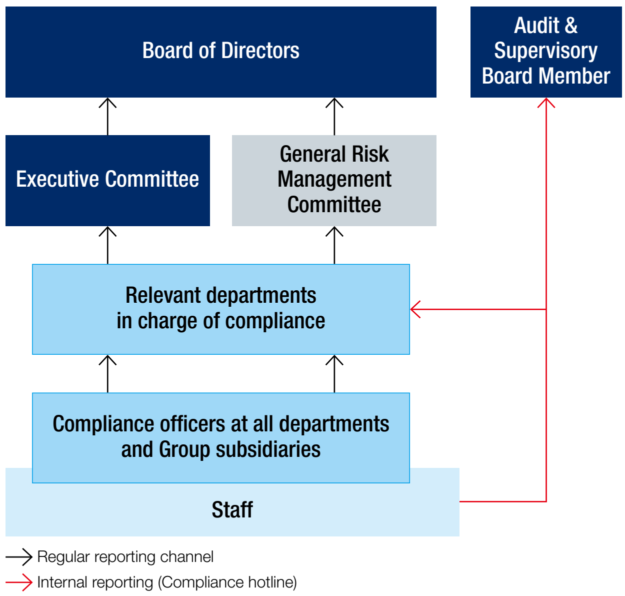
Compliance Framework

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

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

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

Internal Reporting System



Compliance Practices

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

Measures to Prevent Insider Trading

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

Elimination of Anti-social Forces

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

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

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

Customer Protection Management

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

Management of Conflicts of Interest

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

Management of Customer Information

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

https://www.dbj.jp/en/privacy.html
DBJ has created and disclosed the Declaration on Personal Information Protection for protecting such information. Please refer to the DBJ website for more details about this declaration.

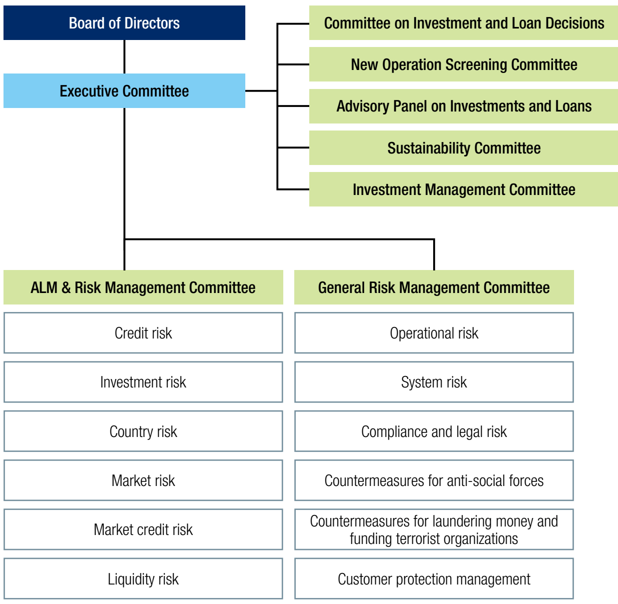
Risk Management

Risk Management System

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

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

Overview of Risk Management System



Comprehensive Risk Management

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

Credit Risk

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

Credit Administration of Individual Loans

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

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

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

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

Borrower Rating System

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

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

Asset Self-Assessment System

Asset self-assessments are used to define asset classifications that will offset recoverability risk or the degree of risk of value loss based on the borrower rating, the corresponding borrower category, and the collateral or guarantee status. Such assessments help DBJ establish timely and appropriate amortization schedules and reserve levels.

Borrower Rating Classifications

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

Portfolio Management

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

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

Investment Risk

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

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

Investment Policy

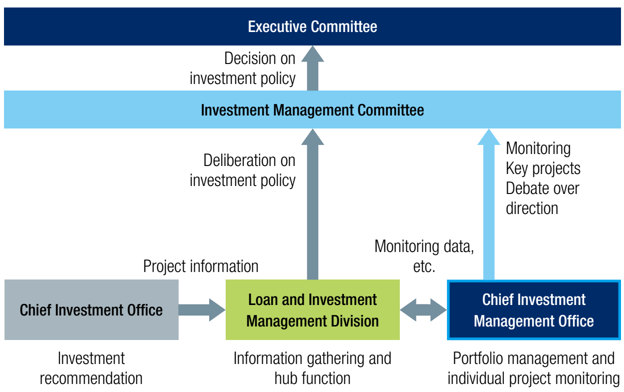
The Executive Committee determines our investment policy following deliberations each fiscal year by the Investment Management Committee, based on our corporate philosophy of striking a balance between social value and economic value. This policy takes into consideration the balance in risks and returns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

Credit Management of Individual Projects

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

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

Overview of Investment Management System



Portfolio Management

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

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

Market Risk

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

Interest Rate Risk

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

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

Foreign Exchange Risk

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

Market Credit Risk

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

Liquidity Risk

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

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

Operational Risk

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

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

Administrative Risk Management

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

System Risk Management

System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer use. DBJ has implemented the following internal processes to optimize system risk management and properly manage risk with regard to system risk. The System Risk Management Division is responsible for managing DBJ's system risk centrally, based on its system risk management regulations. By determining security standards from a variety of viewpoints—from information system planning and development to operation and use—the department extends the risk management system Bank-wide and addresses appropriate system risk management operations.

Stress Tests

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

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

Also, we verify the adequacy of our cash liquidity.

Business Continuity Initiatives

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

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

Measures to Ensure Business Continuity

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

Enhanced System Robustness

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

Multilayered Communication Procedures

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

Chain of Command and Delegation of Authority

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

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

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

Initiatives to Maintain or Improve BCP Viability

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

Response to the TCFD Recommendations

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

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

We played a leading role in the formulation of the Guidance for Utilizing Climate-related Information to Promote Green Investment (Green Investment Guidance)* and analyzed scenarios with assistance from the Ministry of the Environment's support program for analyzing climate risks and opportunities in line with the TCFD recommendations. Recognizing the risks and opportunities presented by climate change, DBJ is advancing and examining the expansion of information disclosures based on the TCFD framework.

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

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

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

Scenario Analysis of Transitional Opportunities

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

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

Use of Shared Socioeconomic Pathways in Scenarios

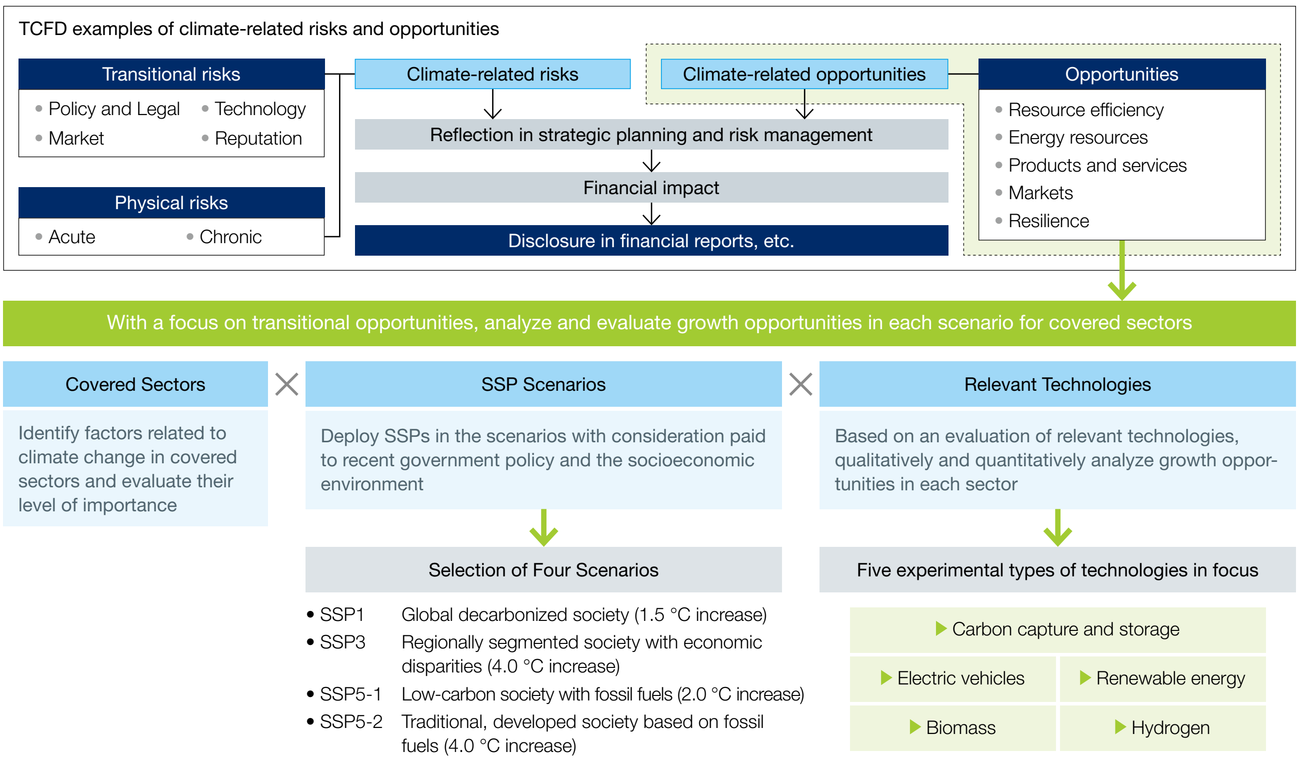
Even assuming a uniform rise in temperatures occurs as a result of global warming, we believe there will be varied degrees of expectations for technological progress and social acceptance of solutions for the issue of climate change, depending on population and economic growth forecasts in each country, among other factors. In light of these uncertainties about socioeconomic trends around the world, DBJ has adopted the Shared Socioeconomic Pathway (SSP) approach to devise its scenarios to use as future assumptions and conduct an analysis based on projected socioeconomic trends in scenarios where global temperatures rise 1.5 ºC, 2.0 ºC, and 4.0 ºC.

Analysis and Evaluation of Growth Opportunities by Scenario in Each Sector

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

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

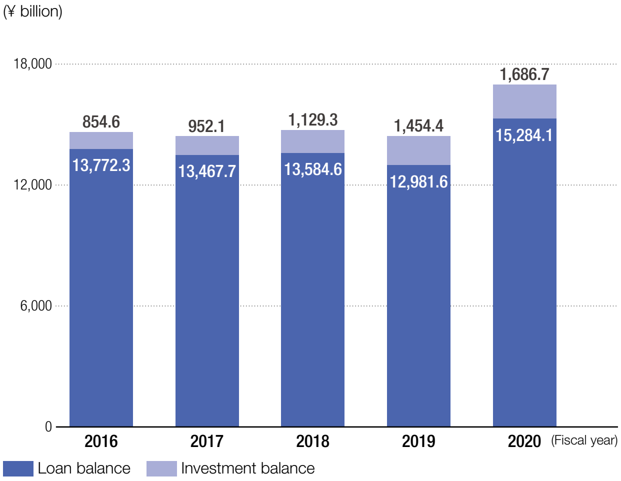
Summary of Scenario Analysis



Financial and Non-Financial Highlights

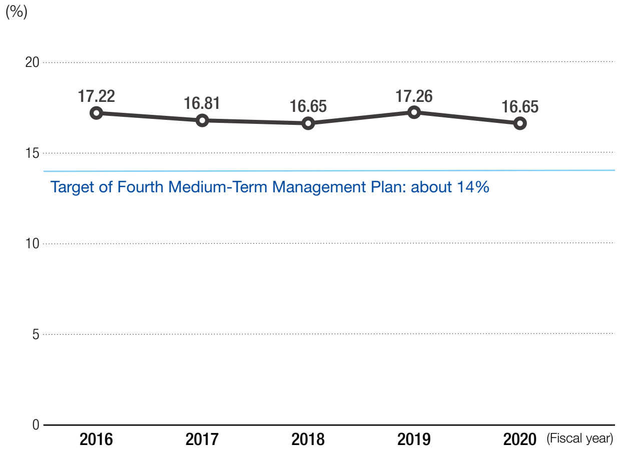
Financial Highlights

Balance of Investments and Loans (Non-consolidated)



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

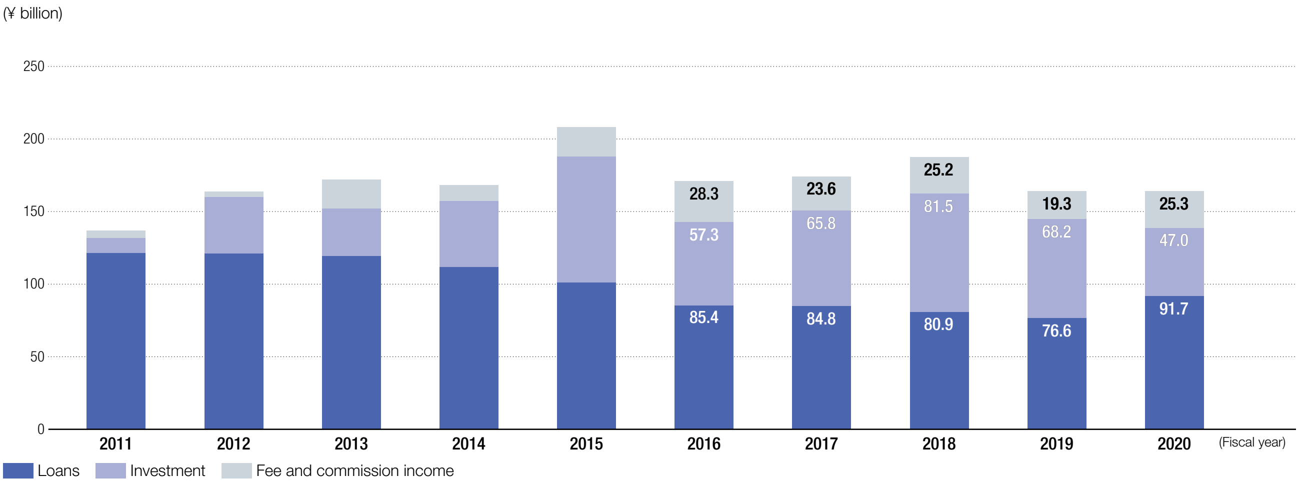
Capital Adequacy Ratio* (Consolidated)



* Common equity Tier 1 risk-weighted capital ratio

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

Gross Ordinary Income (Consolidated)

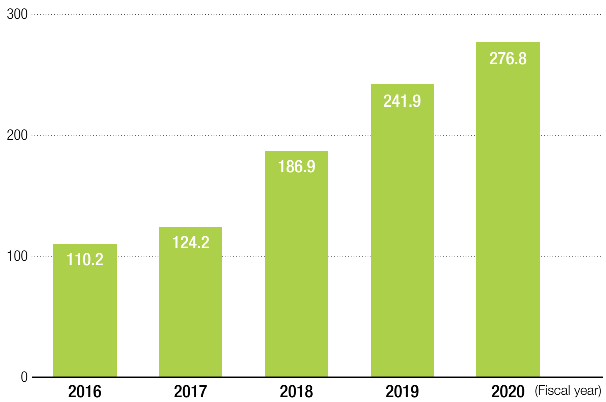


In fiscal 2020, in loan operations, loan profits increased alongside growth in the average loan balance. In investment operations, profits declined due to such factors as investees deciding to postpone preferred dividend payments in order to secure cash on hand. Fee and commission income rose on an increase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

Non-Financial Highlights

Balance of Investments and Loans in Renewable Energy

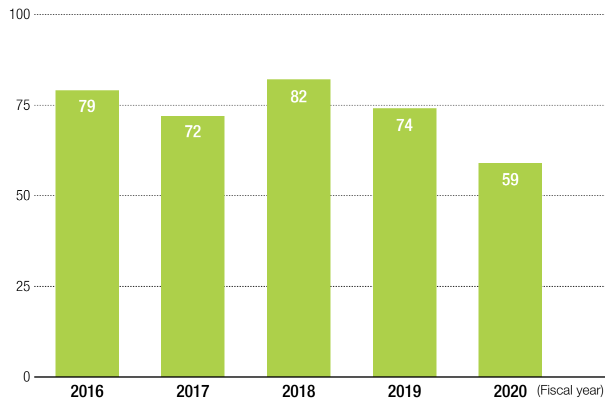
(¥ billion)



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

Increase in Dialogues with Customers via the Sustainability Certification Program

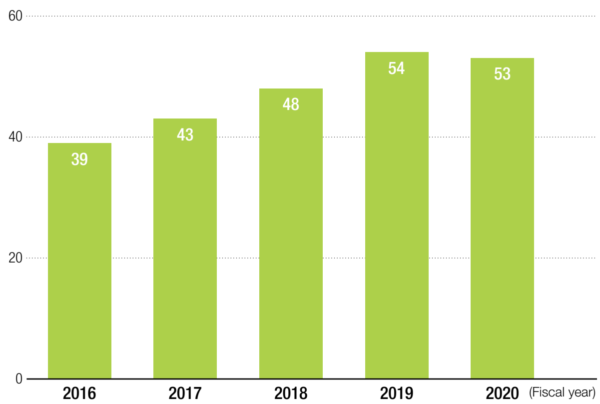
(No. of engagements)



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

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

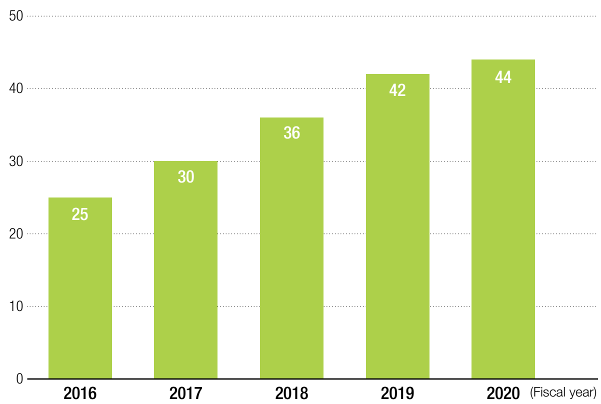
(No. of sessions)



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

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

(No. of funds)



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

Consolidated Financial Summary

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

Consolidated	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)				
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

2008–2010
First Medium-Term Management Plan: CHALLENGE 2010

2011–2013
Second Medium-Term Management Plan: Endeavor 2013

(¥ billion)

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

2014–2016
Third Medium-Term Management Plan: Supporting Japan's Sustained Growth as a Global Innovator

2017–2019
Fourth Medium-Term Management Plan: Initiate Change, Create the Future

Timeline

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

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

Development Bank of Japan Inc.

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

Shareholder Information

As of March 31, 2021

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

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

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

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

Based on the deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015), which was enacted on May 20, 2015, maintains the direction toward full-scale privatization. At the same time, in order to fully ensure the provision of funding in response to large-scale disasters and economic crises, the amended act makes DBJ's Crisis Response Operations obligatory for an indefinite period. From the perspective of promoting the provision of growth capital to revitalize regional economies and increase the competitiveness of enterprises, the amended act calls for DBJ to accept a certain amount of capital from the Japanese government (industrial investment). This investment is to be used for a new scheme, Special Investment Operations, to strengthen and develop the Fund for Japanese Industrial Competitiveness. In addition, with regard to the application of DBJ's investment and loan functions toward crisis response and the provision of growth capital, measures were introduced obliging the Japanese government to hold at least a certain percentage of DBJ's shares.

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

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

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

Highlights of 2015 Revisions to the DBJ Act

1 Measures maintaining direction toward full-scale privatization

Before revision	Full-scale privatization and disposal of all Japanese government-held shares, targeting around five to seven years from April 1, 2015	After revision	• No changes in the main provisions, including Article 1, which stipulates DBJ's objectives • Disposal of shares as soon as practicable (considering its effect on achieving DBJ's objectives as well as on the market situation)

2 Measures ensuring appropriate implementation of Crisis Response Operations

Before revision	• Conducting Crisis Response Operations as a designated financial institution • Enabling Japanese government recapitalization in crisis response by March 31, 2015	After revision	• Assuming responsibility for Crisis Response Operations for an indefinite period (at the same time reflecting this obligation in the Articles of Incorporation) • Extending for an indefinite period the scope of the Japanese government's recapitalization securing DBJ's financial structure, with the Japanese government having such obligations as holding more than one-third of DBJ's shares

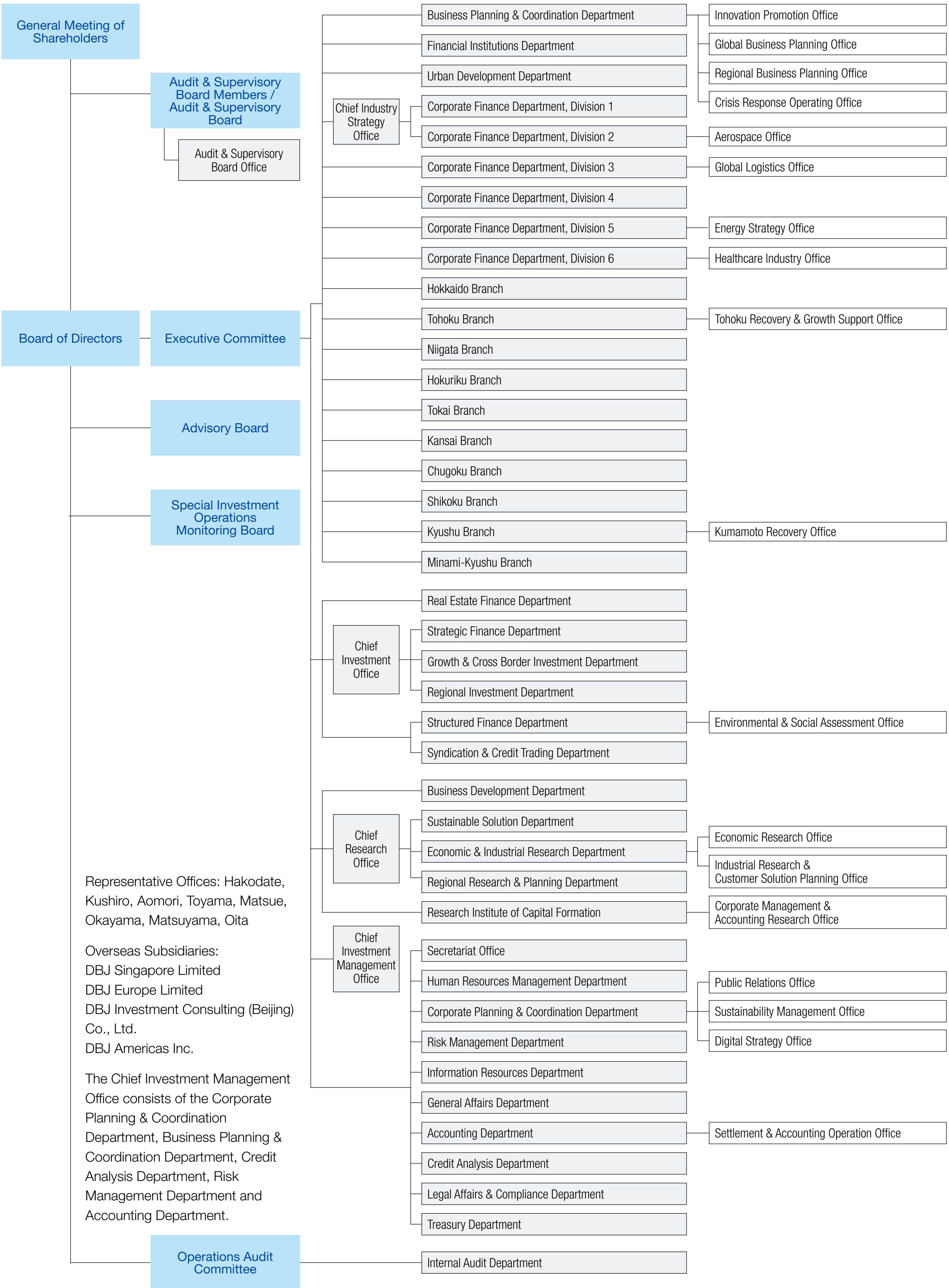
3 Measures establishing new Special Investment Operations scheme to temporarily provide growth capital in a concentrated manner

Before revision	Provision of risk capital through the Fund for Japanese Industrial Competitiveness	After revision	• Reinforcement of the Fund for Japanese Industrial Competitiveness (a portion of the financial resources for which are provided through measures for industrial investment); implementation of Special Investment Operations as a measure for a limited period of time, through fiscal 2025 (at the same time reflecting this obligation in the Articles of Incorporation, complementing and encouraging private-sector enterprises, etc.) • Obligation that the Japanese government shall hold one-half or more of shares until the conclusion of Special Investment Operations

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

Before revision	As per the Third Medium-Term Management Plan, 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 • The Japanese government shall hear the opinions of representatives of ordinary financial institutions and other relevant persons concerning Japanese government revisions on an as-needed basis regarding Crisis Response Operations and Special Investment Operations

Organizational Structure (as of August 1, 2021)



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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
As of March 31,	2021	2020	2021
Assets			
Cash and due from banks (Notes 2 (c), 11, 14 and 28)	¥ 2,187,820	¥ 1,298,955	$ 19,761,725
Call loans and bills bought (Note 28)	684,000	720,000	6,178,304
Money held in trust (Notes 28 and 30)	17,856	20,082	161,289
Securities (Notes 3, 14, 28 and 30)	2,535,827	2,374,268	22,905,137
Loans (Notes 4, 5, 14 and 28)	14,757,131	12,415,985	133,295,381
Other assets (Notes 6, 11 and 14)	179,445	162,849	1,620,860
Tangible fixed assets (Notes 7, 11 and 14)	427,467	423,433	3,861,145
Intangible fixed assets (Notes 11 and 14)	39,400	42,284	355,893
Asset for retirement benefits (Note 23)	1,593	1,263	14,393
Deferred tax assets (Note 24)	2,572	2,800	23,235
Customers' liabilities for acceptances and guarantees (Note 13)	446,616	267,306	4,034,110
Allowance for loan losses (Notes 8 and 28)	(57,869)	(35,528)	(522,714)
Allowance for investment losses	(33)	(36)	(300)
Total assets	¥21,221,829	¥17,693,665	$191,688,457
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,483,570	¥ 3,314,656	$ 31,465,724
Borrowed money (Notes 10, 11, 14, 28 and 31)	10,664,537	8,070,948	96,328,580
Corporate bonds (Notes 9, 11, 14 and 28)	2,739,904	2,382,226	24,748,485
Other liabilities (Notes 12 and 31)	163,620	204,265	1,477,922
Accrued bonuses to employees	5,186	5,345	46,850
Accrued bonuses to directors	15	15	137
Liability for retirement benefits (Note 23)	8,195	8,092	74,025
Reserve for directors' retirement benefits	127	146	1,151
Deferred tax liabilities (Note 24)	6,639	6,608	59,969
Acceptances and guarantees (Note 13)	446,616	267,306	4,034,110
Total liabilities	17,518,413	14,259,611	158,236,955
Equity:			
Common stock authorized, 160,000 thousand shares in 2021 and 2020; issued, 43,632 thousand shares in 2021 and 2020 (Note 15)	1,000,424	1,000,424	9,036,438
Crisis response reserve (Note 16)	206,529	206,529	1,865,495
Special investment reserve (Note 17)	1,368,000	848,000	12,356,607
Special investment surplus (Note 17)	28,172	12,436	254,473
Capital surplus (Note 15)	336,466	636,466	3,039,169
Retained earnings (Note 15)	695,697	675,842	6,283,962
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	40,733	24,297	367,926
Deferred gain on derivatives under hedge accounting	13,271	16,934	119,879
Foreign currency translation adjustments	(936)	(1,414)	(8,462)
Accumulated adjustments for retirement benefits (Note 23)	(693)	(958)	(6,267)
Total	3,687,663	3,418,557	33,309,219
Non-controlling interests	15,752	15,496	142,283
Total equity	3,703,415	3,434,054	33,451,502
Total liabilities and equity	¥21,221,829	¥17,693,665	$191,688,457

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF 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,	2021	2020	2021
Income			
Interest income:	¥159,422	¥169,456	$1,440,000
Interest on loans	132,099	138,413	1,193,203
Interest and dividends on securities	21,663	24,569	195,677
Interest on call loans and bills bought	120	31	1,088
Interest on due from banks	38	108	347
Interest on swaps	5,508	6,339	49,753
Other interest income	(7)	(6)	(68)
Fees and commissions	20,922	17,167	188,988
Other operating income (Note 19)	14,094	15,165	127,314
Other income (Note 20)	76,221	91,688	688,481
Total income	**270,661**	**293,477**	**2,444,783**
Expenses			
Interest expense:	55,357	78,730	500,021
Interest on debentures	21,743	33,958	196,403
Interest on call money and bills sold	(84)	(72)	(767)
Interest on payables under repurchase agreements	(69)	(60)	(624)
Interest on borrowed money (Note 31)	29,008	38,009	262,020
Interest on short-term corporate bonds	62	947	566
Interest on corporate bonds	4,504	5,730	40,690
Other interest expense	191	216	1,733
Fees and commissions	642	326	5,800
Other operating expenses (Note 21)	9,223	12,310	83,309
General and administrative expenses	56,726	57,161	512,391
Other expenses (Note 22)	74,910	61,924	676,637
Total expenses	**196,859**	**210,452**	**1,778,158**
Income before income taxes	**73,802**	**83,024**	**666,625**
Income taxes (Note 24):			
Current	32,852	31,637	296,743
Deferred	(5,865)	(131)	(52,980)
Total income taxes	**26,986**	**31,505**	**243,763**
Net income	**46,815**	**51,518**	**422,863**
Net income attributable to non-controlling interests	**1,568**	**1,062**	**14,168**
Net income attributable to owners of the parent	**¥ 45,246**	**¥ 50,456**	**$ 408,694**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 18)			
Basic net income	¥867.21	¥1,075.90	$7.83
Cash dividend applicable to the year	186	228	1.68

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,	2021	2020	2021
Net income	**¥46,815**	**¥ 51,518**	**$422,863**
Other comprehensive income (loss) (Note 26):			
Unrealized gain (loss) on available-for-sale securities	17,499	(19,977)	158,068
Deferred loss on derivatives under hedge accounting	(5,476)	(5,432)	(49,467)
Foreign currency translation adjustments	146	(75)	1,322
Adjustments for retirement benefits	264	(682)	2,389
Share of other comprehensive income (loss) in affiliates accounted for by the equity method	1,074	(1,927)	9,702
Total other comprehensive income (loss)	**13,508**	**(28,095)**	**122,013**
Comprehensive income	**¥60,323**	**¥ 23,422**	**$544,875**
Total comprehensive income attributable to:			
Owners of the parent	¥58,761	¥ 22,371	$530,773
Non-controlling interests	1,561	1,050	14,102

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, 2021	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	¥ 848,000	¥12,436	¥ 636,466	¥675,842
Investment from government			220,000			
Transfer from capital surplus to special investment reserve			300,000		(300,000)	
Cash dividends						(9,948)
Net income attributable to owners of the parent						45,246
Transfer from retained earnings to special investment surplus				15,736		(15,736)
Change in scope of equity method accounting						292
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥1,368,000	¥28,172	¥ 336,466	¥695,697

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2021	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	¥24,297	¥16,934	¥(1,414)	¥(958)	¥3,418,557	¥15,496	¥3,434,054
Investment from government					220,000		220,000
Transfer from capital surplus to special investment reserve							—
Cash dividends					(9,948)		(9,948)
Net income attributable to owners of the parent					45,246		45,246
Transfer from retained earnings to special investment surplus							—
Change in scope of equity method accounting					292		292
Net change during the year	16,435	(3,662)	477	264	13,515	255	13,770
Balance at end of year	¥40,733	¥13,271	¥ (936)	¥(693)	¥3,687,663	¥15,752	¥3,703,415

	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2020	Millions of Yen						
	Accumulated other comprehensive income						
	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

For the year ended March 31, 2021	Thousands of U.S. Dollars (Note 1)					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	$9,036,438	$1,865,495	$ 7,659,651	$112,332	$ 5,748,951	$6,104,623
Investment from government			1,987,174			
Transfer from capital surplus to special investment reserve			2,709,782		(2,709,782)	
Cash dividends						(89,858)
Net income attributable to owners of the parent						408,694
Transfer from retained earnings to special investment surplus				142,140		(142,140)
Change in scope of equity method accounting						2,644
Net change during the year						
Balance at end of year	$9,036,438	$1,865,495	$12,356,607	$254,473	$ 3,039,169	$6,283,962

For the year ended March 31, 2021	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	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	$219,469	$152,964	$(12,777)	$(8,658)	$30,878,487	$139,977	$31,018,464
Investment from government					1,987,174		1,987,174
Transfer from capital surplus to special investment reserve							—
Cash dividends					(89,858)		(89,858)
Net income attributable to owners of the parent					408,694		408,694
Transfer from retained earnings to special investment surplus							—
Change in scope of equity method accounting					2,644		2,644
Net change during the year	148,457	(33,084)	4,315	2,391	122,079	2,305	124,384
Balance at end of year	$367,926	$119,879	$ (8,462)	$(6,267)	$33,309,219	$142,283	$33,451,502

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
Cash flows from operating activities:			
Income before income taxes	¥ 73,802	¥ 83,024	$ 666,625
Adjustments for:			
Depreciation	14,862	14,677	134,250
Amortization of goodwill	1,820	1,838	16,445
Losses on impairment of long-lived assets	324	165	2,927
Equity in losses (earnings) of affiliates	6,908	(4,541)	62,400
Interest income	(159,422)	(169,456)	(1,440,000)
Interest expense	55,357	78,730	500,021
Gain on securities – net	(23,214)	(6,983)	(209,686)
Gain on money held in trust – net	(792)	(1,001)	(7,155)
Foreign exchange (gains) losses	(13,426)	9,445	(121,279)
Gain on sales of fixed assets – net	(1,029)	(4,197)	(9,296)
Changes in operating assets and liabilities:			
Allowance for loan losses	22,340	191	201,797
Allowance for investment losses	(3)	(9)	(30)
Accrued bonuses to employees	(159)	279	(1,440)
Accrued bonuses to directors	—	0	—
Asset for retirement benefits	(329)	974	(2,977)
Liability for retirement benefits	103	122	933
Loans	(2,341,056)	508,654	(21,145,848)
Debentures	168,914	124,119	1,525,734
Borrowed money	2,593,588	83,088	23,426,866
Corporate bonds	357,678	275,763	3,230,768
Due from banks (excluding cash equivalents)	19,999	(3,000)	180,652
Call loans and bills bought	36,000	(460,000)	325,174
Payables under repurchase agreements	—	(93,761)	—
Interest received	156,479	173,450	1,413,419
Interest paid	(59,010)	(83,035)	(533,022)
Other – net	(60,890)	135,395	(549,999)
Sub-total	848,844	663,934	7,667,279
Payments for income taxes	(25,848)	(30,320)	(233,480)
Net cash provided by operating activities	**822,995**	**633,613**	**7,433,798**
Cash flows from investing activities:			
Payments for purchases of securities	(368,417)	(846,286)	(3,327,772)
Proceeds from sales of securities	56,527	82,195	510,588
Proceeds from redemption of securities	201,873	319,425	1,823,448
Payments for increase of money held in trust	(944)	(4,255)	(8,534)
Proceeds from decrease of money held in trust	4,199	5,023	37,934
Payments for purchases of tangible fixed assets	(18,228)	(3,908)	(164,655)
Proceeds from sales of tangible fixed assets	4,761	42,452	43,005
Payments for purchases of intangible fixed assets	(3,221)	(3,157)	(29,099)
Proceeds from sales of intangible fixed assets	1	0	15
Net cash used in investing activities	**(123,449)**	**(408,510)**	**(1,115,069)**
Cash flows from financing activities:			
Proceeds from investment from government	220,000	130,000	1,987,174
Payments for cash dividends	(9,948)	(21,030)	(89,858)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	34	761	313
Dividends paid to non-controlling shareholders of subsidiaries	(1,340)	(5,330)	(12,110)
Net cash provided by financing activities	**208,745**	**104,400**	**1,885,519**
Foreign currency translation adjustments on cash and cash equivalents	**572**	**(651)**	**5,170**
Net change in cash and cash equivalents	**908,864**	**328,851**	**8,209,418**
Cash and cash equivalents at beginning of year	**1,232,869**	**903,817**	**11,136,029**
Increase in cash and cash equivalents due to new consolidation	**—**	**200**	**—**
Cash and cash equivalents at end of year (Note 2(c))	**¥ 2,141,734**	**¥1,232,869**	**$ 19,345,447**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Development Bank of Japan Inc. and Consolidated Subsidiaries

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 2020 consolidated financial statements to conform to the classifications used in 2021.

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 ¥110.71 = $1.00, the effective exchange rate prevailing as of March 31, 2021, 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, 2021 was 39. The major consolidated subsidiaries as of March 31, 2021 were 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, 2021, six companies including a silent partnership managed by Godo Kaisha Asset 7 were newly consolidated due to new investments and DBJ Food&Beverage/Hotel Support Fund Investment Limited Partnership was newly consolidated due to incorporation.

A silent partnership managed by AMR LLC. was excluded from the scope of consolidation since the silent partnership agreement was terminated.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2021 was 51. The major unconsolidated subsidiary as of March 31, 2021 was DBJ Regional Investment Co., Ltd.

Unconsolidated subsidiaries were 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.
ORENO Corporation
GENTUITY, LLC

These companies were not treated as subsidiaries because the capital contributions were made for the purpose of incubating their investees or earning capital gains, 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, 2021 was 51.
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, 2021 was 28. One of the major affiliates accounted for by the equity method as of March 31, 2021 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:
Mezzanine Solution IV Limited Partnership and Japan Beta Lula Central S.a r.l. were included in the scope of the equity method accounting due to incorporation and acquisition of shares, respectively. SPACE ONE CO., LTD. was excluded from the scope of the equity method accounting due to a decline in ownership interest in the year ended March 31, 2021.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2021 was 125. One of the major affiliates as of March 31, 2021 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. holds 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 their investees or earning capital gains, 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, 2021

Socionext Inc.
PT. PETROTEKNO
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.
Art Japan 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
	2021
December 31	32
February 28 or 29	1
March 31	6

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 significant transactions that occur between the year-end balance sheet date of the subsidiary and the consolidated balance sheet date.

DBJ Capital Investment Fund, which is a consolidated subsidiary whose balance sheet date was previously March 31, changed its balance sheet date to December 31. Accordingly, the period of consolidation of the said company's operating results in the year ended March 31, 2021 was a nine-month period from April 1, 2020 to December 31, 2020.

(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
	2021	2020	2021
Cash and due from banks	¥2,187,820	¥1,298,955	$19,761,725
Time deposits with banks	(46,086)	(66,085)	(416,278)
Cash and cash equivalents	¥2,141,734	¥1,232,869	$19,345,447

(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 components of trust assets in "Money held in trust" are accounted for based on the same standards 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 (JICPA Industry Committee Practical Guidance No. 24 October 8, 2020; hereinafter, “JICPA Industry Committee Practical Guidance No. 24”). 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 Committee Practical Guidance No. 25, October 8, 2020; hereinafter, “JICPA Industry Committee Practical Guidance No. 25”).

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 amount of loss expected during the average remaining period, which is calculated based on the average default rate in a certain historical period, added with necessary adjustments in light of latest conditions and other factors. 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 ¥13,226 million ($119,471 thousand) and ¥10,556 million for the years ended March 31, 2021 and 2020, 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.

(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, 2021 and 2020.

(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, 2021 and 2020.

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, 2021 and 2020 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) Significant Accounting Estimates

Significant accounting estimates which DBJ Inc. used in preparing the consolidated financial statements are as follows:

1. Allowance for Loan Losses

(1) Allowance for loan losses of ¥57,869 million ($522,714 thousand) was recorded in the consolidated financial statements as of March 31, 2021.

(2) Information to facilitate the understanding on significant accounting estimates made on the identified items

DBJ Inc. records an allowance for loan losses to provide for the risk of loss caused by a decrease in value or disappearance of assets such as loans, etc. due to the deteriorated financial position of credit counterparties.

DBJ Inc. assumes that the impact of COVID-19 on economic and business activities would continue through the following fiscal year onward and may affect the credit risk of its debtors.

The method DBJ Inc. takes to calculate its allowance for loan losses is stated in (k) "Allowance for Loan Losses" under Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." Based on the assumption above, DBJ Inc. records allowance for loan losses upon reflecting information available as of the date of preparation of the financial statements on the individual debtor category as needed.

These assumptions are decided based on the best estimates and judgements of the management, but as it is uncertain how the ongoing pandemic will impact the economy and credit risk of the debtors of DBJ Inc., any changes in its impact may result in the amount of allowance for loan losses in the consolidated financial statements for the following fiscal year to fluctuate.

2. Valuation of securities whose fair value cannot be reliably determined

(1) Securities of ¥2,535,827 million ($22,905,137 thousand) and securities whose fair value cannot be reliably determined of ¥1,130,164 million ($10,208,336 thousand) were recorded in the consolidated financial statements as of March 31, 2021.

(2) Information to facilitate the understanding on significant accounting estimates made on the identified items

Information regarding securities whose fair value cannot be reliably determined are disclosed in Paragraph (2) under Note 28 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES." When substantial value significantly declines from the carrying amount, an impairment loss or allowance for investment losses are recognized, unless recoverability is supported by sufficient evidence. Determining that recoverability is supported by sufficient evidence is based on the management's judgment that the investees' business plans, etc. are reasonable.

As it is uncertain how the market environment for investees will change due to factors such as the impact of COVID-19, any changes in conditions assumed in the management's decisions that the business plans, etc. are reasonable may cause unexpected losses due to the recording of an impairment loss or allowance for investment losses in the following fiscal year.

(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 impact 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.

(v) Changes in Presentation

Consolidated Statement of Income

Expenses related to investment income which were included in “General and administrative expenses” in the year ended March 31, 2020 have been reclassified into “Other expenses” from the year ended March 31, 2021.

Against the background of an increase in the monetary significance of expenses related to investment income, which were previously included in “General and administrative expenses,” and an expected increase in such investment income and expenses under the new medium-term management plan that was developed in the year ended March 31, 2021, the above change was made to more accurately reflect the results of operations of DBJ Inc. by presenting investment related income and expenses in “Other income” and “Other expenses,” respectively.

In order to reflect this change in presentation, “General and administrative expenses” of ¥10,185 million, which was presented in the consolidated statement of income for the fiscal year ended March 31, 2020, has been reclassified into “Other expenses.”

Adoption of “Accounting Standard for Disclosure of Accounting Estimates”

DBJ Inc. adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020) in the consolidated financial statements as of March 31, 2021 and therefore a note on significant accounting estimates is provided in the consolidated financial statements.

However, the note does not include the contents for the fiscal year ended March 31, 2020 pursuant to the transitional treatment prescribed in the proviso in Paragraph 11 of the Accounting Standard.

3. SECURITIES

Securities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japanese government bonds*3	¥ 129,047	¥ 134,664	$ 1,165,639
Corporate bonds*2	812,512	830,952	7,339,103
Equities*1	822,641	687,020	7,430,594
Other securities*1	771,626	721,630	6,969,801
Total	¥2,535,827	¥2,374,268	$22,905,137

*1. Investments in unconsolidated subsidiaries and affiliates included in “Equities” as of March 31, 2021 and 2020, are ¥59,854 million ($540,638 thousand) and ¥57,242 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in “Other securities” as of March 31, 2021 and 2020, are ¥203,022 million ($1,833,819 thousand) and ¥194,159 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 ¥4,022 million ($36,330 thousand) and ¥4,462 million as of March 31, 2021 and 2020, respectively.
*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥32,348 million ($292,191 thousand) and ¥37,689 million as of March 31, 2021 and 2020, respectively.

Securities available-for-sale (excluding whose securities those fair value cannot be reliably determined), whose fair value significantly declined compared with the acquisition cost, and is considered to be an item 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 other securities in an amount of ¥110 million ($995 thousand) for the year ended March 31, 2021 and on equity securities in an amount of ¥3,984 million for the year ended March 31, 2020.

4. NON-PERFORMING LOANS

The amounts of non-performing loans included in “Loans” as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans to bankrupt debtors*2	¥ —	¥ 8	$ —
Delinquent loans*3	81,494	30,341	736,105
Loans past due three months or more*4	—	—	—
Restructured loans*5	30,999	26,914	280,005
Total	¥112,493	¥57,264	$1,016,111

*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, 2021 and 2020, the amounts of unused commitments are ¥798,060 million ($7,208,570 thousand) and ¥1,054,844 million, respectively. As of March 31, 2021 and 2020, the amounts of unused commitments with remaining contract term within one year are ¥568,245 million ($5,132,738 thousand) and ¥719,776 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, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prepaid expenses	¥ 3,842	¥ 3,514	$ 34,709
Accrued income	25,076	25,187	226,503
Derivatives	76,438	71,758	690,436
Cash collateral paid for financial instruments	13,326	17,572	120,373
Margin deposits with the central clearing house	24,022	10,273	216,985
Other	36,739	34,543	331,855
Total	¥179,445	¥162,849	$1,620,860

7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Buildings	¥ 17,953	¥ 17,704	$ 162,164
Land	90,151	90,794	814,299
Leased assets	586	635	5,301
Construction in progress	285	425	2,575
Other	318,491	313,873	2,876,806
Total	¥427,467	¥423,433	$3,861,145

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2021 and 2020, is ¥48,099 million ($434,462 thousand) and ¥39,825 million, respectively.

8. ALLOWANCE FOR LOAN LOSSES

Allowance for loan losses as of March 31, 2021 and 2020 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
General allowance for loan losses	¥29,098	¥19,358	$262,831
Specific allowance for loan losses	28,771	16,169	259,883
Total	¥57,869	¥35,528	$522,714

9. DEBENTURES AND CORPORATE BONDS

Debentures and corporate bonds as of March 31, 2021 and 2020 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
(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	¥ 210,002 [90,003]	¥ 210,005	$ 1,896,867 [812,968]
Japanese government-guaranteed bonds 3, 4, 9, 11, 14, 16, 19, 22–69	Dec. 2008– Dec. 2020	0.001– 2.1	Sep. 2020– Jun. 2060	1,510,937 [360,168]	1,631,134	13,647,702 [3,253,259]
Japanese government-guaranteed foreign bond 67*2,7	Sep. 1998	1.81	Sep. 2028	25,030	25,034	226,088
Japanese government-guaranteed foreign bonds 5–7, 10, 11, 14*1,7	Dec. 2002– Nov. 2007	1.05– 4.75	Sep. 2022– Nov. 2027	369,016	369,017	3,333,179
Japanese government-guaranteed Euro MTN bonds 10, 12-23 *3	Sep. 2014– Jan. 2021	0.5– 3.25	Sep. 2021– Jan. 2031	1,291,611 [55,276]	982,494	11,666,624 [499,288]
FILP agency domestic bonds 20, 31, 34–36, 42, 49*4,7	Aug. 2005– Jun. 2008	1.7– 2.74	Jun. 2020– Mar. 2047	74,972	94,970	677,198
Euro MTN FILP agency bond 2*4,5,7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	18,065
Corporate bonds						
Corporate bonds through public placement 31, 40, 47, 50, 54, 56, 57, 59, 60, 62, 63, 65, 66, 68, 69, 71, 72, 74–138	Nov. 2012– Jan. 2021	0– 1.183	Jun. 2020- Jul. 2070	1,522,001 [190,600]	1,357,601	13,747,643 [1,721,616]
Corporate bonds through private placement 3–25, 27, 28, 31, 32, 34, 35, 39–50, 52–118	Feb. 2015– Jan. 2021	0– 1.16	Apr. 2020– Mar. 2058	427,000 [58,000]	433,000	3,856,926 [523,891]
Corporate bonds Euro MTN 45, 48, 49, 52, 54, 55, 57, 60–87*6	Oct. 2013– Mar. 2021	0.01– 3.749	Apr. 2021– May. 2049	785,777 [85,943]	586,499	7,097,624 [776,295]
(Issuer: Core Investment Japan TMK)						
Specified corporate bond 3*8	Jun. 2019	0.27909	Jun. 2026	5,000	5,000	45,163
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bond 5*8	Sep. 2019	0.37909	Sep. 2026	125	125	1,129
Total				¥6,223,475	¥5,696,882	$56,214,209

*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, 2021 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,	2022	¥839,991	¥—	$7,587,316	$—
	2023	840,272	—	7,589,854	—
	2024	855,078	—	7,723,591	—
	2025	702,316	—	6,343,747	—
	2026	676,777	—	6,113,068	—

10. BORROWED MONEY

Borrowed money as of March 31, 2021 and 2020 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2021	2020	2021
Borrowings	0.243	Apr. 2021–Mar. 2041	¥10,479,970	¥7,882,672	$94,661,464
Non-recourse borrowings	0.755	Dec. 2021–Dec. 2036	184,566	188,276	1,667,116
Total	0.252		¥10,664,537	¥8,070,948	$96,328,580

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2021 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,	2022	¥1,460,836	¥ 7,096	$13,195,162	$ 64,101
	2023	1,048,928	6,930	9,474,559	62,604
	2024	920,726	7,012	8,316,560	63,345
	2025	949,914	6,267	8,580,205	56,608
	2026	1,013,582	71,079	9,155,290	642,034

11. NON-RECOURSE DEBTS

Non-recourse debts in consolidated special purpose companies as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-recourse debts:			
Borrowed money	¥184,566	¥188,276	$1,667,116
Corporate bonds	5,125	5,125	46,292
Assets corresponding to non-recourse debts:			
Cash and due from banks	13,410	19,235	121,132
Other assets	3,412	4,208	30,823
Tangible fixed assets	225,666	219,630	2,038,357
Intangible fixed assets	4,847	5,130	43,787

12. OTHER LIABILITIES

Other liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accrued expenses	¥ 10,300	¥ 13,794	$ 93,038
Unearned income	516	1,072	4,669
Accrued income taxes	17,599	13,001	158,971
Derivatives	29,523	36,530	266,670
Lease obligations	511	572	4,618
Asset retirement obligations	5,768	5,746	52,100
Other	99,401	133,545	897,856
Total	¥163,620	¥204,265	$1,477,922

13. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Guarantees	¥446,616	¥267,306	$4,034,110

14. ASSETS PLEDGED AS COLLATERAL

Cash and due from banks of ¥13,410 million ($121,132 thousand), other assets of ¥3,412 million ($30,823 thousand), tangible fixed assets of ¥225,666 million ($2,038,357 thousand) and intangible fixed assets of ¥4,847 million ($43,787 thousand) are pledged as collateral for borrowed money of ¥184,566 million ($1,667,116 thousand) and corporate bonds of ¥5,125 million ($46,292 thousand) as of March 31, 2021.

Cash and due from banks of ¥19,235 million, other assets of ¥4,208 million, tangible fixed assets of ¥219,630 million and intangible fixed assets of ¥5,130 million are pledged as collateral for borrowed money of ¥188,276 million and corporate bonds of ¥5,125 million 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 ¥169,189 million ($1,528,222 thousand) and ¥840,231 million ($7,589,483 thousand), as of March 31, 2021, respectively. Such securities and loans are pledged as collateral for transactions, including exchange settlements as of March 31, 2021. On behalf of the investees who borrow from third parties, ¥15,451 million ($139,566 thousand) of securities are pledged as collateral as of March 31, 2021. Additionally, ¥13,326 million ($120,373 thousand) of cash collateral paid for financial instruments and ¥24,022 million ($216,985 thousand) of margin deposits with the central clearing house are included in other assets as of March 31, 2021. 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 ¥681,289 million ($6,153,816 thousand) as of March 31, 2021.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥154,643 million and ¥923,054 million, 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 of securities are pledged as collateral as of March 31, 2020. Additionally, ¥17,572 million of cash collateral paid for financial instruments and ¥10,273 million 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 as of March 31, 2020.

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 the event of a 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 the event of a 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, 2021 and 2020 and basic net income per common share ("EPS") for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2021	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	¥3,703,415			
Items deducted from total equity	879,543			
(Crisis response reserve)	206,529			
(Special investment reserve attributable to the National Treasury)	644,000			
(Special investment surplus attributable to the National Treasury)	13,262			
(Non-controlling interests)	15,752			
Equity related to common stock	¥2,823,872	43,632	¥64,719.67	$584.59
Year ended March 31, 2020				
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	

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2021	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income attributable to owners of the parent	¥45,246			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	7,408			
Net income attributable to owners of the parent related to common stock	¥37,838	43,632	¥867.21	$7.83
Year ended March 31, 2020				
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	

Note: Diluted net income per share for the years ended March 31, 2021 and 2020 is not disclosed because there are no dilutive securities.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of bonds	¥ —	¥ 762	$ —
Gains on derivatives	13,838	14,065	124,999
Other	256	336	2,314
Total	¥14,094	¥15,165	$127,314

20. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of equities and other securities	¥23,515	¥10,494	$212,402
Gains on redemption of securities	359	7,727	3,250
Equity in earnings of affiliates	—	4,541	—
Gains on sales of fixed assets	1,199	4,333	10,831
Collection of written-off claims	423	6,255	3,822
Gains on investments in limited partnerships and other similar partnerships	21,652	26,575	195,575
Rental income on land and buildings	12,520	12,273	113,096
Sales of electric power	10,946	12,747	98,876
Other	5,605	6,738	50,628
Total	¥76,221	¥91,688	$688,481

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Foreign exchange losses	¥6,909	¥ 9,996	$62,408
Debenture issuance costs	936	817	8,456
Corporate bonds issuance costs	1,263	1,486	11,412
Other	114	10	1,034
Total	¥9,223	¥12,310	$83,309

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Write-off of equities	¥ 9,352	¥32,758	$ 84,473
Equity in losses of affiliates	6,908	—	62,400
Losses on investments in limited partnerships and other similar partnerships	12,762	5,377	115,276
Depreciation	8,954	9,052	80,884
Provision of allowance for loan losses	23,970	1,734	216,516
Other	12,962	13,001	117,088
Total	¥74,910	¥61,924	$676,637

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, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥36,167	¥35,372	$326,683
Service cost	1,591	1,574	14,377
Interest cost	393	385	3,557
Actuarial losses	931	542	8,418
Benefits paid	(1,816)	(1,707)	(16,412)
Balance at end of year	¥37,267	¥36,167	$336,622

(2) The changes in plan assets for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥29,338	¥29,641	$265,007
Expected return on plan assets	146	148	1,325
Actuarial (losses) gains	1,108	(529)	10,017
Contributions from the employer	965	945	8,722
Benefits paid	(894)	(866)	(8,081)
Balance at end of year	¥30,665	¥29,338	$276,990

(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, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ 29,072	¥ 28,074	$ 262,598
Plan assets	(30,665)	(29,338)	(276,990)
	(1,593)	(1,263)	(14,393)
Unfunded retirement benefit obligations	8,195	8,092	74,025
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 6,601	¥ 6,828	$ 59,632
Liability for retirement benefits	¥ 8,195	¥ 8,092	$ 74,025
Asset for retirement benefits	(1,593)	(1,263)	(14,393)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 6,601	¥ 6,828	$ 59,632

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥1,591	¥1,574	$14,377
Interest cost	393	385	3,557
Expected return on plan assets	(146)	(148)	(1,325)
Amortization of net actuarial losses	196	81	1,775
Amortization of prior service cost	7	7	68
Net periodic retirement benefit costs	¥2,042	¥1,900	$18,452

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service cost	¥ 7	¥ 7	$ 68
Actuarial gains (losses)	373	(990)	3,374
Total	¥381	¥(983)	$3,443

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (4)	¥ (11)	$ (40)
Unrecognized actuarial losses	(980)	(1,353)	(8,854)
Total	¥(984)	¥(1,365)	$(8,894)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2021 and 2020 consisted of the following:

	2021	2020
Debentures	73%	73%
Equity	13%	9%
Others	14%	18%
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, 2021 and 2020 were set forth as follows:

	2021	2020
Discount rate	1.1%	1.1%
Expected salary increase rate	2.1%–6.7%	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, 2021 and 2020 are ¥273 million ($2,468 thousand) and ¥243 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, 2021 and 2020.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Normal effective statutory tax rate	30.62%	30.62 %
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	2.38%	8.96 %
Equity in earnings of affiliates	2.86%	(1.67)%
Other	0.70%	0.03 %
Actual effective tax rate	36.56%	37.94 %

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 20,153	¥ 12,589	$ 182,043
Losses from revaluation of securities	25,159	21,313	227,258
Excess of fair value over assets of consolidated subsidiaries	3,120	3,426	28,189
Liability for retirement benefits	2,027	2,014	18,314
Tax goodwill	1,135	1,275	10,256
Tax loss carryforwards	7,275	6,498	65,712
Other	16,357	16,961	147,750
Sub-total	75,229	64,080	679,523
Less-valuation allowance on total of temporary differences deductible in future periods	(47,967)	(46,208)	(433,275)
Sub-total*1	(47,967)	(46,208)	(433,275)
Total	27,262	17,871	246,248
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(16,282)	(7,278)	(147,076)
Deferred gain on derivatives under hedge accounting	(5,962)	(8,398)	(53,853)
Other	(9,084)	(6,002)	(82,053)
Total	(31,328)	(21,679)	(282,982)
Net deferred tax assets (liabilities)*2	¥ (4,066)	¥ (3,808)	$ (36,734)

*1. Changes in valuation allowance are principally due to an increase in that for allowance for loan losses.
*2. Net deferred tax assets are included in the following items in the consolidated balance sheets.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets	¥ 2,572	¥ 2,800	$ 23,235
Deferred tax liabilities	(6,639)	(6,608)	(59,969)

25. LEASE TRANSACTIONS

(a) Finance Leases

Information about finance leases is omitted since the amounts are not material.

(b) Operating Leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥1,710	¥1,757	$15,448
Due after 1 year	6,251	2,255	56,469
Total	¥7,961	¥4,013	$71,917

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 5,695	¥ 6,151	$ 51,445
Due after 1 year	18,322	21,891	165,497
Total	¥24,017	¥28,043	$216,942

26. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
(Gain) loss arising during the year	¥ 37,501	¥(22,805)	$ 338,738
Reclassification adjustments to profit or loss	(11,129)	(6,035)	(100,528)
Amount before income tax effect	26,372	(28,840)	238,210
Income tax effect	(8,872)	8,862	(80,142)
Total	17,499	(19,977)	158,068
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	(2,682)	(704)	(24,232)
Reclassification adjustments to profit or loss	(5,210)	(7,126)	(47,067)
Amount before income tax effect	(7,893)	(7,830)	(71,299)
Income tax effect	2,417	2,397	21,832
Total	(5,476)	(5,432)	(49,467)
Foreign currency translation adjustments:			
Adjustments arising during the year	146	(75)	1,322
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	146	(75)	1,322
Income tax effect	—	—	—
Total	146	(75)	1,322
Adjustments for retirement benefits:			
Adjustments arising during the year	177	(1,071)	1,599
Reclassification adjustments to profit or loss	204	88	1,843
Amount before income tax effect	381	(983)	3,443
Income tax effect	(116)	301	(1,054)
Total	264	(682)	2,389
Share of other comprehensive income (loss) in affiliates accounted for by the equity method:			
Gain (loss) arising during the year	879	(1,820)	7,948
Reclassification adjustments to profit or loss	194	(107)	1,754
Amount before income tax effect	1,074	(1,927)	9,702
Income tax effect	—	—	—
Total	1,074	(1,927)	9,702
Total other comprehensive income (loss)	¥ 13,508	¥(28,095)	$ 122,013

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, 2021 and 2020 is following:

	Millions of Yen			
Year ended March 31, 2021	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥132,522	¥67,192	¥69,747	¥269,462

	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

	Thousands of U.S. Dollars			
Year ended March 31, 2021	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,197,026	$606,921	$630,005	$2,433,951

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 transportation, postal service, electricity, gas, thermal supply, water supply, manufacturing and others as of March 31, 2021. 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 the 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 (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, 2021 and 2020 was ¥61,135 million ($552,210 thousand) and ¥48,910 million, respectively. From the year ended March 31, 2021, DBJ Inc. has changed its measurement method from 100 BPV to BPV (100BPV, -50BPV). 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 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 Values Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2021 and 2020. Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2021		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 2,187,820	¥ 2,187,820	¥ —
Call loans and bills bought	684,000	684,000	—
Money held in trust	16,824	16,981	156
Securities			
Held-to-maturity debt securities	389,976	396,408	6,431
Available-for-sale securities	1,039,769	1,039,769	—
Investments in affiliates	2,846	3,360	513
Loans	14,757,131		
Allowance for loan losses*1	(57,761)		
	14,699,369	15,171,552	472,183
Total assets	¥19,020,608	¥19,499,893	¥479,285
Debentures	3,483,570	3,548,364	64,793
Borrowed money	10,664,537	10,664,152	(384)
Corporate bonds	2,739,904	2,742,260	2,355
Total liabilities	¥16,888,012	¥16,954,777	¥ 66,765
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	51,427	51,427	—
Derivative transactions qualifying for hedge accounting	(4,512)	(4,512)	—
Total derivative transactions	¥ 46,915	¥ 46,915	¥ —

	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
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	¥ —

	Thousands of U.S. Dollars		
	2021		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 19,761,725	$ 19,761,725	$ —
Call loans and bills bought	6,178,304	6,178,304	—
Money held in trust	151,973	153,390	1,418
Securities			
Held-to-maturity debt securities	3,522,507	3,580,604	58,096
Available-for-sale securities	9,391,828	9,391,828	—
Investments in affiliates	25,715	30,350	4,634
Loans	133,295,381		
Allowance for loan losses*1	(521,741)		
	132,773,640	137,038,686	4,265,046
Total assets	$171,805,691	$176,134,886	$4,329,195
Debentures	31,465,724	32,050,981	585,257
Borrowed money	96,328,580	96,325,108	(3,472)
Corporate bonds	24,748,485	24,769,762	21,277
Total liabilities	$152,542,789	$153,145,851	$ 603,062
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	464,524	464,524	—
Derivative transactions qualifying for hedge accounting	(40,759)	(40,759)	—
Total derivative transactions	$ 423,765	$ 423,765	$ —

*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 have 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 with foreign currency swaps which qualify for the hedging requirements of assignment method are translated using forward contract rates. As a result of this translation, the present value of the contractual cash flows is the same as Japanese yen denominated debentures.

(ii) 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 with foreign currency swaps which qualify for the hedging requirements of assignment method is translated using forward contract rates. As a result of this translation, the present value of the contractual cash flows is the same as Japanese yen denominated borrowed money.

(iii) 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 with foreign currency swaps which qualify for the hedging requirements of assignment method are translated using forward contract rates. As a result of this translation, 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, 2021 and 2020:
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
	2021	2020	2021
Money held in trust*1	¥ 1,031	¥ 1,615	$ 9,316
Unlisted equities*2,3	441,874	328,439	3,991,282
Investments in limited partnerships and other similar partnerships*1	379,875	327,173	3,431,265
Unlisted other securities*2,3	308,414	286,597	2,785,789
Total	¥1,131,196	¥943,826	$10,217,652

*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, 2021 and 2020 was ¥9,316 million ($84,153 thousand) and ¥28,734 million, respectively, which consist of unlisted equities of ¥1,611 million ($14,560 thousand) and ¥28,692 million and unlisted other securities of ¥7,704 million ($69,593 thousand) and ¥41 million for the years ended March 31, 2021 and 2020, respectively.

(3) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen					
	2021					
	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	¥2,187,816	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	684,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	70,957	116,450	91,336	64,857	46,373	—
Japanese government bonds	10,035	10,015	10,048	10,045	40,279	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	44,931	75,646	63,308	23,357	6,094	—
Other	15,990	30,788	17,980	31,455	—	—
Available-for-sale securities with contractual maturities	58,970	123,653	160,332	70,959	58,310	175,570
Japanese government bonds	25,136	5,109	18,378	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	33,834	118,543	141,954	70,959	58,310	175,570
Other	—	—	—	—	—	—
Loans*2	2,503,573	3,415,686	3,172,485	2,482,452	2,172,577	928,861
Total	¥5,505,318	¥3,655,790	¥3,424,155	¥2,618,269	¥2,277,261	¥1,104,432

	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*2	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

	Thousands of U.S. Dollars					
	2021					
	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	$19,761,693	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	6,178,304	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	640,930	1,051,856	825,009	585,835	418,877	—
Japanese government bonds	90,651	90,463	90,762	90,739	363,826	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	405,847	683,287	571,841	210,975	55,051	—
Other	144,431	278,105	162,406	284,121	—	—
Available-for-sale securities with contractual maturities	532,660	1,116,909	1,448,225	640,953	526,692	1,585,859
Japanese government bonds	227,044	46,152	166,002	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	305,616	1,070,757	1,282,223	640,953	526,692	1,585,859
Other	—	—	—	—	—	—
Loans*2	22,613,795	30,852,561	28,655,820	22,423,016	19,624,041	8,390,043
Total	$49,727,381	$33,021,325	$30,929,054	$23,649,804	$20,569,611	$9,975,903

*1. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥81,494 million ($736,105 thousand) are not included as of March 31, 2021.
*2. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥30,349 million are not included as of March 31, 2020.

(4) Maturity analysis for debentures, borrowed money and other interest-bearing liability as of March 31, 2021 and 2020 are as follows:

	Millions of Yen					
	2021					
	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	¥1,467,933	¥1,983,598	¥2,040,843	¥1,400,061	¥1,554,376	¥2,217,724
Debentures and Corporate bonds	839,991	1,695,351	1,379,093	919,213	1,024,238	365,586
Total	¥2,307,924	¥3,678,950	¥3,419,937	¥2,319,274	¥2,578,614	¥2,583,310

	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

	Thousands of U.S. Dollars					
	2021					
	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	$13,259,264	$17,917,068	$18,434,137	$12,646,206	$14,040,071	$20,031,834
Debentures and Corporate bonds	7,587,316	15,313,446	12,456,815	8,302,894	9,251,542	3,302,196
Total	$20,846,579	$33,230,514	$30,890,952	$20,949,101	$23,291,613	$23,334,031

29. DERIVATIVE TRANSACTIONS

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

(1) Interest rate-related transactions

	Millions of Yen			
	2021			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥923,879	¥822,442	¥ 50,915	¥ 50,915
Receive float/ Pay fixed	922,028	821,128	(23,262)	(23,262)
Total	—	—	¥ 27,653	¥ 27,653

	Millions of Yen			
	2020			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
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

	Thousands of U.S. Dollars			
	2021			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$8,345,042	$7,428,803	$ 459,901	$ 459,901
Receive float/ Pay fixed	8,328,324	7,416,929	(210,121)	(210,121)
Total	—	—	$ 249,780	$ 249,780

*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			
	2021			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps	¥ 5,226	¥5,226	¥ 61	¥ 61
Forwards				
Sold	132,607	—	(4,275)	(4,275)
Bought	522,151	—	27,988	27,988
Total	—	—	¥23,774	¥23,774

	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

	Thousands of U.S. Dollars			
	2021			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps	$ 47,211	$47,211	$ 556	$ 556
Forwards				
Sold	1,197,795	—	(38,622)	(38,622)
Bought	4,716,392	—	252,809	252,809
Total	—	—	$214,743	$214,743

*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

There were no credit derivative transactions as of March 31, 2021.

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

*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 2021 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money, Loans and Securities			
Receive float/ Pay fixed		¥ 82,376	¥ 74,573	¥(2,798)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		2,546,678	2,518,472	*3
Receive float/ Pay fixed		9,111	6,130	
Total		—	—	¥(2,798)

	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	Thousands of U.S. Dollars 2021 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money, Loans and Securities			
Receive float/ Pay fixed		$ 744,070	$ 673,596	$(25,279)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		23,003,147	22,748,372	*3
Receive float/ Pay fixed		82,304	55,374	
Total		—	—	$(25,279)

*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 2021 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	¥ 5,503	¥ 5,503	¥ (54)
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	267,332	156,660	*3
Forwards	Foreign-currency available-for-sale securities	30,075	—	(1,659)
Total		—	—	¥(1,713)

	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	Thousands of U.S. Dollars 2021 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	$ 49,711	$ 49,711	$ (495)
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	2,414,711	1,415,055	*3
Forwards	Foreign-currency available-for-sale securities	271,664	—	(14,985)
Total		—	—	$(15,480)

*1. These derivatives are primarily accounted for by the deferral method of hedge accounting provided in the Industry Committee Practical Guidance No. 25.
*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, 2021 and 2020 is summarized below.

(a) Securities

(1) Held-to-maturity debt securities as of March 31, 2021 and 2020 are as follows:

		Millions of Yen		
		2021		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥ 50,170	¥ 54,510	¥4,340
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	165,691	167,913	2,222
	Other	50,672	51,355	682
Sub-total		266,534	273,779	7,245
Fair value does not exceed carrying amount	Japanese government bonds	30,253	30,141	(112)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	47,647	47,156	(491)
	Other	45,541	45,331	(209)
Sub-total		123,442	122,628	(813)
Total		¥389,976	¥396,408	¥6,431

		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

		Thousands of U.S. Dollars		
		2021		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$ 453,170	$ 492,372	$39,202
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,496,624	1,516,701	20,077
	Other	457,709	463,873	6,164
Sub-total		2,407,504	2,472,946	65,442
Fair value does not exceed carrying amount	Japanese government bonds	273,272	272,252	(1,020)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	430,378	425,942	(4,436)
	Other	411,354	409,464	(1,890)
Sub-total		1,115,003	1,107,658	(7,346)
Total		$3,522,507	$3,580,604	$58,096

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

(2) Available-for-sale securities as of March 31, 2021 and 2020 are as follows:

		Millions of Yen		
		2021		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 373,851	¥ 323,756	¥50,095
	Bonds	360,175	356,126	4,048
	Japanese government bonds	48,623	48,041	581
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	311,551	308,085	3,466
	Other	11,639	9,359	2,280
Sub-total		745,666	689,242	56,423
Carrying amount does not exceed cost	Equities	4,067	5,069	(1,002)
	Bonds	287,622	289,383	(1,761)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	287,622	289,383	(1,761)
	Other	42,413	42,526	(112)
Sub-total		334,103	336,979	(2,876)
Total		¥1,079,769	¥1,026,222	¥53,547

		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

		Thousands of U.S. Dollars		
		2021		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$3,376,856	$2,924,366	$452,490
	Bonds	3,253,320	3,216,755	36,565
	Japanese government bonds	439,198	433,941	5,257
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,814,123	2,782,814	31,308
	Other	105,134	84,538	20,596
Sub-total		6,735,310	6,225,659	509,651
Carrying amount does not exceed cost	Equities	36,740	45,794	(9,054)
	Bonds	2,597,978	2,613,888	(15,910)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,597,978	2,613,888	(15,910)
	Other	383,104	384,121	(1,017)
Sub-total		3,017,822	3,043,803	(25,981)
Total		$9,753,132	$9,269,462	$483,670

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, 2021 and 2020 are as follows:

	Millions of Yen		
	2021		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥44,011	¥20,199	¥ 0
Bonds	1,998	—	1
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	1,998	—	1
Other	10,638	3,200	85
Total	¥56,648	¥23,399	¥88

	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

	Thousands of U.S. Dollars		
	2021		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$397,539	$182,454	$ 9
Bonds	18,049	—	16
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	18,049	—	16
Other	96,094	28,905	772
Total	$511,681	$211,359	$797

(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				
	2021				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥17,856	¥17,154	¥701	¥704	¥3

	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

	Thousands of U.S. Dollars				
	2021				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$161,289	$154,953	$6,336	$6,365	$29

(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
	2021	2020	2021
Unrealized gain on			
Available-for-sale securities	¥54,674	¥27,727	$493,851
Other money held in trust	411	986	3,716
Deferred tax liabilities	(17,260)	(8,387)	(155,907)
Unrealized gain on available-for-sale securities before interest adjustments	37,825	20,325	341,660
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	2,907	3,971	26,266
Unrealized gain on available-for-sale securities, net of taxes	¥40,733	¥24,297	$367,926

*1. The gain of ¥4,737 million ($42,791 thousand) and the loss of ¥5,565 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, 2021 and 2020, 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, 2021 and 2020.

31. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2021 and 2020 are as follows:

				2021			
				Transaction Amount		Balance at March 31, 2021	
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	—	¥ 220,000	$ 1,987,174	—	—
		Borrowings*2	Borrowed money	1,050,000	9,484,238	¥5,479,254	$49,491,957
		Repayments		386,940	3,495,086		
		Payment for interest	Accrued expenses	18,934	171,028	4,755	42,952
		Guarantees*3	—	3,416,988	30,864,317	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,335,948 million ($30,132,313 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, 2040 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

				2020	
				Transaction Amount	Balance at March 31, 2020
Related party	Category	Description	Account item	Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 130,000	—
		Borrowings*2	Borrowed money	800,000	¥4,816,195
		Repayments		363,739	
		Payment for interest	Accrued expenses	23,485	6,277
		Guarantees*3	—	3,226,516	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥1,433,843 million 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.

32. SUBSEQUENT EVENT

On June 24, 2021, the shareholders approved the following appropriations of retained earnings. On the same day, the Finance Minister authorized the timing and amounts for dividends as of June 25, 2021:

Appropriations of retained earnings as of March 31, 2021

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥186–$1.68 per share)	¥8,115	$73,305

Independent Auditor's Report

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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, 2021, and the consolidated statement of income, consolidated statement of 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Calculation of Allowance for Loan Losses for Borrowers Particularly Affected by COVID-19

The Group recorded loans of ¥14,757,131 million in the consolidated balance sheet as of March 31, 2021. For details of the Bank's accounting policy for allowance for loan losses, refer to "Note 2(k) to the consolidated financial statements, Allowance for Loan Losses."

Key audit matter description

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 the Group's policies for the self-assessment of asset credit quality. The allowance is determined based on the results of the review.

The spread of COVID-19 has had a negative impact on business performances in a wide range of industries. In the specific type of industries belonging to the transportation or traffic sector that the Group has positioned as one of its prioritized sectors (the "specific type of industries"), the decline in the movement of people and goods has had a significant impact on their business performances. Under such circumstances, as a result of the credit deterioration in the specific type of industries, provision of the allowance for loan losses of ¥23,970 million was recorded in the consolidated statement of income for the year ended March 31, 2021.

In the process of the self-assessment of asset credit quality, the Group determines borrower categories by holistically examining borrower's payment capacity in terms of financial positions, cash flows, profitability and so forth. The determination of borrower categories involves a significant estimation factor in the calculation of allowance for loan losses and may include future profit forecasts based on market trend forecasts in the industries to which the borrowers belong.

Particularly, future profit forecasts used to determine borrower categories for borrowers engaged in the specific type of industries include estimates of the timing of recovery in relation to demand. Such estimates have high degree of uncertainties because they are affected by external environments. For the calculation of allowance for loan losses, there was a particularly high degree of uncertainty necessitating subjective judgments to be made by management on the determination of borrower categories. Therefore, we have determined this matter as a key audit matter.

How the key audit matter was addressed in the audit

Our audit procedures to address the key audit matter included the following, among others:

In examining the appropriateness of the borrower categories for borrowers who were particularly affected by COVID-19 and engaged in the specific type of industries, we performed the following procedures, among others.

(1) We inspected the supporting documents related to the determination of borrower categories for borrowers engaged in the specific type of industries and tested the effectiveness of internal controls designed for the determination of borrower categories in accordance with the Group's policies for the self-assessment of asset credit quality. In addition, we tested the effectiveness of internal controls over the accuracy and completeness of key underlying data such as information about borrowers used in the aforementioned internal controls.

(2) We examined the reliability of the external data relating to industry demand forecasts used in the estimates by inspecting the relevant information of the data reflected in the scenario for profit forecasts estimated by management in determining borrower categories for borrowers engaged in the specific type of industries.

(3) We inquired of the Group's management about the basis for judgment on which they evaluate it was the most reasonable profit forecasts estimated based on the external data. In addition, we evaluated the reasonableness of this judgment process by comparing to information from available external sources.

2. Valuation of Securities Whose Fair Value Cannot Be Reliably Determined

The Group recorded securities of ¥2,535,827 million in the consolidated balance sheet as of March 31, 2021. Of these amounts, securities whose fair value cannot be reliably determined refer to Note 2(t) to the consolidated financial statements, Significant Accounting Estimates 2. Securities whose Fair Value cannot be Reliably Determined and refer to Note 28 to the consolidated financial statements, Financial Instruments and Related Disclosures.

Independent Auditor's Report

Key audit matter description

In order to invigorate and stabilize the financial market, the Group supplies necessary risk capital as a main initiative, and the Group invests in the provision of mezzanine and equity financing, particularly to unlisted entities, such as corporations, funds, infrastructure and real estate. As a source of profits, these investments represent one of the most significant risk categories.

These investments include securities of investees whose financial conditions have deteriorated, for which the Group subscribed through third-party allocation on the basis of the determination that their business plans expecting the recoverability of future performance are reasonable. In evaluating such securities, for which the Group management determined that the performance would be recoverable in the future by reviewing profit-and-loss forecasts and cash flows management plans periodically, there is a high degree of uncertainty for recoverability of the performance in the future, though those are not recognized for impairment. Since there was a particularly high degree of uncertainty necessitating subjective judgments to be made by management on the valuation of securities, we have determined this matter as a key audit matter.

How the key audit matter was addressed in the audit

Our audit procedures to address the key audit matter included the following, among others:

In evaluating securities of investees with deteriorated financial conditions for which the Group subscribed through third-party allocation and did not recognize impairments because the performance was highly expected to recover in the future, we performed the following procedures:

(1) We compared the business plans of the investees with their latest financial statements, the monthly reports and the expected results, and then we performed the cause analysis of these differences.

(2) Based on the analysis results, we assessed the probability to achieve the future sales in the business plans of the investees, using available external data.

(3) Based on the analysis results, we inquired of the Group's management about the achievement statuses of main measures for cost reduction and inspected the progress reports as supporting documents for the profit forecasts in the business plans of the investees.

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.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 10, 2021
(June 24, 2021 as to Note 32)

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

Development Bank of Japan Inc.

	Millions of Yen		Thousands of U.S. Dollars (Note)
As of March 31,	2021	2020	2021
Assets			
Cash and due from banks	¥ 2,124,938	¥ 1,252,106	$ 19,193,734
Call loans	684,000	720,000	6,178,304
Money held in trust	16,824	18,467	151,973
Securities	2,612,535	2,400,948	23,598,008
Loans	14,837,718	12,521,358	134,023,288
Other assets	164,520	151,158	1,486,047
Tangible fixed assets	110,369	110,442	996,926
Intangible fixed assets	10,776	12,038	97,338
Prepaid pension costs	1,078	1,191	9,745
Customers' liabilities for acceptances and guarantees	446,616	267,306	4,034,110
Allowance for loan losses	(57,935)	(35,578)	(523,306)
Allowance for investment losses	(33)	(36)	(300)
Total assets	¥20,951,409	¥17,419,402	$189,245,867
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,483,570	¥ 3,314,656	$ 31,465,724
Borrowed money	10,479,945	7,882,447	94,661,238
Corporate bonds	2,734,779	2,377,101	24,702,193
Other liabilities	150,445	187,896	1,358,914
Accrued bonuses to employees	4,734	4,831	42,762
Accrued bonuses to directors	15	15	137
Reserve for employees' retirement benefits	6,447	6,419	58,235
Reserve for directors' retirement benefits	117	136	1,061
Deferred tax liabilities	3,654	5,047	33,011
Acceptances and guarantees	446,616	267,306	4,034,110
Total liabilities	17,310,326	14,045,859	156,357,385
Equity:			
Common stock authorized, 160,000 thousand shares in 2021 and 2020; issued, 43,632 thousand shares in 2021 and 2020	1,000,424	1,000,424	9,036,438
Crisis response reserve	206,529	206,529	1,865,495
Special investment reserve	1,368,000	848,000	12,356,607
Special investment surplus	28,172	12,436	254,473
Capital surplus	336,466	636,466	3,039,169
Retained earnings	651,840	629,290	5,887,817
Unrealized gain on available-for-sale securities	37,519	20,709	338,900
Deferred gain on derivatives under hedge accounting	12,131	19,687	109,583
Total equity	3,641,083	3,373,542	32,888,482
Total liabilities and equity	¥20,951,409	¥17,419,402	$189,245,867

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.71 = $1.00, the effective exchange rate prevailing as of March 31, 2021, has been used in the conversion.

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Development Bank of Japan Inc.

For the year ended March 31,	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note) 2021
Income			
Interest income:	¥160,461	¥174,958	$1,449,388
Interest on loans	132,477	139,508	1,196,621
Interest and dividends on securities	22,324	28,976	201,650
Interest on call loans	120	31	1,088
Interest on due from banks	38	108	344
Interest on swaps	5,508	6,339	49,753
Other interest income	(7)	(6)	(68)
Fees and commissions	15,026	11,561	135,729
Other operating income	14,095	15,172	127,318
Other income	49,845	58,475	450,234
Total income	**239,429**	**260,167**	**2,162,669**
Expenses			
Interest expense:	53,720	77,086	485,240
Interest on debentures	21,743	33,958	196,403
Interest on call money	(84)	(72)	(767)
Interest on payables under repurchase agreements	(69)	(60)	(624)
Interest on borrowed money	27,606	36,605	249,356
Interest on short-term corporate bonds	62	947	566
Interest on corporate bonds	4,490	5,723	40,563
Other interest expense	(28)	(15)	(257)
Fees and commissions	442	130	3,996
Other operating expenses	8,901	12,316	80,400
General and administrative expenses	52,982	53,644	478,566
Other expenses	52,754	39,856	476,511
Total expenses	**168,800**	**183,033**	**1,524,713**
Income before income taxes	**70,628**	**77,133**	**637,956**
Income taxes:			
Current	29,010	29,817	262,037
Deferred	(6,616)	408	(59,765)
Total income taxes	**22,393**	**30,225**	**202,272**
Net income	**¥ 48,234**	**¥ 46,908**	**$ 435,684**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of¥110.71 = $1.00, the effective exchange rate prevailing as of March 31, 2021, 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, 2021	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥ 848,000	¥12,436	¥ 636,466
Investment from government			220,000		
Transfer from capital surplus to special investment reserve			300,000		(300,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				15,736	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥1,368,000	¥28,172	¥ 336,466

	Millions of Yen			
For the year ended March 31, 2021	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥629,290	¥20,709	¥19,687	¥3,373,542
Investment from government				220,000
Transfer from capital surplus to special investment reserve				—
Cash dividends	(9,948)			(9,948)
Net income	48,234			48,234
Transfer from retained earnings to special investment surplus	(15,736)			—
Net change during the year		16,810	(7,555)	9,254
Balance at end of year	¥651,840	¥37,519	¥12,131	¥3,641,083

	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

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Thousands of U.S. Dollars (Note)				
For the year ended March 31, 2021	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$9,036,438	$1,865,495	$ 7,659,651	$112,332	$ 5,748,951
Investment from government			1,987,174		
Transfer from capital surplus to special investment reserve			2,709,782		(2,709,782)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				142,140	
Net change during the year					
Balance at end of year	$9,036,438	$1,865,495	$12,356,607	$254,473	$ 3,039,169

	Thousands of U.S. Dollars (Note)			
For the year ended March 31, 2021	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	$5,684,132	$187,057	$177,831	$30,471,889
Investment from government				1,987,174
Transfer from capital surplus to special investment reserve				—
Cash dividends	(89,858)			(89,858)
Net income	435,684			435,684
Transfer from retained earnings to special investment surplus	(142,140)			—
Net change during the year		151,842	(68,248)	83,594
Balance at end of year	$5,887,817	$338,900	$109,583	$32,888,482

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.71=$1.00, the effective exchange rate prevailing as of March 31, 2021, 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, 2020	March 31, 2021	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		2,302,784	2,024,471	1a+2–1c–26
of which: common stock and capital surplus		1,636,890	1,336,890	1a
of which: retained earnings		675,842	695,696	2
of which: treasury stock		—	—	1c
of which: planned distribution of income		9,948	8,115	26
of which: other than the above		—	—	
Rights to acquire new common shares		—	—	1b
Accumulated other comprehensive income and other disclosed reserves		1,105,824	1,655,075	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)	3,408,609	3,679,548	6
Common Equity Tier 1 capital: regulatory adjustments (2)				
Total intangible assets (excluding those relating to mortgage servicing rights)		37,509	34,893	8+9
of which: goodwill (including those equivalent)		24,494	22,673	8
of which: other intangible assets other than goodwill and mortgage servicing rights		13,015	12,219	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		1,455	2,319	10
Deferred gains or losses on derivatives under hedge accounting		16,934	13,271	11
Shortfall of eligible reserves to expected losses		—	—	12
Capital increase due to securitization transactions		36	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities		—	—	14
Assets for retirement benefits		876	1,105	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, 2020	March 31, 2021	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)	56,812	51,590	28
Common Equity Tier 1 capital (CET1)				
Common Equity Tier 1 capital (CET1) ((A)-(B))	(C)	3,351,796	3,627,957	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)		1,887	1,875	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)	1,887	1,875	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)		17	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)	17	17	43
Additional Tier 1 capital (AT1)				
Additional Tier 1 capital ((D)-(E))	(F)	1,870	1,858	44
Tier 1 capital (T1 = CET1 + AT1)				
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F))	(G)	3,353,665	3,629,815	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)		416	441	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, 2020	March 31, 2021	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		19,358	29,098	50
of which: general allowance for loan losses		19,358	29,098	50a
of which: eligible reserves		—	—	50b
Tier 2 capital: instruments and reserves	(H)	19,775	29,539	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)	19,775	29,539	58
Total capital (TC = T1 + T2)				
Total capital (TC = T1 + T2) ((G) + (J))	(K)	3,373,441	3,659,354	59
Risk weighted assets (6)				
Risk weighted assets		19,418,634	21,787,451	60
Capital ratio (consolidated) (7)				
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))		17.26%	16.65%	61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))		17.27%	16.66%	62
Total risk-weighted capital ratio (consolidated) ((K)/(L))		17.37%	16.79%	63
Regulatory adjustments (8)				
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		102,567	106,410	72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		3,830	3,538	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)		6,377	6,394	75
Reserves included in Tier 2 capital: instruments and reserves (9)				
General allowance for loan losses		19,358	29,098	76
Cap on inclusion of general allowance for loan losses		240,116	269,591	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")
No differences.

(2) Within the Consolidated Group, the number of consolidated subsidiaries and the names and main businesses of principal consolidated subsidiaries
The number of consolidated subsidiaries as of March 31, 2021 is 39.
Please refer to page 167, "Group Companies" in "Corporate Information" for major consolidated subsidiaries.

(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
Not applicable.

(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
Not applicable.

(5) Overview of limitations related to the transfer of funds or capital within the Consolidated Group
Not applicable.

2. Overview of Methods for Evaluating the Degree of Capital Adequacy

Please refer to page 62 to 65, "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 62 to 65, Section Four: "Risk Management".

4. Credit Risk

(a) Overview of Risk Management Policies and Procedure
Please refer to page 62 to 63, "Credit Risk in Comprehensive Risk" in Section Four: "Risk Management".

(b) Rating Agencies Eligible to Weight Risks
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.

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.

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 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. 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. (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 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. (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 Not applicable. (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 Not applicable. (e) Method of Accounting for Securitized Transactions 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." (f) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure 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. 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 Please refer to page 64, "Operational Risk" in Comprehensive Risk in Section Four: "Risk Management". (b) Method Used to Calculate Operational Risk Equivalent Amount 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 63 “Comprehensive Risk: Investment Risk” in “Risk Management.”
11. Interest Rate Risk	(a) Overview of Risk Management Policies and Procedures Please refer to page 64, “Comprehensive Risk: Market Risk, Interest Rate Risk” in “Risk Management.” (b) Overview of Methods for Calculating Interest Rate Risk The quantitative disclosure items, ΔEVE (changes in Economic Value of Equity) and ΔNII (changes in Net Interest Income), are calculated as stated below. 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. In addition, DBJ measures interest rate risks using the following methods. (1) VaR: Holding period of one year, Observation period of 10 years, Confidence interval of 99.9%, using Delta method, (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, 2020	March 31, 2021	March 31, 2020	March 31, 2021
Credit Risk	10,446,939	12,220,757	835,754	977,660
Of which, exposure to which standardized approach applied	9,988,828	11,759,354	799,106	940,748
Other	458,111	461,403	36,648	36,912
Counterparty Credit Risk	227,502	168,745	18,198	13,498
Of which, exposure to which current exposure method applied	45,797	44,178	3,663	3,534
Of which, CVA risk	181,396	124,286	14,511	9,942
Of which, exposure for central counterparty clearing house	309	281	24	22
Other	—	—	—	—
Equity investments in funds (look-through approach)	1,354,133	1,711,562	108,330	136,924
Equity investments in funds (mandate-based approach)	2,200,381	2,091,820	176,030	167,345
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)	1,356,243	1,348,517	108,499	107,881
Unsettled transactions	—	—	—	—
Securitization exposure subject to calculation of credit risk assets	3,598,594	4,001,100	287,886	320,086
Of which: securitisation external ratings-based approach (SEC-ERBA)	32,248	31,984	2,579	2,558
Of which: securitisation standardised approach (SEC-SA)	1,176,328	1,187,906	94,106	95,032
Of which, exposure with a risk weight of 1,250%	2,390,018	2,781,210	191,201	222,496
Operational risk	209,315	220,111	16,745	17,608
Of which, exposure to which basic indicator approach applied	209,315	220,111	16,745	17,608
Exposure with related to specified items not included in adjustments	25,521	24,833	2,041	1,986
Amount of items included in risk weighted assets subject to transitional arrangements	—	—	—	—
Total	19,418,634	21,787,451	1,553,483	1,742,988

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, 2021
Domestic	19,796,204
Overseas	63,331
Total	19,859,536

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

(2) By industry and transaction counterparty

(Unit: Millions of yen)

	March 31, 2021
Manufacturing	4,224,290
Agriculture and forestry	205
Fisheries	20
Mining, quarrying and gravel extraction	187,781
Construction	62,938
Electrical, gas, heat supply and water	3,143,855
Information and communications	304,964
Transportation and postal	3,258,878
Wholesale and retail	1,152,127
Finance and insurance	3,527,730
Real estate and leasing of goods	2,833,852
Services	356,620
Municipal government	13,434
Other	792,836
Total	19,859,536

(3) By period to maturity

(Unit: Millions of yen)

	March 31, 2021
Five years or less	10,133,119
More than five years, up to 10	5,433,370
More than 10 years, up to 15	1,364,740
More than 15 years	1,403,578
No maturity date	1,524,728
Total	19,859,536

(b) Credit Risk Mitigation Techniques

(Unit: Millions of yen)

	March 31, 2021				
	Exposure not secured	Exposure secured	Exposure secured by collateral	Exposure secured by guarantee	Exposure secured by credit derivatives
Loans	12,856,510	972,570	—	845,398	—
Securities (debt securities)	927,886	12,384	—	12,384	—
Other on-balance sheet assets (debt instruments)	684,023	—	—	—	—
Total	14,468,419	984,954	—	857,782	—
Of which, default items	7,003	—	—	—	—

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

(Unit: Millions of yen)

	March 31, 2021								
	Amounts of credit risk exposure (after applying CCF and credit risk mitigation techniques)								
Asset Class / Risk Weight	0%	10%	20%	50%	100%	150%	250%	1,250%	Total
Cash	2	—	—	—	—	—	—	—	2
Japanese government and Bank of Japan	1,455,788	—	—	—	—	—	—	—	1,444,670
Foreign central governments and central banks	—	—	—	—	—	—	—	—	—
Bank for International Settlements and other	—	—	—	—	—	—	—	—	—
Municipal governments in Japan	13,434	—	—	—	—	—	—	—	13,434
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	—	—	1,475,218	13,813	9,018	—	—	—	1,509,167
Corporations	37,001	121,358	956,610	7,970,118	5,415,653	—	—	—	14,500,740
Small and medium-sized enterprises and individuals	—	—	—	—	—	—	—	—	—
Mortgage loans (loans secured by residential properties)	—	—	—	—	—	—	—	—	—
Real estate investment business	—	—	—	—	871,027	—	—	—	871,027
Delinquent for 3 months or more (excluding mortgage loans)	—	—	—	168	1,116	5,718	—	—	7,002
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)	—	—	—	—	963,308	—	—	—	963,308
Total	1,506,225	121,358	2,432,328	7,984,099	7,260,122	5,718	—	—	19,309,850

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, 2021	
	Exposure after applying a credit risk mitigation technique	Amount of risk weighted assets
Current exposure method	172,774	44,178

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

(Unit: Millions of yen)

	March 31, 2021								
	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	16	—	—	—	—	—	—	—	16
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	—	—	160,139	—	—	—	—	—	160,139
Corporations	—	—	297	459	—	11,803	—	—	12,559
Small and medium-sized enterprises and individuals	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	57	—	—	57
Total	16	—	160,436	459	—	11,860	—	—	172,771

(b) Capital requirement for CVA risk

(Unit: Millions of yen)

	March 31, 2021	
	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	176,035	124,286

(c) Composition of collateral for counterparty credit risk exposure

(Unit: Millions of yen)

	March 31, 2021					
	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, 2021	
	Protection purchased	Protection provided
Notional amount		
Single-name credit default swaps	—	—
Index credit default swaps	—	—
Total return swaps	—	—
Credit options	—	—
Other credit derivatives	—	—
Total notional amount	—	—
Fair value		
Positive fair value (Assets)	—	—
Negative fair value (Liabilities)	—	—

(e) Exposure for central counterparty clearing house

(Unit: Millions of yen)

	March 31, 2021	
	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)	/	281
Trade exposure for Qualified Central Counterparty Clearing House (excluding initial margin)	14,097	281
(i) Derivative product transactions (other than listed transactions)	14,097	281
(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	32,000	/
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, 2021				
			DBJ as an investor		
	DBJ as the originator	DBJ as the sponsor	Traditional securitization	Synthetic securitization	Subtotal
Retail (Total)	—	—	—	—	—
Wholesale (Total)	—	—	1,494,479	—	1,494,479
Structured Finance	—	—	1,494,479	—	1,494,479
Other	—	—	—	—	—
Resecuritization	—	—	—	—	—

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

(Unit: Millions of yen)

	March 31, 2021
Amount of exposure (by risk weight)	
Securitization exposure by risk weight of 20% or less	69,436
Securitization exposure by risk weight of over 20% and 50% or less	1,907
Securitization exposure by risk weight of over 50% and 100% or less	1,192,157
Securitization exposure by risk weight of over 100% and below 1,250%	8,481
Securitization exposure by risk weight of 1,250%	222,496
Required capital amounts (by calculation method)	
Required capital amounts for securitization exposure to which SEC-ERBA is applied	2,558
Required capital amounts for securitization exposure to which SEC-SA is applied	95,032
Required capital amounts for securitization exposure to which 1,250% risk weight is applied	222,496

5. Interest Rate Risk (Non-consolidated)

(Unit: Hundred Millions of yen)

	March 31, 2020		March 31, 2021	
	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	1	82	3	94
Parallel down	458	(141)	1,157	(225)
Steepener	15	/	13	/
Flattener	492	/	811	/
Short rate up	185	/	125	/
Short rate down	26	/	20	/
Maximum	492	82	1,157	94

	March 31, 2020	March 31, 2021
Tier 1 capital	33,346	36,125

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

		March 31, 2020	March 31, 2021	Corresponding Line No. on Basel III Disclosure Template: Table 2		Table 1
On-balance sheet exposures (1)						
On-balance sheet exposures before deducting adjustments items		17,337,028	19,358,916	1		
Total assets reported in the consolidated balance sheet		17,693,665	19,895,296		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) (–)		356,636	536,380		1d	3
The amount of adjustment items pertaining to Tier 1 capital (–)		39,859	38,336	2		7
Total on-balance sheet exposures	(a)	17,297,169	19,320,579	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.		147,336	135,643			
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.		70,174	78,693			
The amount of receivables arising from providing cash margin in relation to with derivatives transactions		17,572	13,326			
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		1,500	—	9		
The amount of deductions from effective notional amount of written credit derivatives (–)		—	—	10		
Total exposures related to derivative transactions	(b)	236,582	227,662	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		1,797,519	1,695,244	17		
The amount of adjustments for conversion in relation to off-balance sheet transactions (–)		666,306	510,137	18		
Total exposures related to off-balance sheet transactions	(d)	1,131,213	1,185,107	19		6

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

		March 31, 2020	March 31, 2021	Corresponding Line No. on Basel III Disclosure Template Table 2	Table 1
Leverage ratio on a consolidated basis (5)					
The amount of capital (Tier 1 capital)	(e)	3,353,665	3,629,815	20	
Total exposures ((a)+(b)+(c)+(d))	(f)	18,664,965	20,733,349	21	8
Leverage ratio on a consolidated basis ((e)/(f))		17.96%	17.50%	22	
Consolidated leverage ratio when including deposits for Japanese banks (6)					
Total amount of exposure	(f)	/	20,733,349		
Amount of deposits for Japanese banks		/	1,326,532		
Total amount of exposure when including deposits for Japanese banks	(f')	/	22,059,881		
Consolidated leverage ratio when including deposits for Japanese banks((e)/(f'))		/	16.45%		

Key Indicators (Consolidated)

(Unit: Millions of yen, %)

	March 31, 2020	September 30, 2020	March 31, 2021
Capital			
Common Equity Tier 1 capital	3,351,796	3,475,068	3,627,957
Tier 1 capital	3,353,665	3,476,759	3,629,815
Total capital	3,373,441	3,500,944	3,659,355
Risk weighted assets			
Risk weighted assets	19,418,634	20,904,569	21,787,451
Capital ratio			
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	17.26%	16.62%	16.65%
Tier 1 risk-weighted capital ratio (consolidated)	17.27%	16.63%	16.66%
Total risk-weighted capital ratio (consolidated)	17.37%	16.74%	16.79%
Leverage ratio (consolidated)			
Total exposures	18,664,965	20,050,980	20,733,349
Leverage ratio (consolidated)	17.96%	17.33%	17.50%

Corporate Information

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

(As of March 31, 2021)

Group Companies

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

Overseas locations

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

Investments / Securities / Asset Management

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

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.
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.

Real estate management / IT services / Shared Service

DBJ Real Estate Co., Ltd.	DBJ Real Estate Co., Ltd. Handles administrative functions for the DBJ Group for office building leasing, rental conference rooms, and business libraries.
Consist, Inc.	Consist, Inc. provides one-stop consulting services for developing, maintaining, and operating IT, using technology to help solve social issues.
DBJ Business Support Co.,Ltd.	DBJ Business Support Co., Ltd. is a shared services company of the DBJ Group. It supports DBJ Group companies business by consolidating their administrative operations and also streamlining processes with its operational expertise.

DBJ Development Bank of Japan

https://www.dbj.jp/en

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