DBJ Development Bank of Japan

Initiative & Integrity

Integrated Report 2022

Mission

Design the Future with Financial Expertise

A long-term perspective / Impartiality / Public-mindedness / Reliability

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

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

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.

Green
Resilience & Recovery
Innovation
Transition / Transformation

Initiative & Integrity

DBJ

Cover design:
Gazing into the future
from a window in 2022

Value Creation Story

Strategy

Business Strategy

Sector Strategy

Area Strategy

Function Strategy

Management Foundation Strategy

Corporate Governance

Corporate Governance

Risk Management

Corporate Data

Data Section

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 integrated report, published since fiscal 2017, 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.

In our *Integrated Report 2022*, we have refined the Value Creation Process section to clarify our approach to sustainability management, enhanced the disclosure of information about our response to climate change and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and updated other non-financial information.

The report's content is decided upon by the Executive Committee.

Period Covered and Scope

- Period: Fiscal 2021 (April 1, 2021–March 31, 2022) (Some information from outside this period is also included.)
- Scope: In principle, the report covers DBJ and its 12 main subsidiaries
- Date of publication: September 2022

Guidelines and Entities Referenced

- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) (now part of the IFRS Foundation)
- Guidance for Integrated Corporate Disclosure and Company–Investor Dialogues for Collaborative Value Creation

Disclaimer

Integrated Report 2022 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.

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.

Rebuilding Japan's merchant shipping fleet with finance under the government's shipbuilding program

1 Nippon Yusen Kabushiki Kaisha: Liner *Sanuki Maru*

Promotion of homegrown technologies through the commercial application of new technologies

4 Sony Corporation: (now Sony Group Corporation) Trinitron color television factory

Development of new financial products that shine a spotlight on sources of value

Social changes and issues

1951– Rebuilding of economy and advanced economic growth

1972– Improvement in quality of life for Japanese citizens

1985– Smooth transformation of industrial structure

DBJ's history and roles

Infrastructure

- Enhancement of energy
- Reinforcement of transportation capacity
- Redevelopment of major cities
- Modernization of distribution
- Stable supply of energy
- Upgrading of railway network
- Updates to information and communications infrastructure

Industry

- Rebuilding of vital industry 1
- Nurturing of new industry
- Industrialization of new technologies
- Support for capital investment
- Strengthening of international competitiveness 4
- Support for locally developed technology
- Transformation of industrial structure

Regions

- Regional development
- Regional equalization
- Prevention of pollution 2
- Maintenance of regional social infrastructure
- Reconstruction after Great Hanshin-Awaji Earthquake 3

Changes at DBJ

1951 Establishment of Japan Development Bank

1956 Establishment of Hokkaido Development Finance Public Corporation

2 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

3 Hankyu Corporation: Earthquake reconstruction work (Hyogo Prefecture)

Recovery work on traffic infrastructure damaged by the earthquake

6 Wall Street, where the New York Stock Exchange is located

In the wake of the 2008 global financial crisis, DBJ rapidly responded through its Financial Crisis Response Operations to shore up the worsening cash flow of corporations caused by dysfunction in bond markets.

Financial support for realization of a hydrogen-based society

Japan H₂ Mobility, LLC (JHyM)
Photo provided by ENEOS Corporation

1999–
Sustained development of economy and society

2008–
Crisis response

Restoration of infrastructure

Supply of risk capital 6

Renewable energy

Project financing

M&A advisory services

Environmental ratings 5

Strengthening of response to innovation 8

Business revitalization financing

Employees' health management ratings

Support for venture businesses

Sharpening of competitiveness

BCM ratings

Solutions for regional issues

Reconstruction after earthquakes 7

Advancing PPP and PFI projects

Regional revitalization

Special investments

1999
Establishment of Development Bank of Japan

2008
Establishment of Development Bank of Japan Inc.

2015 2020
Revisions to The Development Bank of Japan Inc. Act

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

Value Provided by DBJ

Development of financing methods

DBJ has solved various social issues in Japan while pioneering the use of novel financing methods, such as project financing, debtor-in-possession (DIP) financing, public–private partnership (PPP) and private finance initiative (PFI) projects, and asset financing. DBJ has also invigorated financial markets by creating growth capital markets through the supply of risk capital and encouraging new money flows through the creation of diverse investment and loan opportunities.

Sustainability

DBJ's Environmentally Rated Loan Program, BCM Rated Loan Program, and Employees' Health Management Rated Loan Program with a focus on non-financial information were the first of their kind. Approximately 1,400 loans in these programs have been extended to companies. As a front-runner, DBJ has also led the creation of the sustainable financing market. We have been a consistent supporter of corporate initiatives to strengthen competitiveness and transform structures with the objective of sustaining the development of industrial fields.

Knowledge / Collaboration

DBJ has accumulated knowledge through constant analysis of and research into trends in the economy and industry, including the Survey on Planned Capital Spending, which it has conducted for more than 60 years. The DBJ Group has provided unique solutions that leverage its wide-ranging network of stakeholders, from customers and financial institutions to national and local government entities.

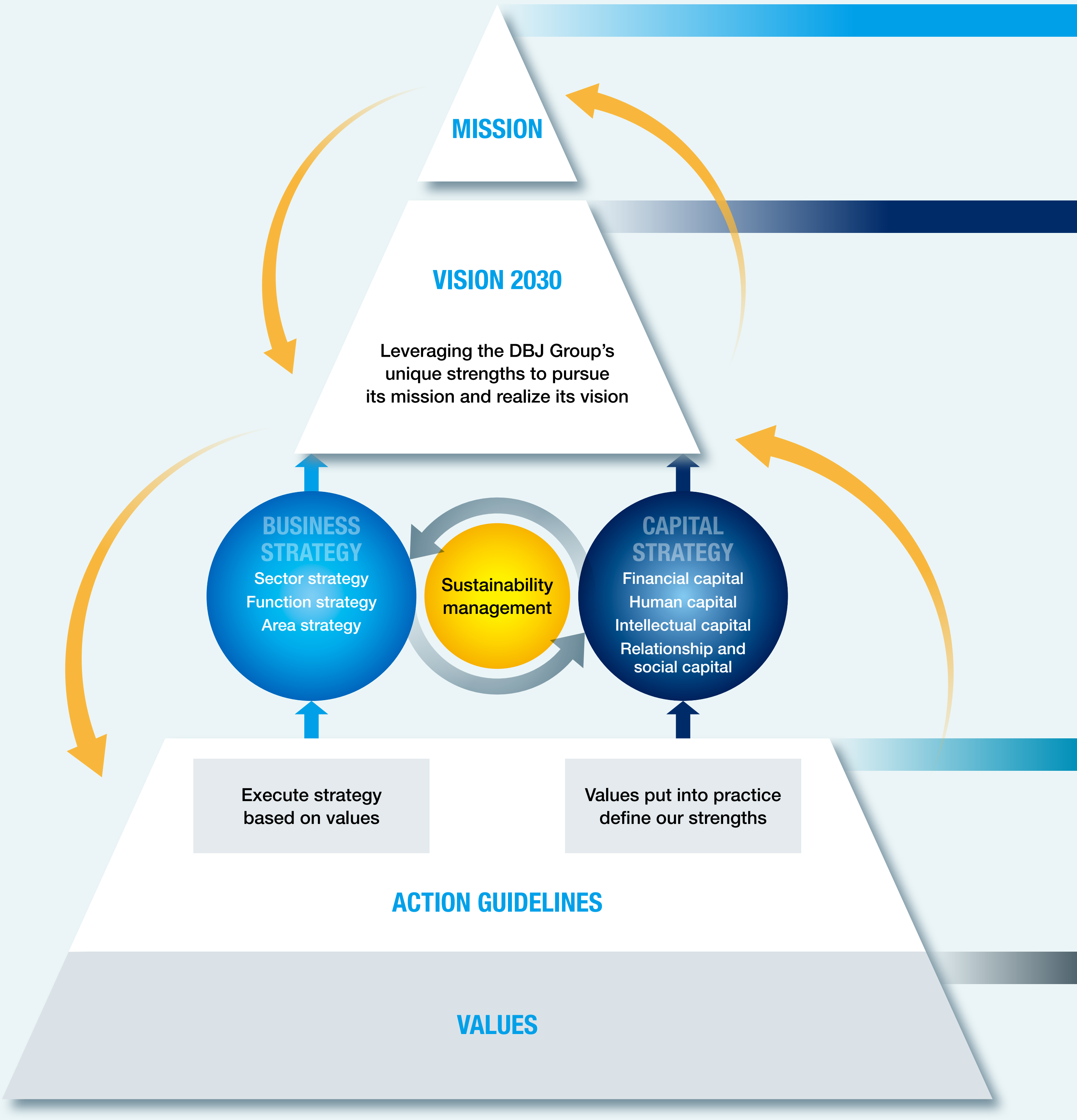
Crisis response / Safety net

The DBJ Group acts as a safety net in times of large-scale natural disasters and instability on financial markets by nimbly engaging in appropriate Crisis Response Operations as a stabilizing force. During the COVID-19 pandemic, DBJ has rapidly and effectively provided support for the cash flows of companies in a broad spectrum of industries and regions.

Corporate Philosophy

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 pursue relentlessly, 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—a long-term perspective, impartiality, public-mindedness, and reliability—that also embody its strengths and long-term vision, which are its 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 unceasing 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.

Medium-Term Management Plan—Our strategy for reaching our vision for 2030

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.

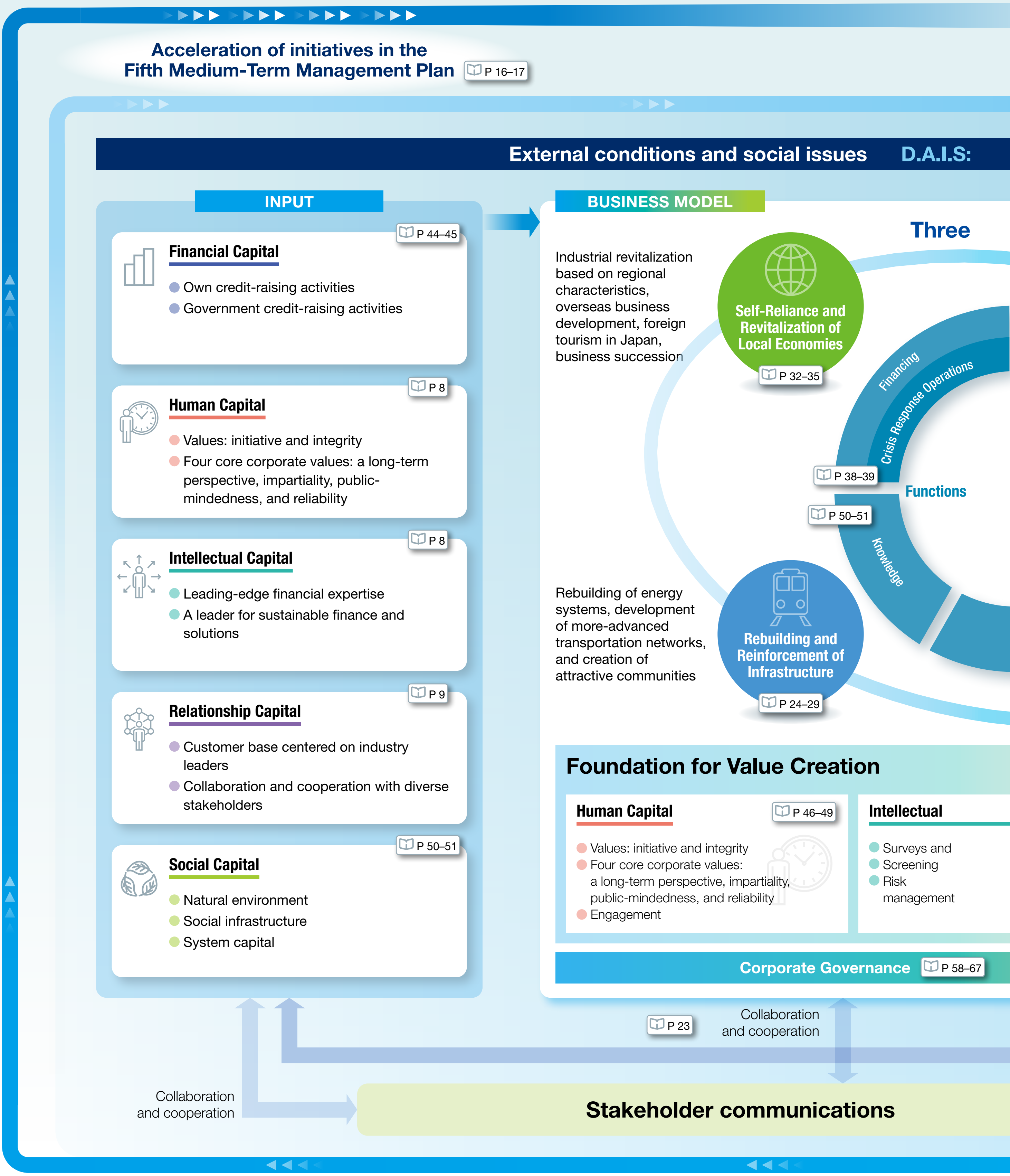
Our unwavering values shared by management and employees (base component)

Initiative Integrity

Value Creation Process

As a front-runner, the DBJ Group engages in sustainability management with the aim of solving issues for customers and society and realizing sustainable development in Japan and the world.

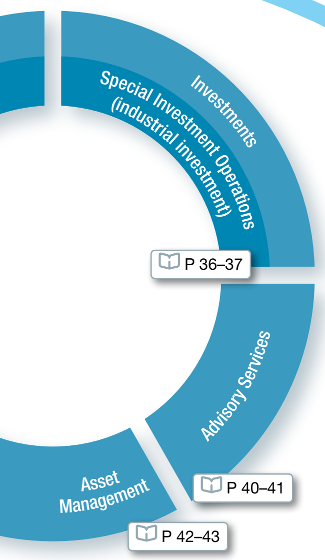
While aiming to refine our sustainability management, we work to continuously improve the value creation process outlined below, through collaboration and dialogue with our stakeholders, in order to further expand value creation.



Realizing DBJ's Long-Term Vision 2030

Digital, Aging, International, Sustainability

Priority Areas



Creation, Conversion, and Growth in Industry

P 30–31

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

Capital P 50–51

research

Relationship Capital P 50–51

- Customer base
- Networks
- Combined strengths as a Group

/ Risk Management P 68–73

Backcasting from created value

OUTPUT / OUTCOME

Results of Operations

P 16–17

Fiscal 2025 Targets

- Gross ordinary income ¥200 billion
- Net income ¥85 billion
- Cost ratio 32%
- Total assets ¥21 trillion
- ROA 1%
- ROE 3%
- Risk-weighted capital ratio 14%
  (Notes: Common equity Tier 1 capital ratio, estimates on a finalized Basel III basis.)
- GRIT investments and loans (five-year total) ¥5.5 trillion

Value Created

- Building a sustainable society (including achieving carbon neutrality by 2050) G T
- More-resilient infrastructure and supply chains R
- Support for creation of new technologies, Co-creation and innovation I
- Improved engagement

Customers | Communities | Employees | Financial institutions | Investors | Shareholders

Collaboration and cooperation

Strengths that Back Value Creation

In the 70 years since its establishment as Japan Development Bank, the DBJ Group has accumulated particular strengths through solving various social issues. DBJ draws on these strengths in its efforts to sustain growth by resolving the issues of its customers through the provision of risk capital and knowledge, and is undertaking measures to expand its strengths (see Management Foundation Strategy on pages 44–51).

Our four core corporate values, shared by all employees, are what drive value creation at DBJ, facilitating our responses to change while maintaining our strengths in a changing business environment amid evolving social issues.

Human Capital

Four Core Corporate Values

The source of our passion to achieve our mission is our four core corporate values: a long-term perspective, impartiality, public-mindedness, and reliability. These values have originated from the pursuit of our shared corporate philosophy and values of initiative and integrity, and have been passed down the generations. These values embody the strengths of the DBJ Group and support our unique business activities. We are able to leverage other strengths thanks to these values.

Intellectual Capital

Leading-Edge Financial Expertise

Since DBJ's founding as Japan Development Bank, it has provided long-term financing for the capital needs of corporations, while refining its ability to analyze companies and assess business viability. Moreover, DBJ has gained extensive experience in leading-edge financing techniques, introducing Japan to such investment vehicles as project finance, debtor-in-possession (DIP) finance, public–private partnerships/private finance initiatives (PPPs/PFIs) and asset finance, using commitment and cooperation as action guidelines. DBJ has supplied risk capital via various methods, such as mezzanine financing and equity investments, taking a long-term perspective to addressing issues faced by its customers.

A Leader in Japan for Sustainable Finance and Solutions

After being the first financial institution in the world to develop an environmentally rated loan program (the DBJ Environmentally Rated Loan Program) in 2004, DBJ expanded its menu of financing options that factor in the level of sustainability management at a corporation to include the DBJ BCM Rated Loan Program* and the DBJ Employees' Health Management Rated Loan Program. We emphasize dialogue with customers in the provision of these loan programs, DBJ Sustainability Linked Loans with Engagement Dialogue and consulting services, and assist our customers with sustainability management, with loans totaling ¥2,621.9 billion. In 2011, we created DBJ Green Building Certification and began to participate in sustainability assessments of real estate properties.

* BCM: business continuity management

Relationship Capital

Customer Base Centered on Industry Leaders

DBJ has supported numerous customers, including leading companies in their respective industries, with the aim of spurring growth in Japan through policy-based financing since the reconstruction period after the end of World War II. The findings of DBJ's annual Survey on Planned Capital Spending, which has been conducted for more than 60 years, informs corporations' top management discussions, strengthening our relationship capital. Having grown alongside Japan for decades, the DBJ Group will continue to work closely with its customers from a long-term perspective.

Collaboration and Cooperation with Diverse Stakeholders

With origins as a government-affiliated financial institution, DBJ has built strong collaborative and cooperative relationships with diverse stakeholders from the standpoint of public-mindedness and impartiality. When Japan encounters a crisis, such as a major earthquake or turmoil in financial markets, DBJ, designated by the government as a financial institution to engage in Crisis Response Operations, does so expeditiously and appropriately. Furthermore, DBJ form funds with regional financial institutions to supply risk capital to address regional issues. The DBJ Group will continue to collaborate with diverse stakeholders of its own accord.

Message from the President

The DBJ Group helps realize a sustainable society by promoting sustainability management that balances economic and social value in order to meet the changing needs of society and our customers.

My name is Seiji Jige, and it is my great pleasure to address you as the new president and chief executive officer of Development Bank of Japan Inc. (DBJ) as of June 2022. With the publication of our *Integrated Report 2022*, I would like to extend my greetings to all of our stakeholders as the representative of DBJ.

To begin, I would like to express our deepest sympathies to everyone who has been affected by the COVID-19 pandemic. Through our Crisis Response Operations, the DBJ Group is committed to supporting affected businesses and working toward the rapid economic recovery that is essential to maintaining a sound foundation for economic and social activity. In fiscal 2021 in particular, the DBJ Group marshaled all of its capabilities in Crisis Response Operations to assist in an unprecedented way restaurant and hotel businesses that had been severely impacted by the ongoing pandemic.

Looking ahead to the future, we must find ways to address the rapid progress of digital technology and the movement toward carbon neutrality, while being aware of the need for economic security in a changing world, and how the COVID-19 pandemic has changed the economy and society, including workstyles. These fundamental, tectonic shifts in the economy and society are likely to alter industrial structures, including the financial sector. While we simultaneously prepare for any attendant risks, we should realize that changes can also provide opportunities for great breakthroughs. In order to support such breakthroughs, we must take on the challenge of boosting innovation in our communities, including through the supply of funds.

Since its establishment, the DBJ Group has flexibly evolved its operations as a distinctively unique financial institution while working closely with customers to resolve their issues, as well as issues affecting society and regions. The basis of our activities is the DBJ Group's sustainability management approach of meticulously striking a balance between economic value and social value. In this integrated report, we discuss our corporate philosophy in the context of the unwavering mission of the DBJ Group, its vision for the future, and the values we share. We also touch upon the value creation process and our medium-term business plan that represents the road map to achieving our Vision 2030. Furthermore, we specifically explain to our stakeholders how we balance economic and social value.

History, Role, and Corporate Philosophy of the DBJ Group

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. Since our transformation into a joint stock company, there has been dramatic change in the wake of the global financial crisis and major events including the Great East Japan Earthquake and, more recently, the COVID-19 pandemic. While constantly tackling issues faced by our customers and regions with integrity, we have taken on the challenge of entering new financial frontiers. The DBJ Group itself has undergone major changes by working to resolve issues faced by its customers and regions.

With major changes in store for society, in keeping with our unwavering mission to design the future with financial expertise, we will take a flexible approach to issues faced by regions and our customers as a whole, while staying true to our core values and being mindful of our Code of Conduct (Action Guidelines).

Our Mission: Design the future with financial expertise

Our Code of Conduct (Action Guidelines):

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

Our Values: Initiative and integrity

The DBJ Group has created Vision 2030 as a guide for fulfilling its unique role in the economy and

Seiji Jige
Development Bank of Japan Inc.
President and CEO

society through 2030, with the aim of increasing the added value it provides to customers as financial professionals, in light of its corporate philosophy, shared values, and dialogue with stakeholders.

Vision 2030 and Priority Areas

In 2015, with the aim of shaping our business vision around a longer-term outlook, we gave fresh thought to our roles 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 artificial intelligence (AI) and fintech. Based on the roles we have undertaken and the value we have realized over time, we determined the most appropriate 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 capability to properly evaluate and address a broad range of risks. At the same time, as we look forward to 2030, we will fulfill our unique roles in the economy and society by taking actions during times of crisis and otherwise responding to social demand.

Sustainability Management at the DBJ Group

In May 2017, the DBJ Group set out its Policy on Sustainability as a fundamental approach to contributing to the realization of a sustainable society that balances economic and social value. The sustainability management that we practice is a framework for value creation through business activities centered on the aforementioned three priority areas. While being guided by the needs of our customers and society as a whole, we are working to create economic and social value. Aiming to refine our sustainability management, we work constantly to improve the value creation process through collaboration and dialogue with stakeholders, advancing initiatives to further enhance the value we create. We believe in the importance of accelerating our progress toward sustainability through dialogue with external stakeholders, centering around DBJ's Advisory Board and Special Investment Operations Monitoring Board.

Climate change is an important issue for almost every company. Our Policy on Sustainability positions responding to it as one of the most compelling priorities for the DBJ Group, and as a key element for realizing a sustainable society.

The DBJ Group itself aims to achieve carbon neutrality by 2050 by addressing management issues and assisting its customers' efforts to decarbonize. Through this process, we will contribute to the growth of our customers while encouraging an equitable and responsible decarbonization of industries and regions while maintaining and sharpening the competitiveness of Japan.

In June 2018, DBJ endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and began to enhance its disclosure related to the risks and opportunities associated with climate change based on the TCFD framework. (Please refer to pages 52–55 for details of our response to climate change.)

Medium-Term Management Plan

Issues faced by society as a whole and the management issues faced by our customers have become inseparable from one another, amid rapid changes in conditions around the world and growing uncertainties in the economy and society. The DBJ Group has identified trends that could have a major impact on the economy and society and summarized these megatrends as Digitalization, Aging, Internationalization and Sustainability (D.A.I.S.) (see page 23). Our Fifth Medium-Term Management Plan (see pages 16–17) commenced in fiscal 2021 with initiatives and policies to contribute to a sustainable society by helping our customers resolve their issues. In the Fifth Medium-Term Management Plan, we came up with Green, Resilience & Recovery, Innovation, and Transition / Transformation (GRIT) Strategy as a name for these initiatives and policies. While collaborating and cooperating with our stakeholders, we will advance these GRIT initiatives with the aim of realizing a sustainable society.

Progress on Medium-Term Management Plan and Fiscal 2021 Results

In fiscal 2021, gross ordinary income totaled ¥218.0 billion, a new record high that reflected strong growth in investment operations from gains on divestitures and dividend income from entities that have received funds. Despite being impacted by the

Business Profit and Loss (Consolidated)

(Billions of yen)

	FY2020	FY 2021	YoY change
Gross ordinary income	164.1	218.0	53.9
Loans	91.7	95.3	3.5
Investment	47.0	106.0	59.0
Fee and commission income	25.3	16.6	(8.7)
Operating expenses	(56.7)	(58.0)	(1.3)
Net ordinary income	107.3	159.9	52.6
Other extraordinary items	0.7	2.3	1.6
Gains on reversal of reserves, depreciation, etc., of written-off claims	(34.2)	(73.8)	(39.5)
Income before income taxes and minority interests	73.8	88.5	14.7
Net income attributable to owners of the parent	45.2	57.6	12.3

Note: Business categories are those used in our internal business management

Message from the President

COVID-19 pandemic, the DBJ Group secured a profit of ¥57.6 billion (up 27% year on year) through the booking of dividends and other income.

Regarding progress on the Fifth Medium-Term Management Plan, DBJ has provided concentrated assistance to customers through the supply of risk capital, a priority area, starting with restaurant and hotel businesses that have been affected by the pandemic. By providing risk capital in fields of innovation and helping customers reinforce their financial foundations and securitize their real estate holdings, we have assisted customers as they recover from the pandemic and begin to grow again.

While continuing to focus on strengthening our risk capital supply functions, we will concentrate on supporting our customers to take on new challenges and rebuild their finances as they recover and grow back from the pandemic.

As a part of its GRIT Strategy, DBJ aims to extend a total of ¥5.5 trillion in investments and loans over a five-year period, which is around 40% of the total for investments and loans during the medium-term management plan. In fiscal 2021, DBJ made ¥754.4 billion in investments and loans related to its GRIT Strategy, roughly 40% of the approximately ¥2 trillion in investments and loans it originated, excluding crisis countermeasure loans. I believe this represents significant progress in the initial fiscal year of the medium-term management plan. We have positioned fiscal 2022 as a year for producing results under the GRIT Strategy, and we intend to engage in more dialogue with customers than in fiscal 2021.

In May 2023, DBJ plans to unveil revised financial targets that take into consideration the lingering impact of the COVID-19 pandemic and significant changes in the external environment, such as international affairs and monetary conditions.

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, as of March 31, 2022, we have extended ¥998.2 billion in investments and loans to a total of 152 projects for revitalizing regions and strengthening the competitiveness of Japanese companies. In addition to supplying growth capital through collaboration with financing, 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 back 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 to support innovation and sharpen 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.

Development of Human Resources Focused on Best Practices in Sustainability Management

Sustainability management, a key aspect of the DBJ Group's value creation process, relies above all on personnel who share the core values of initiative and integrity in the pursuit of balancing economic and social value, and who display our four core corporate values inherited from DBJ's earliest days. Officers and employees of the DBJ Group have obtained the core corporate values of a 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 believe it is important to have systems in place that allow employees embodying the Group's values to be highly motivated to perform their duties. With many opportunities for study, the entire Group endeavors to train human resources who are able to take the initiative and engage in cutting-edge activities as financial professionals. To bring more flexibility to working patterns, we have introduced telecommuting and a flex-time work system, and we intend to enhance our paid childcare and caregiving leave programs. With an eye on improving diversity and inclusion across the DBJ Group, we are fostering an organization where people from diverse backgrounds can work with inspiration.

Improving Collaboration with Stakeholders

Lastly, amid rapid changes in the external environment, the DBJ Group aims to be an organization that constantly monitors the issues faced by its customers and regions and tackles them with integrity, and that takes the initiative on the frontiers of finance. As a distinctly unique financial institution, DBJ is in position to contribute to the sustainable growth of Japan through growth among its customers and across regions.

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.

September 2022

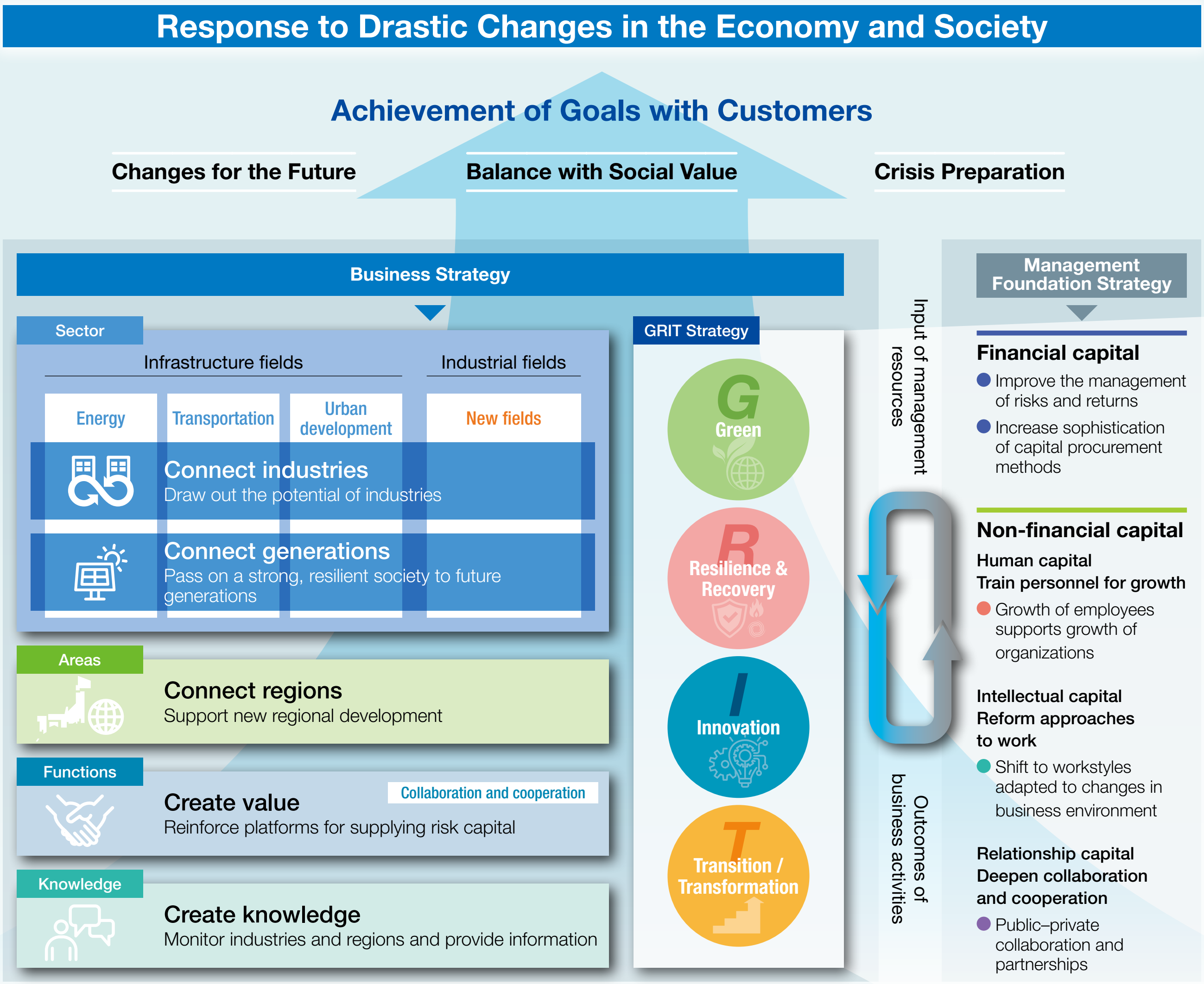
Seiji Jige
President and CEO

Fifth Medium-Term Management Plan

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 demographic 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*. 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.

* Fifth Medium-Term Management plan Connect and Value Creation—Innovation for Sustainability—



Financial Targets

	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	Risk-weighted capital ratio*3
	¥200 billion	¥85 billion	32%	¥21 trillion	1%	3%	14%

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

*1 Excludes credit costs
*2 Cost ratio and ROA versus gross ordinary income. ROE versus net income
*3 Common equity Tier 1 capital ratio (estimates on a finalized Basel III basis)

Progress on Fifth Medium-Term Management Plan

Crisis Response Operations

- Supported customers affected by the ongoing COVID-19 pandemic such as restaurants and hotels

Supplying Risk Capital

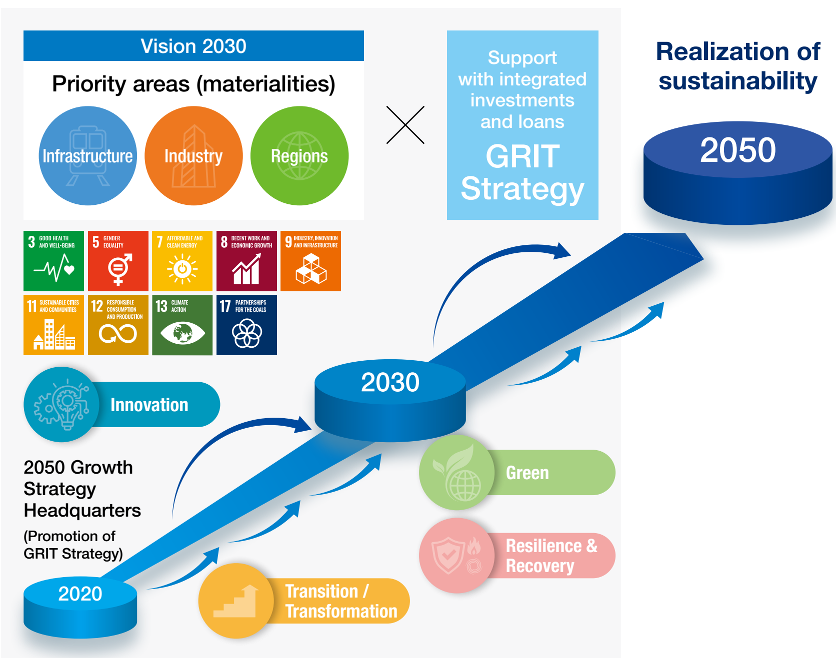
- Assisted customers recovering and growing back from the pandemic through the supply of risk capital for innovative fields, such as the securitization of real estate, as well as the reinforcement of the financial foundations of companies receiving risk capital

GRIT Strategy

- Extended **¥754.4 billion** in investments and loans related to the GRIT Strategy from April 2021 to March 2022 (comprising approximately 40% of total investments and loans, excluding Crisis Response Operations)
- Advanced initiatives in regions, such as the operation of and participation in regional councils for decarbonization, and the creation of sustainability financing, such as transition loans, in investment and loan services
- Reinforced intellectual capital, human capital and relationship capital via 2050 Growth Strategy Headquarters, raising the levels of knowledge across the Group and identifying issues from the customer's perspective in the initial fiscal year of the Fifth Medium-Term Management Plan

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 for innovations that can be commercialized and objectively assessed, as well as strategic initiatives for the transition to a sustainable society on the basis of its current business base. To advance the GRIT Strategy, DBJ set up the 2050 Growth Strategy Headquarters, directly led by the president.



Green
Initiatives to become carbon neutral with established technologies

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

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

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

Key Initiatives toward Realizing Sustainability

We have tackled sustainability-related issues since the Japan Development Bank era, and engage in a variety of initiatives to realize a sustainable society through a business model built around integrated investments and loans, and consulting and advisory services.

History of Sustainability at DBJ

In tune with the changing times, the DBJ Group has assisted businesses with sustainability, including environmental stewardship, ever since the time when Japan began to seriously address the problem of industrial pollution.

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	1993 Established Research Center on Global Warming
2002 Kyoto Protocol	2004 Environmentally Rated Loan Program launched
2003 UNEP FI Global Roundtable, Tokyo	2006 Enterprise Disaster Resilience Loan Program launched
2008 Global Financial Crisis	2011 BCM Rated Loan Program launched
2011 Great East Japan Earthquake	2011 DBJ Green Building Certification Program launched
2015 Paris Agreement	2012 Employees' Health Management Rated Loan Program launched
	2020 DBJ Sustainability Linked Loans with Engagement Dialogue created

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.

Policies

- Sustainability management
- Financial capital and non-financial capital
- Contribution to a sustainable society
- Sustained growth of customers
- Self-reliant development of regions
- Cooperation with employees
- Invigoration and stabilization of financial markets
- Engagement with investors

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

Environmental and Social Management Policy for Financing and Investment Activity

DBJ has formulated the Environmental and Social Management Policy for Financing and Investment Activity for businesses and sectors with a strong likelihood of having significant risks related to or negative impacts on the environment and society, in the interest of providing environmentally and socially sound investments and loans. This policy was put into practice in October 2021 and will be revised as deemed necessary in fiscal 2022.

Businesses subject to this policy

- Businesses prohibited from receiving investments and loans regardless of sector
- Businesses that require additional due diligence for investments and loans regardless of sector
- Policies for specific sectors (weapons, coal-fired thermal power generation, palm oil, lumber, coal mining, oil and gas, large-scale hydroelectric power)

https://www.dbj.jp/en/sustainability/effort/resolution/investment.html
Please refer to the DBJ website for more information about the Environmental and Social Management Policy for Financing and Investment Activity.

Sustainability Committee

Reporting to the Executive Committee, the Sustainability Committee deliberates on items related to both economic and social value as well as dialogue with stakeholders, in addition to policy responses and initiatives for various sustainability-related issues, including climate change.

Key Initiatives

DBJ is implementing the following initiatives in accordance with Vision 2030 and the Fifth Medium-Term Management Plan.

Promotion of 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. **GRIT Strategy: Realization of a sustainable society** **Green:** Initiatives to become carbon neutral with established technologies **Resilience & Recovery:** Building of flexible yet strong industrial foundations as well as safe and secure regions and society **Innovation:** Initiatives for innovations that are commercially feasible from a long-term perspective **Transition / Transformation:** Strategic initiatives to steadily lead the transition toward carbon neutrality and other goals, based on the current business foundation	P 17
Initiatives in renewable energy	With the aim of promoting the use of renewable energy, DBJ has engaged in the implementation of solar and wind power generation projects in Japan and participated in advanced case studies overseas.	P 24
Initiatives in 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.	P 28
Issuance of DBJ Sustainability Bonds	DBJ became the first issuer of green bonds in Japan in 2014, and has been issuing sustainability bonds each year since 2015.	P 45
Endorsement of the 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.	P 22
Initiatives in evaluation certification programs	DBJ supports the efforts of its customers on issues related to the environment, disaster prevention, and health management, through a menu of investments and loans that take into account a company's non-financial information, using DBJ's proprietary screening system. It has also created DBJ Sustainability Linked Loans with Engagement Dialogue as a way to improve the visibility of customer initiatives on sustainability through dialogue.	P 20
Adoption of the 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 these risks and their impacts.	P 54
Initiatives based on the TCFD recommendations	DBJ aims to become carbon neutral by 2050 and is advancing initiatives based on the results of analysis of the scenario where average global temperatures rise more than 2°C. It is also considering scenarios for achieving a carbon-free society (i.e., the scenario where average global temperatures rise less than 2°C), identifying risks and opportunities along the way.	P 52

Key Initiatives toward Realizing Sustainability

Dialogue with Customers

The DBJ Group has honed its ability to engage in dialogue with its customers on non-financial matters to help them attain sustained growth while working to solve social issues.

DBJ Sustainability Evaluation Certification Program

The DBJ Sustainability Evaluation Certification Program is a menu 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 and the Employees' Health Management Rated Loan Program in 2012.

The most important feature of these programs is the evaluation process, which emphasizes direct dialogue with customers. We engage in conversations with clients about their initiatives in order to fill in gaps around publicly available information. Once the evaluations are complete, DBJ provides clients with feedback on the results, using this as an opportunity to point out issues that need to be addressed and help management step up their practices.

Transition Loans

Transition loans are a form of financing designed to help companies reduce greenhouse gas (GHG) emissions based on their long-term strategies. By helping customers address climate change, we are moving toward the realization of a carbon-free society.

Sustainability Management Consulting Services

DBJ provides its customers with tailor-made consulting services in addition to a diagnosis of their overall sustainability management. Through these services, we help our customers maintain and update the foundations of their sustainability management, from formulating long-term visions and identifying materiality, to adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

DBJ Sustainability Linked Loans with Engagement Dialogue

Sustainability linked loans are financing that encourages the sustainable growth of borrowers and society by linking loan terms and conditions to the achievement of sustainability performance targets (SPTs) that align with the sustainability strategies of borrowers.

DBJ Sustainability Linked Loans with Engagement Dialogue support customers' achievement of SPTs, determining through dialogue the optimal motivational targets for increasing the sophistication of their sustainability management. Through the dialogue process, customers gain a visual map of their sustainability initiatives, which has the added benefit of providing them with a publicity boost.

Transition Business Promotion Office

DBJ established the Transition Business Promotion Office under the Business Planning & Coordination Department in April 2022 as an organization tasked with promoting investments and loans to help with the transition to carbon neutrality, based on our belief in the importance of providing consistent support for an open and responsible transition to carbon neutrality while engaging in dialogue with customers.

We will encourage the use of hydrogen and ammonia, new sources of energy that will be important in this transition, along with storage batteries. We will go beyond efforts to help individual companies as, while we believe that it is important to collaborate and move forward with them, we must also factor in the unique characteristics of regional areas and a diverse range of related industries and parties. The Transition Business Promotion Office aims to advance cross-regional and cross-sector efforts to transition to a carbon-free society while consolidating knowledge of each sector.

In addition, DBJ is strengthening the development of its sustainability management consulting services (described on the left) and offering tailor-made consulting services and diagnosis of sustainability management for its customers. Working in tandem with our investments and loans functions, through consultancy and deeper conversations with customers, we aim to assist them with business transitions.

Track Record in Sustainability Finance

	Environmentally Rated Loan Program	BCM Rated Loan Program	Employees' Health Management Rated Loan Program	DBJ Sustainability Linked Loans with Engagement Dialogue and transition loans	Total
No. of deals in fiscal 2021 (cumulative)	29 (748)	25 (421)	18 (252)	7 (9)	79 (1,430)
Total amount of loans	¥1,668.4 billion	¥536.0 billion	¥332.0 billion	¥85.5 billion	¥2,621.9 billion

Improvement in Corporate Value through Visualization of Social Value

DBJ contributes to the creation of a sustainable society aligned with the Sustainable Development Goals (SDGs) by providing professional, innovative approaches to resolving various issues faced by its customers in important domains (infrastructure, industry, and regions) that it has defined through dialogue with stakeholders and its experience to date.

While helping customers resolve the issues they face, the DBJ Group has identified nine SDGs that it can contribute to as a Group, as well as other challenges unique to Japan, an advanced country with issues that do not fit neatly into the categories of the SDGs.

In fiscal 2020, we joined the UNDP's SDG Flag Campaign with the objective of visualizing social issues and improving sustainability literacy within the Group. Through SDG Flag, we will continue moving ahead with initiatives to advance the visualization of social value in line with our strategy of realizing a sustainable society, outlined in our Fifth Medium-Term Management Plan, which started in fiscal 2021.

Through the advancement of our GRIT Strategy based on these categories, we are contributing to the attainment of SDGs.

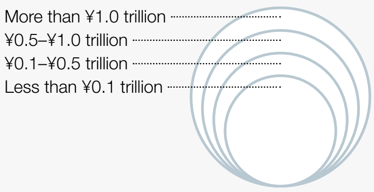
Achievements in Fiscal 2021

Scope:	Fiscal 2021 investments and loans
Total amount:	¥3,222.6 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



(Note: Crisis countermeasure loans in fiscal 2021 are counted as initiatives that contribute to SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.)

Key Initiatives toward Realizing Sustainability

Participation in Initiatives

Initiatives to Address Climate Change: Endorsement of Poseidon Principles

While collaborating with global financial institutions, DBJ has endorsed the Poseidon Principles, a framework for the marine transportation sector to address climate change. Every year, we disclose our level of contribution to the reduction of GHG emissions through our portfolio of investments in and loans for ships.

Poseidon Principles Annual Disclosure Report 2021

Initiatives in Natural Capital and Biodiversity: Participation in TNFD Forum

DBJ proactively participates in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum with the awareness that protecting natural capital and biodiversity and addressing climate change are equally important in realizing a sustainable society.

Initiatives in Decarbonization: Endorsement of GX League Basic Concept

DBJ has endorsed the Ministry of Economy, Trade and Industry's green transformation initiative, GX League, to facilitate collaboration between industry, government and academia as companies strive to grow whilst attempting to implement green transformation, keep pace with changes in society, and move toward carbon neutrality by 2050.

Training Human Resources to Support Sustainability Management

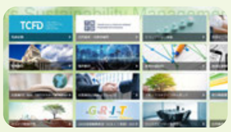
Creating Educational Textbooks and E-Learning Classes

In order to accelerate its GRIT Strategy and promote sustainability management, DBJ has created textbooks about GRIT and sustainability, with a glossary of terminology and facts compiled from relevant organizations within the Group. Group employees take e-learning classes, taking note of past sustainability trends and sharpening their understanding of terminology. These educational programs increase shared awareness of sustainability throughout the Group and inform more engaging dialogue with customers and related parties.

GRIT and sustainability textbooks

Updates to Information Aggregation Systems

DBJ has set up a GRIT and sustainability portal on its intranet as a central place for gathering information about domestic government policy, overseas trends, and DBJ Group initiatives. We are working to improve sustainability literacy across the entire organization using the latest information.



GRIT / sustainability portal

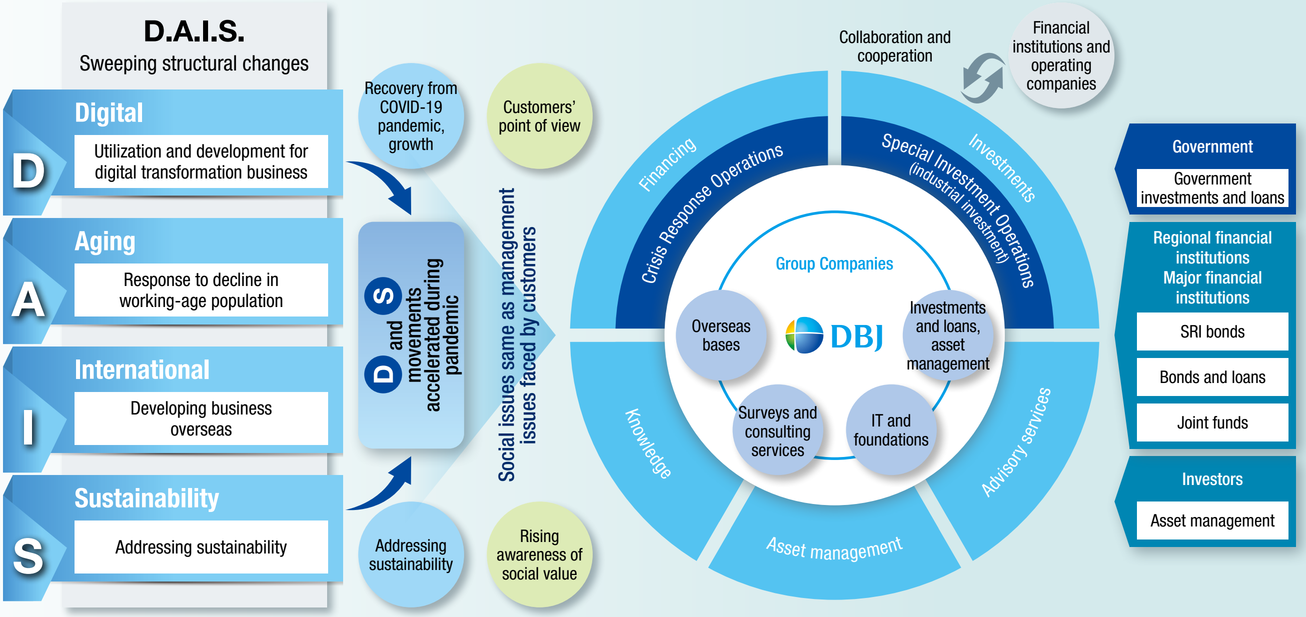
Implementation of Training within DBJ

In fiscal 2021, DBJ held 12 training sessions for executives and employees at the 2050 Growth Strategy Headquarters Meeting, examining important matters and sharing knowledge within the Group. We invited attorneys to lead study sessions about business and human rights as a part of efforts to spread the latest specialized knowledge to all employees.

Seminar on business and human rights

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.

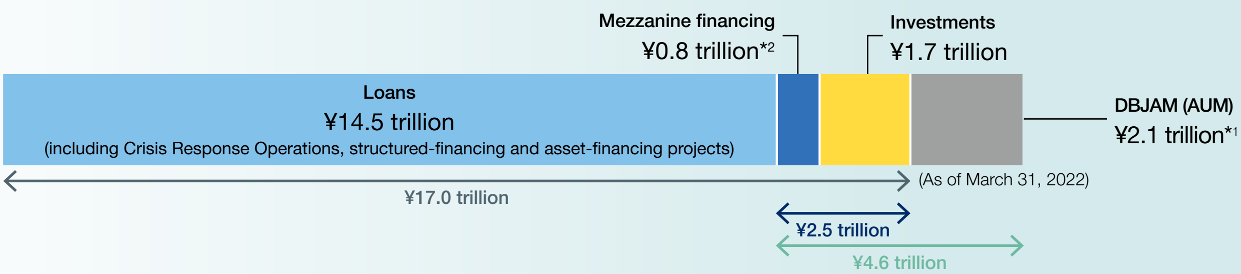
Crisis Response Operations and Special Investment Operations

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, including loan and investment operations such as crisis response loans for emergencies (see pages 38-39), and risk-tailored project financing (¥14.5 trillion balance), as well as Special Investment Operations (see pages 36-37), such as operations to supply risk capital, like investments and mezzanine financing (about ¥2.5 trillion), out of the DBJ Group's balance of investments and loans (about ¥17.0 trillion).

DBJ Asset Management Co., Ltd. (DBJAM) has ¥2.1 trillion in capital entrusted by investors, regional financial institutions, and other clients desiring expert fund management. In its work in asset management, DBJAM focuses on assets that allow the DBJ Group to best apply its strengths. Combined with the entrusted assets at DBJAM, the entire DBJ Group handles approximately ¥4.6 trillion in risk capital. 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 crisis response projects and structured financing projects are eliminated from mezzanine financing.

Rebuilding and Reinforcement of Infrastructure

Energy Sector

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

Main Business Fields

The DBJ Group provides 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, 2022 ¥3.2 trillion

Social Issues

- Changes in macro structure, such as population
- Response to climate change-related issues:
  - Declaration of 2050 carbon neutrality, reduction of greenhouse gas (GHG) emissions by 46% by fiscal 2030
  - Growing importance of transition financing road maps to achieve targets
- Impact from rising resource prices worldwide, higher energy costs
- Tight supply–demand balance for electricity, stable supply of electricity
- Trends in decarbonization technologies and innovations
- Progress in digitalization

Risks and Opportunities

- Delays in the transformation of industry structures and the supply–demand structure for energy to address changes in the global environment, decarbonization, and the acceleration of digitalization
- Possibility that initiatives to transform industry structures and energy supply–demand structures will lead to stronger industrial competitiveness and further development of Japan
- Opportunities arising from innovation on software and hardware fronts

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.

Strategy

In recent years, the movement toward decarbonization across Japanese society has accelerated. In October 2020, the Japanese government declared its target of achieving carbon neutrality by 2050. In April 2021, it unveiled its target for reducing GHG emissions by 46% by fiscal 2030, before aiming for an even higher reduction of 50%. In February 2022, the Ministry of Economy, Trade and Industry announced a transition financing road map for the electricity, gas, and oil sectors, and Japanese companies began to examine concrete transition pathways to a decarbonized society.

However, there are still many challenges in Japan's energy supply–demand structure. With nuclear power plants still offline, energy facilities built during Japan's period of rapid growth have deteriorated with age, raising concerns about the tightness of supply–demand conditions for electric power. Moreover, rising resource prices around the world, due in part to Russia's invasion of Ukraine, are also a problem. There are many issues that need to be directly addressed from multiple angles, such as ensuring energy security, curbing energy costs, and securing a stable supply of energy.

With such issues accumulating in the energy sector, the DBJ Group is working together with customers directly affected by these issues to find solutions through deeper dialogue. While maintaining relationships built up with customers in the energy sector, the Group is concentrating on smoothly providing financing, including risk capital, with the proactive inclusion of new financing methods that are highly compatible with environmental, social, and governance (ESG) criteria. In particular, we are coordinating with other financial institutions to meet demand for capital for renewable energy projects based on the transition financing road maps of individual companies. Through these initiatives, the DBJ Group supports industry-wide innovation and efforts toward carbon neutrality.

Overseas, the DBJ Group is involved in investments and loans for renewable energy projects in a bid to help realize decarbonization at a global level. Utilizing the experience and knowledge it has gained through transactions in leading markets, the Group assists with the transformation of the industry structure in Japan and helps companies strengthen their competitiveness.

Moreover, through asset management operations in the energy sector, the DBJ Group endeavors to nurture markets that bring together the capital of institutional investors and to create investment opportunities that move Japan and the rest of the world closer to carbon neutrality.

GRIT Strategy × Project Spotlight

Contributing to the Realization of a Carbon-Neutral Society through Strategic Joint Investments in Renewable Energy

In June and July 2021, the DBJ Group, along with The Kansai Electric Power Co., Inc., and Osaka Gas Co., Ltd., acquired four renewable energy plants in Japan from Etrion Corporation, a Canadian renewable energy company.

The Kansai Electric Power Group and the Daigas Group are promoting efforts that contribute to the environment, with the aim of achieving carbon neutrality by 2050 through initiatives to own, spread, and expand solar power and other renewable energy resources.

Beginning with joint investments with these two companies, the DBJ Group is assisting customers' efforts toward carbon neutrality by 2050 through the supply of risk capital for renewable energy projects, such as solar and wind power generation projects, both domestically and internationally.


Shizukuishi Solar Power Plant

Rebuilding and Reinforcement of Infrastructure

Transportation Sector

The DBJ Group aims to provide financial leadership for 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

The DBJ Group provides 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, 2022 ¥3.2 trillion

Social Issues

- Impact of the COVID-19 pandemic
- Shrinking population, declining birth rate, and aging population
- Maintenance of safe, secure, and sustainable transportation infrastructure
- Increase in movement of people and goods, creation of new services, and reduction of environmental burdens on path to upgrade transportation infrastructure

Risks and Opportunities

- Sustainable growth in transportation sector, solutions to problems for making networks more advanced
- Proactive contributions to global frameworks for decarbonization

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

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, the DBJ Group will further strengthen its optimal financing 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, the Company will provide financing opportunities to Japanese regional banks and other financial institutions and investors in the global transportation financing market through improved syndicated loans. Additionally, the DBJ Group will focus on providing a range of investment products based on transition financing and investment.

Proactively contributing to global-scale frameworks for decarbonization will be essential for facilitating 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 GHG emissions over the medium and long term. To truly understand the issues faced by its customers, the DBJ Group will continue to offer financial solutions tailored to diverse needs and act as a bridge between the global transportation financing market and Japan's financial market.

GRIT Strategy × Project Spotlight

Arrangement of Syndicated Transition Loan for Mitsui O.S.K. Lines to Acquire Two LNG-Fueled Ferries

Mitsui O.S.K. Lines, Ltd. (MOL), a leading shipping company in Japan, unveiled in June 2021 the MOL Group Environmental Vision 2.1, setting an industry-leading goal of achieving net-zero emissions for the entire MOL Group by 2050 by introducing 90 LNG-fueled vessels by 2030 and around 110 net-zero emissions vessels by 2035. As a part of this strategy, the MOL Group was the first company in Japan to introduce two LNG-fueled ferries (the *Sunflower Kurenai* and the *Sunflower Murasaki*) for service on the Osaka–Beppu route. The DBJ Group arranged a syndicated transition loan with 11 banks centered on regional financial institutions located in western Japan, near the planned routes for the ferries and the shipyards where the vessels will be constructed. This is the first transition loan selected by the Ministry of Economy, Trade and Industry as a Climate Transition Finance Model Project. By arranging this loan, the DBJ Group provided financial support for the decarbonization of the maritime transportation sector and the MOL Group.


MOL's *Sunflower Kurenai*

Rebuilding and Reinforcement of Infrastructure

Urban Development Sector

Identifying and taking social issues into account, the DBJ Group contributes to the development of the real estate finance market, growing alongside cities by offering appropriate support with the maintenance, upgrading, and expansion of urban functions.

Main Business Fields

The DBJ Group provides 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, 2022 ¥1.9 trillion

Social Issues

- Changes in social values due to decline in working-age population, workstyle reforms
- Changes in lifestyle environments amid declining birth rate and aging population
- Social and economic changes due to COVID-19 pandemic
- Response to globalization and sharpening international competitiveness of cities
- Response to climate change, energy conservation and creation in real estate, decarbonization
- Addressing of environmental, social, and governance (ESG) issues, including strengthening resilience of cities
- Response to technological innovation (smart cities, etc.)

Risks and Opportunities

- Need to redefine value proposition and meaning of real estate (offices, etc.) amid declining working-age population and changes in social values
- State of new community creation envisioning changes in society and the economy (housing, retail, logistics, tourism, etc.)
- Acceleration of ESG and digitalization initiatives and new business creation in real estate sector

https://www.dbj.jp/en/case/list/?field=development
Please refer to the DBJ website to see examples and case studies 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.

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Strategy

The DBJ Group will facilitate urban development through the supply of risk capital, including financing for developers, REITs, and individual development projects. 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 because of its broad reach that affects the livelihoods of people in Japan. Companies, society, people's lifestyles and the entire urban development field are being affected by declining birth rates, an aging population, the declining working-age population, and climate change. The business models of our customers may also have to change rapidly. In an environment with such growing uncertainties, for the urban development sector seeing cyclical, long-term changes in value alongside changes in the social landscape, the DBJ Group believes it is essential to take a long-term, public perspective in projects and nurture the social trust it has gained through public-mindedness over many years. While considering these value systems, we provide multifaceted and comprehensive financial solutions for our customers.

With diverse investors becoming involved in global real estate investment, the DBJ Group will play the increasingly important role of connecting real estate, a local asset, to global financial markets through its locally based ability to gather information, forge relationships, and respond to issues.

In the ESG field, since 2014, DBJ and Japan Real Estate Institute (JREI) have continued to jointly operate DBJ Green Building Certification, which was created in 2011 as a system to evaluate and certify real estate from an environmental and social perspective. We will reflect real estate value in the certification system while continuing to promote the spread of DBJ Green Building Certification in partnership with JREI.

Arc Japan Inc. (Arc Japan) was established in 2021 as a company engaged in the data platform business for advancing the decarbonization of society through the monitoring of environmental impact in real estate. The DBJ Group and Arc Japan provide frameworks that improve the visibility of the environmental performance of real estate and efforts to improve lead to financing, in a bid to improve the sustainability of domestic real estate and support the decarbonization of society.

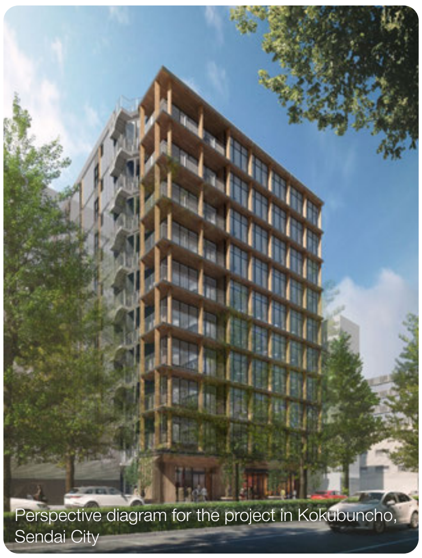
GRIT Strategy × Project Spotlight

Investment in SPC to Develop a Wooden Office Building in Sendai City

In conjunction with regional financial institutions, the DBJ Group invested in a special purpose company (SPC) created to develop an environmentally friendly office building with a mixed wood and steel structure in Sendai City.

To realize a sustainable society, in the real estate sector, expectations are mounting for companies to reduce CO_2 emissions throughout the life cycle of a building, including construction, usage, and the manufacture and disposal of materials. Using wood for building construction has less impact on the environment than fabricated materials, and the carbon storage effect of wood itself is a promising way to reduce CO_2 levels. The forestry industry, however, also needs support with improving its supply chain.

The SPC was set up to advance innovative efforts by concentrating the management resources of project participants. In addition to sharpening competitiveness, this project aims to strengthen supply chains by improving systems for supplying wood materials and to help revitalize regional economies. The DBJ Group provides assistance for this project through its Green Investment Fund, a funding framework in the Special Investment Operations scheme.


Perspective diagram for the project in Kokubuncho, Sendai City

Creation, Conversion, and Growth in Industry

Industrial Sectors

In industrial fields with accelerating initiatives across existing sector boundaries, such as restructuring and tie-ups across sectors, the DBJ Group contributes to the reinforcement of Japan's industrial competitiveness as an incubator that creates new businesses and markets.

Main Business Fields

The DBJ Group provides 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.

Social Issues

- Response to changes in industrial structure on pathway toward carbon neutrality
- Securing of a strategic domestic industrial foundation
- Promotion of innovation with scientific technologies to ensure Japan's technological edge
- Inadequate support for start-ups

Risks and Opportunities

- Innovating in financial technologies, such as fintech
- Providing unique added value to solve issues for customers
- Reinforcing business foundations through measures such as industry restructuring
- Promoting innovation for commercializing new technologies
- Creating new industries through industry-wide initiatives
- Supporting start-ups and other venture firms

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.

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

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, sharpening competitiveness, rebuilding business portfolios, developing new businesses, generating 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 to oversee 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.

In response to efforts toward carbon neutrality, the DBJ Group offers sustainability financing that assists activities in carbon recycling and resource recycling, while providing risk capital and advisory services to customers reforming their business portfolios with the aim of accelerating the movement toward carbon neutrality. We also provide financing and knowledge for initiatives to develop technologies related to hydrogen, ammonia, and other carbon-free fuels, as well as to advance next-generation air mobility. Moreover, we offer support from both financing and knowledge angles for digital transformation initiatives in each industry and projects to update information and communications technology infrastructure, the needs for which are increasing due to 5G, the Internet of Things, and similar technologies.

To realize this, the DBJ Group will strengthen team capabilities by deepening internal collaboration and improving the skills of individual employees, with a focus on their ability to make proposals.

GRIT Strategy × Project Spotlight

Contributing to Realization of Plastic-Recycling Society through Capital Participation in R Plus Japan


Dialogue with R Plus Japan

The DBJ Group invested in R Plus Japan, a company working to develop and commercialize technologies for recycling used plastic.

In recent years, attention has increasingly focused on the impact of plastic on marine life and on the large amounts of CO_2 that are emitted when plastic is produced and discarded. More attention is being paid to the recycling of used plastic and other methods for solving this social problem.

Using the technologies being developed by R Plus Japan, it may be possible to recycle plastic efficiently with low environmental impact, by using a streamlined recycling process to limit CO_2 emissions and energy consumption compared with conventional recycling technologies.

By investing in R Plus Japan, the DBJ Group is helping to strengthen the competitiveness of industry while moving another step toward a plastic-recycling society.

Society 5.0 Investment Program

The Society 5.0 Investment Program is a 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. It has invested in four companies since its creation in 2020.

• 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.

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 (healthcare × digital)
FLOSFIA Inc.	Next-generation power semiconductors (materials × energy)

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

The DBJ Group provides 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 No. of Business Alliances with Financial Institutions

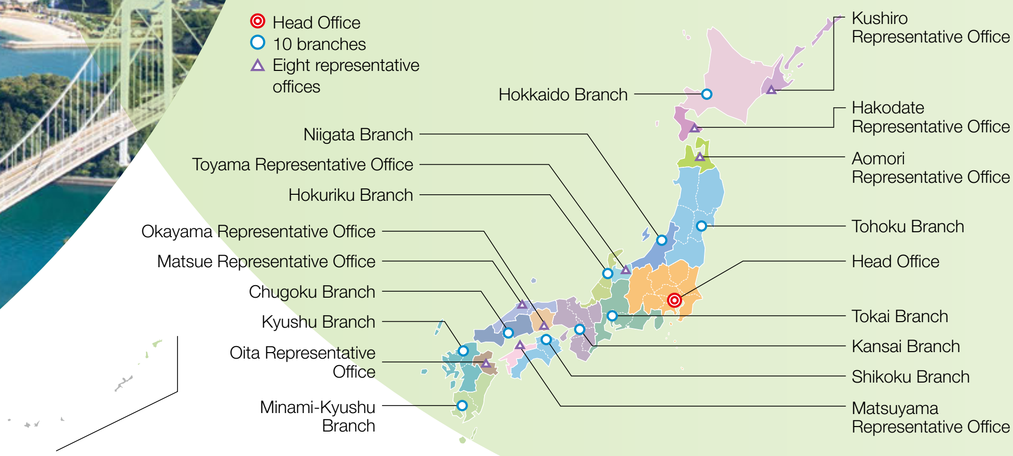
As of March 31, 2022 111

Social Issues

- Medium- to long-term decline in population
- Impact of COVID-19 pandemic on industries that depend on non-resident populations, such as tourism
- Shortages of people in charge of promoting sustainability in regions

Risks and Opportunities

- Possibility of stronger regional demand as a result of work-style reforms and changes in supply chains
- Growth strategies, including overseas business development, of regional companies
- Maintaining of regional companies and increases in value thereof through business rebuilding and business succession
- Providing assistance for initiatives for decarbonization in collaboration with regional financial institutions



https://www.dbj.jp/case/
Please go to the DBJ website to see the areas supported by each branch (Japanese only).

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

Strategy

We provide the following services to support new regional developments.

Collaboration with Regional Financial Institutions

Recently, we held three series of DBJ Sustainability Seminars for regional financial institutions across Japan, covering a wide range of topics specific to their fields, amid increasing expectations for regional financial institutions to act as drivers of sustainability in their regions. We also offer consulting services that help the customers of regional financial institutions introduce sustainability management. In addition to finance, the DBJ Group disseminates information and provides consulting to support the resolution of regional issues in collaboration with regional financial institutions.

Provision of Overseas Information on M&A Deals, etc.

As a part of our efforts to revitalize regions through regional financial institutions, we create merger and acquisition (M&A) opportunities for regional companies through our M&A network of regional banks to address various management issues, such as carbon neutrality, business restructuring, and succession at regional companies, as well as the expansion of business domains, including overseas.

Provision of Knowledge

The DBJ Group conducts research and creates plans for the benefit of industry and regions, such as assisting the efforts of regional carbon-neutral promotion councils. We also support the formation of public–private collaboration projects, such as pay-for-success (PFS) contracts and social impact bonds (SIBs), with the Social Impact Assessment Team of the Japan Economic Research Institute Inc. The DBJ Group researches and reports on the strategies of tourism cities in light of the impact of the COVID-19 pandemic. We also examine social value provided by events that stimulate interactions among people, such as sports, music, cultural, and artistic events. Through these and other efforts, the Group provides knowledge aimed at sustaining unique regional resources and discovering new ones to attract people.

GRIT Strategy × Project Spotlight

Launch of Japan's First Nationwide Search Fund: Providing New Solutions for Business Succession

Along with Nihon M&A Center Inc. and Career Incubation Inc., the DBJ Group established Search Fund Japan, Inc. for the purpose of solving issues affecting domestic small and medium-sized enterprises (SMEs), such as the lack of successors to take over control of businesses, and launched an investment business based on the search fund model for the entire nation, a first in Japan. A search fund is a type of private equity fund that was conceived in the U.S. to help SMEs find successors—in other words, people interested in becoming managers—with the support of investors in the search fund. It is designed to reignite the growth of a company with successors becoming managers of that company. Through the greater use of search funds, the DBJ Group aims to sharpen the competitiveness of Japanese companies by matching SMEs with young people who are interested in becoming managers, thereby rekindling growth of SMEs as talented personnel take control of operations, while training personnel for management positions and solving the regional problem of business succession at SMEs.


Manager meeting

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

The DBJ Group's subsidiaries in London, Singapore, Beijing (including a branch office in Shanghai), and New York coordinate its operations overseas.

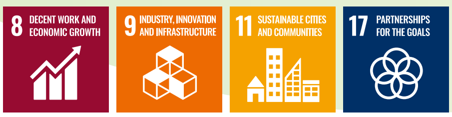
Social Issues

- Recovery of global economy from the impacts of the COVID-19 pandemic
- Technological advances and innovations to achieve global aim of carbon neutrality
- Rising geopolitical risks caused by Russia's invasion of Ukraine, changes in global supply chains due to the invasion, and countries strengthening their economic and energy security

Risks and Opportunities

- Rising geopolitical risks caused by Russia's invasion of Ukraine, global inflation concerns
- Reemergence of needs for global business development among Japanese companies as stalled economy recovers from the impacts of the COVID-19 pandemic
- Increase in demand for sustainability and transition finance in fields of energy, industry, and infrastructure amid movement toward carbon neutrality

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



Strategy

The DBJ Group engages in overseas operations and brings back the knowledge it gains overseas to Japan, based on sector strategies that encompass overseas service and location strategies. To achieve this, the DBJ Group will take into account its GRIT Strategy, a key measure in the Group's Fifth Medium-Term Management Plan, as well as trends in sustainability finance for carbon neutrality, a topic being discussed in each overseas region. At the same time, the DBJ Group is monitoring both the recovery of overseas economies affected by the global COVID-19 pandemic and the impact of the increasing geopolitical risks in each area from the Russia–Ukraine conflict.

(1) In infrastructure fields such as energy and transportation, as well as in industrial sectors such as food and agriculture, based on integrated strategies for Japan and the world, the DBJ Group provides assistance to domestic industries for overseas development, as well as investments and loans, including from the standpoint of bringing advanced knowledge to Japanese markets from overseas. To achieve this, the DBJ Group works through the department in charge of sector strategies, and the department in charge of investment and loan functions, such as investments and structured finance, together with its overseas bases.

(2) The DBJ Group helps solve issues associated with entering overseas markets by leveraging its research and advisory functions and by utilizing investment functions when needed in line with the overseas business development needs of its customers in industrial fields, including in each region of Japan. Leveraging the functions of our overseas bases, we are building systems able to offer support not only in Japan but also locally from overseas locations.

(3) DBJ Group companies provide investors in Japan with opportunities to invest overseas through the asset management business of investing in infrastructure assets and companies. By utilizing the activities mentioned in (1) and (2), we aim to generate synergies with the asset management business by working to obtain investment opportunities overseas.

To achieve the above, the DBJ Group is strengthening fields where it can leverage its abilities to the utmost at each overseas base, while concentrating resources on functions such as networking, sourcing, negotiation support, monitoring, and research at overseas bases. Additionally, we are upgrading each type of operating base with the aim of advancing overseas business and base strategies centered on these sector strategies.

GRIT Strategy × Project Spotlight

Participation in Brookfield Global Transition Fund, an Infrastructure Fund for Transition Issues

Transition finance supports industries with the transition to carbon neutrality. Although a central part of the DBJ Group's GRIT Strategy, application of transition finance to specific projects has not been established in Japan. The DBJ Group believes Japanese companies need to better understand overseas trends and specific projects in order to further their transitions to carbon neutrality. For this reason, DBJ decided to participate in Brookfield Global Transition Fund (BGTF) in December 2021, which leverages Brookfield Asset Management's experience in renewable energy investment projects and is co-headed by global transitions expert, Mark Carney. After executing this investment, our investment team have worked to deepen their understanding of transition finance operations through studying BGTF's investment projects. DBJ is pleased to be working with Mr. Carney, who is Brookfield's Vice Chair and head of transition investing, BGTF's Investment Committee member, and the United Nations Special Envoy on Climate Action and Finance, and our management team has taken part in discussions with him about global trends in the transition to carbon neutrality and the current state of Japan's transition.

Dialogue with Mark Carney

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.

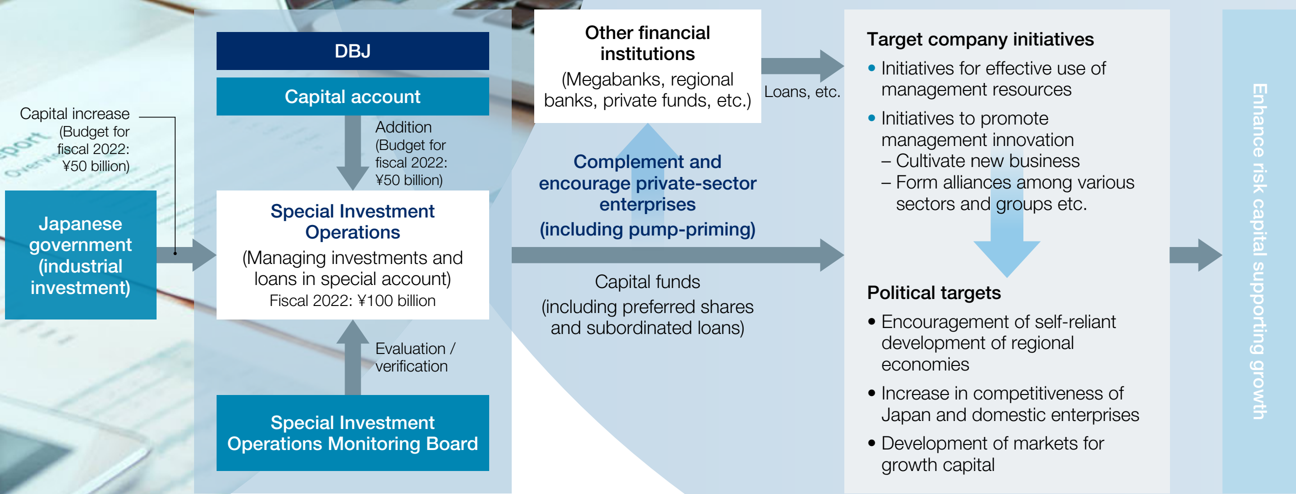
Outline

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 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, draws 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 ¥998.2 billion (as of March 31, 2022) in investments and loans (152 projects in total), the first ¥962.1 billion of which has spurred ¥6,231.3 billion in private-sector investments and loans.



https://www.dbj.jp/en/service/invest/special/
Please refer to the DBJ website for examples of initiatives related to Special Investment Operations.

Overview of Special Investment Operations

DBJ Innovation and Life Sciences Fund

In light of the Cabinet's July 2020 announcement of its Follow-up on the Growth Strategy, in March 2021 we renamed the DBJ Innovation Ecosystem Invigoration Fund, launched in March 2020, as the DBJ Innovation and Life Sciences Fund, to clarify our support for strengthening the competitiveness of the life sciences industry. This fund is for supporting startup firms.

Growth Fund for Coronavirus Revival

In May 2020, this fund was established to help businesses affected by the COVID-19 pandemic 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.

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 the COVID-19 pandemic recover and grow.	This fund invests in renewable energy projects toward the realization of carbon neutrality by 2050.

GRIT Strategy × Project Spotlight

Support for Start-Ups Aiming to Create a Future Healthcare Provision System that Realizes ICU Anywhere

CROSS SYNC Co., Ltd. was established as a "Yokohama City University venture capital firm" by 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 developing and operating the iBSEN application for constantly 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 along with Konica Minolta, Inc., Toyota Tsusho Corporation, and FINDEX Inc. based on its innovative concept of supporting acute-stage healthcare, through the combination of the expert knowledge of practicing physicians with artificial intelligence and other information technology to identify and display relevant data for the patient's healthcare needs, and quickly determining and sharing the healthcare priorities of patients.

The DBJ Group 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 healthcare worker shortages, we aim for a society where anyone can receive the best medical treatment wherever they are.

iBSEN

iBSEN smartphone app

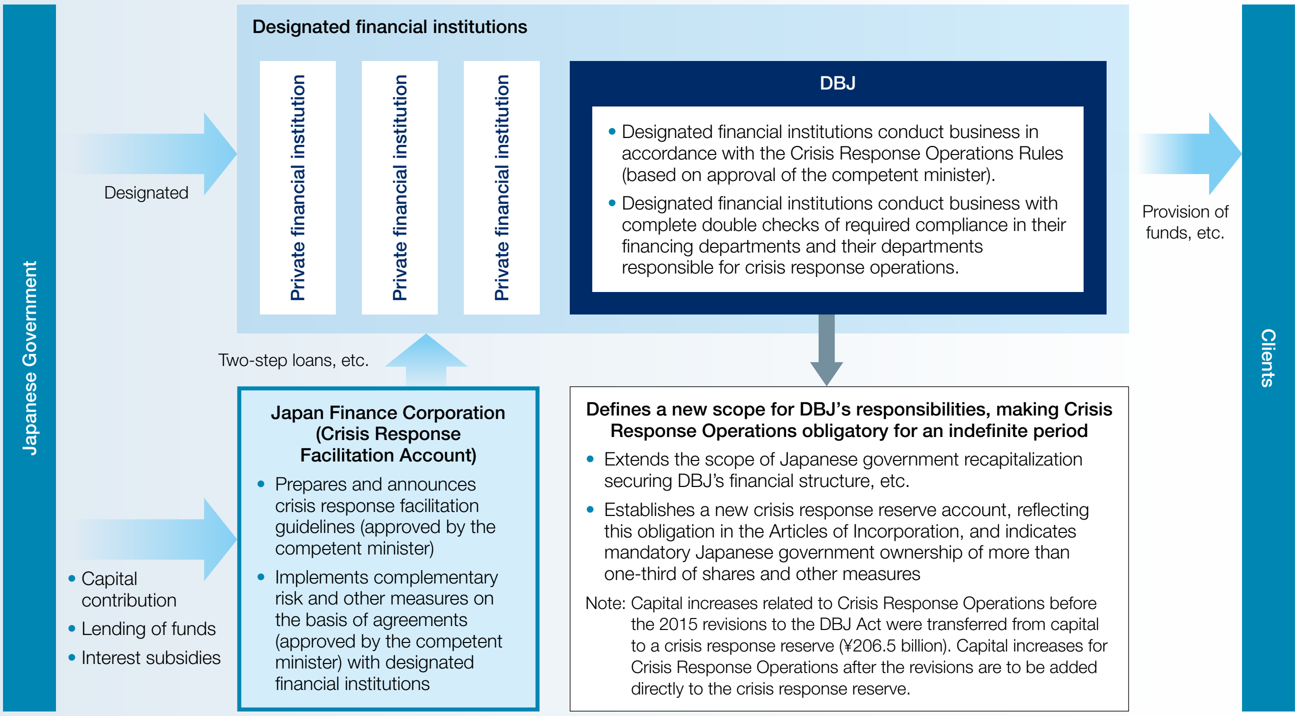
Crisis Response Operations

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), mandates 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 the COVID-19 pandemic on page 39). 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	2021/3
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 as a crisis:

- Turmoil in international financial markets (Global financial crisis)
- Great East Japan Earthquake
- Damage from heavy rainfall during Typhoon No.18 in 2015
- Kumamoto earthquakes in 2016
- COVID-19 pandemic

Total funds raised by the government in Crisis Response Operations

¥206.529 billion (As of March 31, 2022)

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

- Loans: ¥8,715.2 billion (1,652 projects)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

Total Crisis Response Operations related to the COVID-19 pandemic

¥2,495.7 billion (492 projects)

Total for mid-tier companies and large companies in restaurants and hotels sector since March 29, 2021 ¥249.6 billion (100 projects)
(As of March 31, 2022)

https://www.dbj.jp/en/service/finance/crisis/?sc=1
Please refer to the DBJ website for examples of initiatives related to Crisis Response Operations.

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.

Our Response to the COVID-19 Pandemic

Implementation of Crisis Response Operations

In response to the damage caused by the COVID-19 pandemic, the DBJ Group opened consulting service counters at the end of January 2020 and moved forward with its unique Regional Emergency Response Program from February 2020 onwards. As a designated financial institution, DBJ has concentrated on Crisis Response Operations since March 19, 2020, after the Japanese government declared the pandemic a crisis.

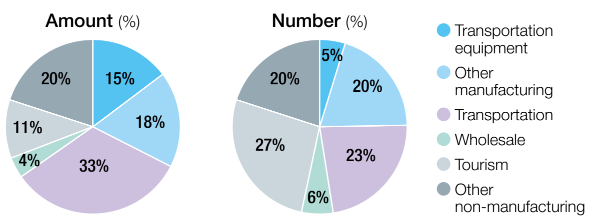
Led by the Coronavirus Response Headquarters, which is chaired by the representative director and president, DBJ has moved to rapidly and precisely implement Crisis Response Operations. DBJ will continue to collaborate and coordinate with private financial institutions to meet the needs of businesses that have been adversely affected by the pandemic. DBJ will enhance collaboration with regional financial institutions and ready its unique capital supply systems, including the Regional Emergency Response Program, while considering the efficacy of Crisis Response Operations in terms of securing jobs and maintaining credit.

Increase in Support for Restaurants and Hotels

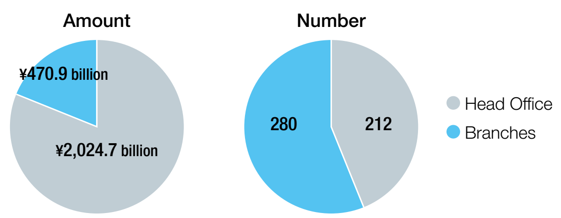
The business environment has become even more difficult for companies operating restaurants and hotels, which have been major employers. At their request, the government stepped in to provide further assistance to these companies in March 2021. Under the direction of the Coronavirus Response Headquarters, DBJ set up the Crisis Response Operations Special Response Office and the Restaurants and Hotels Team therein in order to speed up the screening of companies operating restaurants and hotels.

Since March 29, 2021, DBJ has reduced the interest rate burdens of subordinated capital loans provided to large enterprises in the restaurants and hotels sector and to mid-tier companies as an intensive but temporary scheme. Other measures DBJ has taken include the creation of a preferred stock underwriting fund targeting mid-tier and large companies operating restaurants and hotels (DBJ Food & Beverage/Hotel Support Fund Investment Limited Partnership).

Breakdown of Financing by Sector*



Breakdown of Financing by Office Type*



* As of March 31, 2022

Syndicated Loans, M&A Advisory, and Consulting Services

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

Outline

DBJ provides integrated investment and loan services to customers through a complex arrangement of functions, including the supply of long-term capital. From senior loans to mezzanine loans and equity financing, DBJ seamlessly addresses customer needs while also offering syndicated loans, mergers and acquisitions (M&A) advisory, and consulting services among others.

Syndicated Loans

A syndicated loan is a method for extending a loan with identical terms and conditions in a uniform contract to a customer through a syndicated group of multiple financial institutions brought together by an arranger—a managing financial institution. Syndicated loans offer many benefits. Customers are able to flexibly raise a large amount of funds, with the arranger handling all of the negotiations with multiple financial institutions. The arranger is able to invite a larger number of participating financial institutions. Finally, the agent handles all the administrative procedures, lightening the administrative burden on other parties.

When DBJ arranges a syndicated loan, DBJ utilizes its impartial position when reaching out to a wide range of financial institutions. In the case of a regular corporate loan, DBJ aims to increase value added with DBJ's unique offering of loan programs—such as the DBJ Sustainability Evaluation Certification Program—and sustainability-linked loans. Furthermore, our structured finance offerings may contain syndicated loans in the loan package. We have put together large syndicated loans with many participating financial institutions for the energy and infrastructure fields.

Through cooperative agreements with regional financial institutions to provide syndicated loans, DBJ is strengthening collaboration and cooperation while helping customers raise funds, and offering investment and loan opportunities to regional financial institutions.

https://www.dbj.jp/en/service/finance/shi_loan/?sc=1
Please refer to the DBJ website for more information about and examples of our syndicated loans.

https://www.dbj.jp/en/service/advisory/m_and_a/?sc=1
Please refer to the DBJ website for more information about and examples of our advisory services.

M&A Advisory Services

As a result of its impartiality, DBJ has a wide network it can mobilize in providing its M&A 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 wished 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 have produced a more effective and efficient overseas M&A advisory service for our clients.

Consulting

Japan Economic Research Institute Inc. (JERI) 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.

GRIT Strategy × Project Spotlight

Providing Support to Japanese Companies for the Development of Renewable Energy-Related Business Overseas through M&A Advisory Services

As the global movement toward carbon neutrality gains momentum, Japanese companies increasingly require investments and M&A in renewable energy projects, including those overseas. DBJ's overseas subsidiary DBJ Singapore Limited has an investment banking team, comprising international staff from Asia, that excels at gathering information related to investments and M&A deals in the region. This team collaborates with DBJ's Business Development Department, Relationship Management Department, and subsidiary JERI to constantly introduce potential projects to customers and understand the latest needs of customers. These efforts encourage customers to evaluate renewable energy projects in Asia, and occasionally result in customers requesting M&A advisory services. DBJ will continue to help customers develop renewable energy operations in Asia through its M&A advisory services.


Formosa I Wind Power Co., Ltd.

Asset Management

DBJ Asset Management Co., Ltd. (DBJAM) contributes to the activation of new money flows and the development of financial and capital markets through the provision of quality investment opportunities and management services to institutional investors in the alternative investments field, while leveraging the knowledge and networks built up over the years by the DBJ Group.

Asset Management

Established in 2006, DBJAM is an asset management firm of the DBJ Group that specializes in alternative investments in the fields of real estate, private equity, and infrastructure domestically and internationally.

Social Issues

- Diversification of investment opportunities
- Climate change
- Declining and aging population
- Maintenance and upgrading of aging infrastructure
- Improvement of labor productivity

The DBJ Group believes that the most effective way to address these issues is to increase the sophistication of financial and capital markets in Japan. To this end, we think it is necessary to enhance the sophistication of asset management by institutional investors, such as pension funds and financial institutions.

Risks and Opportunities

- Creating opportunities to invest in a sustainable society
- Appropriately responding to climate change and other sustainability issues
- Promoting investment in renewable energy; maintaining and upgrading social infrastructure
- Promoting engagement in sustainability and ESG initiatives with General Partners
- Expanding and improving human capital
- Training professionals, creating work environments that facilitate work, and improving engagement with employees

https://www.dbj-am.jp/en/
Please refer to the DBJ Asset Management Co., Ltd.'s website for more information about asset management.

Strategy

Established in 2006, DBJAM has expanded its management services and fields of investment while responding to growing investor demand for alternative investments. As a result, DBJAM's operations have evolved to encompass gatekeeper and fund-of-funds services for investments in privately offered real estate funds, privately placed funds, and private equity, infrastructure, and real estate funds in Japan and overseas. Assets under management totaled ¥2,819.8 billion as of March 31, 2022.

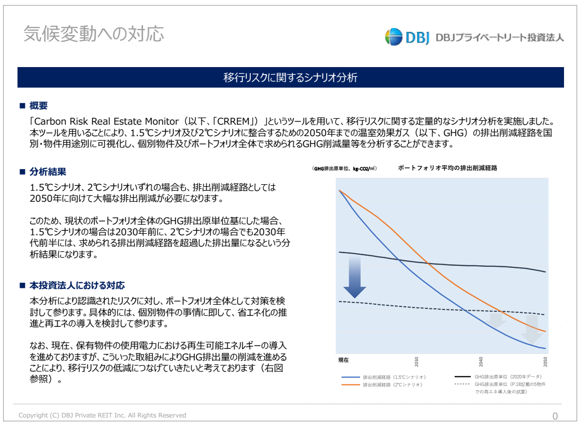
Above all else, DBJAM aims to expand long-term earnings on the assets it manages while properly fulfilling its fiduciary duty and stewardship responsibility as an investment management firm. To this end, DBJAM engages in and advances sustainability management principles and ESG investment. More specifically, the Responsible Investment Committee, which is chaired by the president and consists of directors involved in business execution, decides policies and performs ESG integration, imbuing ESG elements into operational processes in the three fields of real estate, private equity, and infrastructure. DBJAM is also stepping up engagement with investors and relevant stakeholders through proactive dialogue and activities. By further strengthening and improving these initiatives, DBJAM aims to optimize risks and returns on investments in a broader range of fields and over longer periods of time, while advancing its investment services and securing the best returns for investors.

DBJAM recognizes that people are its most important asset for continuing to fulfill its responsibilities and duties as an investment management company. DBJAM is keen to provide training in investment management for professionals, proactively offering training opportunities that help improve their skills and know-how, as well as providing training on its corporate philosophy for all its executives and employees.

GRIT Strategy × Project Spotlight

Stepping Up Initiatives in Sustainability and ESG

In recent years, we have been working to enhance the dissemination of information, such as ESG reports, to investors, strengthening engagement through proactive dialogue with stakeholders while putting ESG integration into practice. In the real estate field, we analyze scenarios based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations for the portfolios of privately listed real estate investment trusts (REITs), performing quantitative analysis of transition risks and physical risks related to climate change.



DBJ Private REIT Co., Ltd.'s ESG Report (excerpt)

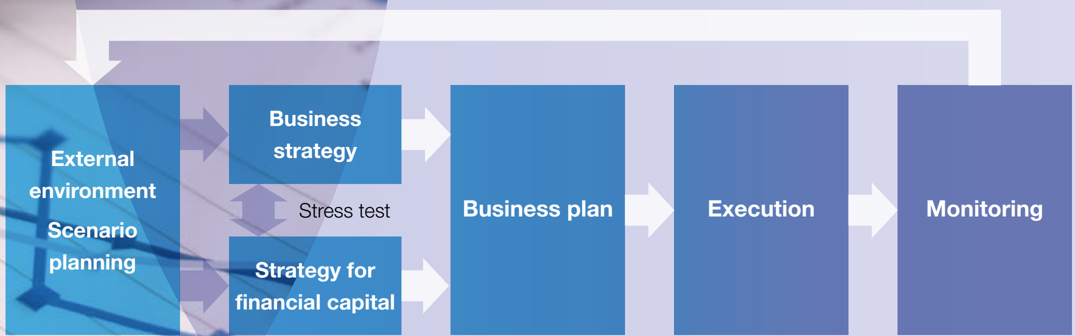
Financial Strategy

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 in the implementation of advanced business strategies centered on our sector strategy (see page 24–31) and our function strategy (see page 36–43). 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, 2022)
Common equity Tier 1 capital ratio (consolidated)	16.97%	(As of March 31, 2022)

https://www.dbj.jp/en/ir/
Please refer to the DBJ website for more information related to investor relations.

Specific Initiatives to Improve 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 sustainable financing market.

DBJ Sustainability 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 2021, DBJ was the only Japanese issuer to do so for eight consecutive fiscal years, having issued its first domestic bond in addition to foreign bonds. The funds raised 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 for green innovation and industries, the BCM*1 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,*2 the first Japanese firm to attain such a status, and it participates on a committee created by the Ministry of the Environment to revise the Green Bond Guidelines, thereby contributing to the development of a sustainable finance market around the world. DBJ will continue to support the sustainable growth of this market by continuing to issue sustainability bonds and proactively engaging in international and domestic initiatives.

Sustainability Bond Issuance

(As of March 31, 2022)

The Green Bond Principles		
	Fiscal 2014	€250 million
	Fiscal 2015	€300 million
	Fiscal 2016	$500 million
	Fiscal 2017	$1 billion
	Fiscal 2018	€700 million
	Fiscal 2019	$1 billion
	Fiscal 2020	€700 million
		$520 million
	Fiscal 2021	€600 million
		$700 million

*1 BCM: business continuity management

*2 Green Bond Principles: 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 the issuance of a green bond. These parties also constitute a platform for sharing the latest information about green bonds and disclosing relevant information to the public.

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

In addition to procuring government credit through 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 Group places emphasis on having investors understand and support its principles and work and, to this end, conducts proactive investor relations through face-to-face meetings.

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 made inside and outside Japan as well as within domestic regions. DBJ also takes care to gain a deeper appreciation of the issues faced by borrowing customers, viewing interactions as an opportunity for further collaboration on investments and loans, in addition to borrowings.


IR activities

Human Resource Development

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

Basic Policy

Acquiring and training skilled employees is key to our unique business model and the pursuit of the DBJ Group's four core corporate values (a long-term perspective, impartiality, public-mindedness, and reliability), in order to realize Vision 2030 and execute the DBJ Group's value creation process while aiming to balance and enhance economic and social value.

To this end, we believe it is important to create a framework that motivates our experienced employees to engage in their work with enthusiasm. We are advancing various measures to improve the value of our human capital, one of our foremost priorities.

Our employees are the wellspring of the value provided by the DBJ Group. We intend to improve our human resource and organizational capabilities with the aim of implementing our constantly changing business model, and our mission, Vision 2030, and values (see page 4, Corporate Philosophy).

Outline of Our Human Capital
(As of March 31, 2022, on a Non-Consolidated Basis, except Where Noted Otherwise)

No. of employees (consolidated)	1,809
No. of employees (non-consolidated)	1,257
Global human resource training program participants (cumulative total)	70
Women's empowerment and leadership program (see LEAD on page 49) participants (cumulative total)	32
Ratio of women in management positions	7.90% (Reference: 15% target by March 31, 2026)
Ratio of employees returning to work after taking childcare leave (number of employees having completed childcare leave in fiscal 2021)	100% (22/22 people)
Ratio of employees taking childcare leave and childcare-related time off by women/men (employees with newborn children during fiscal 2021)	Women 90.3% Men 20.8% (108.3% when including special time off for childcare)
Rehiring system registrants	26
Employees who use reduced working hours for childcare and nursing care	53
Seminars for finding childcare facilities (cumulative total)	236

https://www.dbj.jp/en/sustainability/effort/foundation/human_resources.html
Please refer to the DBJ website for more information about human resources.

https://www.dbj.jp/co/recruit/
Please refer to the DBJ website for more information (Japanese only) about our hiring process.

Human Resources that Relentlessly Take on New Challenges

Shingo Kobayashi
Executive Officer,
Head of Human Resources Management Department

Our Values

Our value creation process would not be possible without the executives and employees who share our values of initiative and integrity and who display our four core corporate values handed down from DBJ's earliest days: a long-term perspective, impartiality, public-mindedness, and reliability.

Having provided long-term funding since the postwar reconstruction period, the DBJ Group has carried on the tradition of serving its customers, industry and society from a long-term perspective. The DBJ Group is also unique in terms of impartiality by always working toward what is best for Japan's economy and society, without being affiliated with any specific corporate group. Our public-mindedness is what motivates our employees to engage in work for the creation of both economic and social value. The combination of these traits has earned us a reputation for reliability from customers and society.

With these four core values as a starting point, the DBJ Group tackles with integrity the management issues faced by its customers and the issues faced by society as a whole, taking a long-term perspective and tirelessly pursuing measures to resolve these issues. This is our unique mission. It is what sets us apart from other financial institutions, and it is why the DBJ Group exists. Accordingly, DBJ Group's people must always be willing to take on new issues and boldly redefine themselves with an eye to the future.

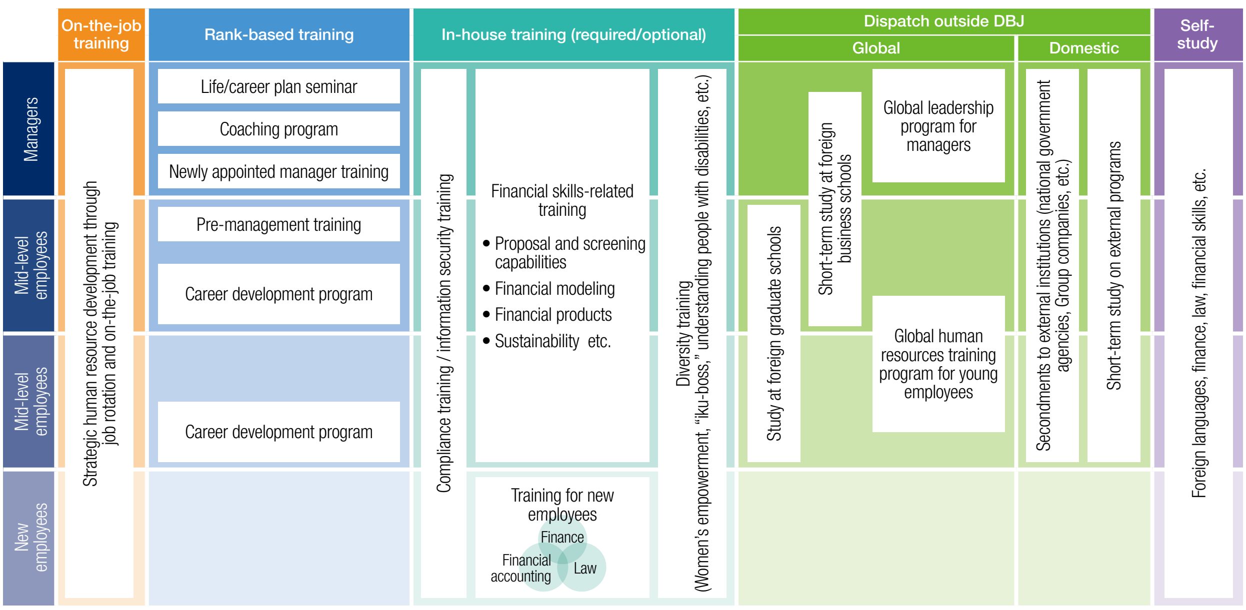
Vision for Human Resource Development

The DBJ Group encourages autonomous and pioneering behavior in its employees as financial professionals in keeping with its vision for human resource development, which can be summarized as "cultivation 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.

The DBJ Group has created a variety of personnel systems and human resource training programs with the intention of nurturing employees with advanced specializations but also broad perspectives, who are able to grow of their own accord without fearing change, and contribute to the discovery and resolution of issues faced by customers and society.

Outline of Human Resource Training System



Value Creation Story
Strategy
Corporate Governance
Corporate Data
Data Section

Initiatives to Increase Value of Human Capital

The DBJ Group undertakes various measures to further increase the value of its human capital in line with its values of initiative and integrity and its four core corporate values.

Strengthening Hiring and Strategic Allocation of Human Resources Across the Group

The DBJ Group will strengthen its hiring processes and practices for both new college graduates and mid-career hires, in order to secure personnel with diverse backgrounds and thinking who are needed across the Group to implement its sector, function, and area strategies.

The DBJ Group will also work to further disseminate its vision and value creation process by increasing the transfer of employees across the DBJ Group.

Training Personnel and Improving Engagement

Through practical on-the-job training and extensive training opportunities, the DBJ Group develops employees with diverse experiences, skills, and the ability to work together organically as a team. We constantly assess whether 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.

- **Developing global human resources**: Opportunities to study abroad at overseas universities and training systems are made available to employees. DBJ also operates its own leadership training program (entirely in English) for young employees and management-level employees, in collaboration with top overseas universities.
- **Training women for leadership positions**: DBJ offers leadership training programs with links to top domestic universities.
- **Offering in-house training and supplementary programs**: The DBJ Group offers employees supplementary programs for self-study as well as rank-based training to learn the requirements of their roles as needed, including extensive work- and management-related training. DBJ offers a wide range of high-quality skills development programs.
- **Providing training for new employees**: Newly hired employees undergo a one-year series of training programs to support their professional growth, starting with DBJ's three-month in-house accounting and financial analysis course.
- **Offering more advanced and flexible training programs**: Through an appropriate balance of in-person and online training, we seek to maximize the impact of training and put in place environments that facilitate employee learning.
- **Spreading awareness of corporate philosophy and management plan**: During training on career development, DBJ facilitates constructive discussions with employees so they can better understand, improve on, and put into practice our corporate philosophy. We also train employees to become proficient in investment and loan operations, based on our GRIT Strategy for realizing a sustainable society.
- **Making strategic personnel rotations**: 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.

- **Interviewing employees**: All willing employees are interviewed by the Human Resources Management Department about changes in internal positions and their longer-term career paths.
- **Improving engagement**: Every fiscal year, DBJ conducts engagement surveys of personnel, evaluates the results of these surveys, and creates action plans that enable each department to increase employee motivation through improvement activities.

Diversity Management and Productivity Improvements

In order to create workplaces where employees feel motivated by their work, DBJ takes steps to foster mutual understanding and improve the productivity of each employee.

- DBJ is improving productivity and resilience with systems that allow for flexible workstyles, such as working from home, and flexible hours with core work times. During the COVID-19 pandemic, employees worked flexibly from home and staggered their office work hours as we prioritized the health and safety of our executives and employees while ensuring that our work could be carried out.
- DBJ holds seminars with specialists as guest speakers on topics that include finding daycare, childcare, and nursing care with the aim of improving its employment and vacation systems, such as maternity leave, shortened work hours, time off for childcare, and other programs for raising children and caring for elderly family members.
- DBJ encourages employees to build relationships based on mutual trust and cooperation through various seminars—including on building understanding of people with disabilities—and through the creation and distribution of a guide about balancing work with childcare and nursing care.
- DBJ continues to hold training and networking events on career development aimed at empowering women in the workplace.
- In addition to periodic health checkups, DBJ supports the physical and mental health of all its executives and employees by providing them with personal resilience training, and maintaining a counseling system staffed by external specialists.



Training program for new employees

Global Human Resource Training Collaboration Program

Designed to foster a management mindset among DBJ's young, management-track employees, this three- to four-month customizable training program is based on Group projects and facilitated by a team of instructors from an international business school, with one week of the program taking place on-site at the school.

Purpose of Program

- Train global management personnel to solve diverse management issues faced by customers around the world
- Imbue trainees with the ability to handle overseas assignments independently by sharpening self-analysis with diverse, cutting-edge knowledge
- Encourage trainees to consider their own careers and the vision for DBJ by understanding their work and the organization from a top-down perspective

	IMD: Orchestrating Winning Performance (OWP)	Oxford: Global Strategic Alignment Leadership Programme (GSALP)
No. of applicants	15–20 people	15–20 people
Dates	End of May to end of August (Lausanne for one week in late June)	Start of July to end of November (Oxford for one week in late November)
Partner	International Institute for Management Development (IMD), Lausanne, Switzerland	Said Business School, University of Oxford, Oxford, United Kingdom
Instructors	Professor Salvatore Cantale, and others	Professor Jonathan Trevor, and others

LEAD Program—In Affiliation with Waseda Business School

Called Leadership Education and Ability Development (LEAD), this original DBJ training program invites outside lecturers from Waseda University's Graduate School of Business and Finance and other universities to lead seminars on career development based on participants' own strengths, learning soft skills for leadership and management positions, and understanding global macro trends as well as organizational and strategic theory.

Purpose of Program

- Provide a space for participants to deepen their understanding of the DBJ Group's management strategies and philosophy, analyze their current roles and responsibilities in the context of their affiliated departments and the DBJ Group as a whole in light of changes in society and the environment, and think about the future
- Provide a space for participants to think more about their career paths in terms of personal development and contributions to the organization

Waseda Business School-Affiliated Program: Leadership Education and Ability Development (LEAD)			
No. of applicants	Dates	Partner	Instructors
About 15 people	November to December	Waseda Business School, and other institutions	Professor Jusuke Ikegami, Professor Masakazu Sugiura, and others

Module 1 — 2 days

Organizational theory
Management strategy theory
Ability development theory (taught by GLOBIS University)

- Learn about frameworks of organizational theory and management strategy theory, deepen understanding of DBJ's medium-term management plan, and understand one's own role
- Learn about ability development theory while understanding one's own strengths

Module 2 — 3 days

Global trends
Leadership, careers (taught by Waseda Business School)

- Learn about changes in the environment, such as the latest trends in the economy, society, and industry, and rethink the future of DBJ
- Learn soft skills related to one's career, such as leadership, management, and motivation

Module 3 — 1 day

Career development (taught by BRICOLEUR)

- Rethink value systems and career perspectives by interviewing senior colleagues about their careers
- Integrate learning from Modules 1 and 2

Presentation

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.

Intellectual Capital

Knowledge

Industry Analysis

DBJ analyzes and disseminates information on economic and industrial trends in Japan and overseas, including macroeconomic trends and trends in key industries.

Capital Investment Planning Survey

With a history of more than 60 years, and first conducted in 1956, DBJ's Capital Investment Planning Survey examines trends in corporate capital investment in Japan, capital investment overseas, and spending on research and development (R&D), mergers and acquisitions, and human resources through interviews with senior managers.

Research Institute of Capital Formation

The Research Institute of Capital Formation (RICF) was established in 1964 with Dr. Osamu Shimomura as its first executive officer. The institute serves as a venue for creating intellectual capital through cooperation and collaboration with external experts. Its research includes a focus on building a sustainable economy and society, from an academic and liberal standpoint.

2050 Growth Strategy Headquarters Meeting

This cross-divisional assembly, including members of senior management, is held for the purpose of advancing the GRIT Strategy in the Fifth Medium-Term Management Plan.

Processes

Digital Strategy Office

Based on the DBJ–DX Vision, the Digital Strategy Office consists of members across departments, and is in charge of digitalizing in-house business processes and solving customer issues related to digital transformation (DX).

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

Relationship Capital

The DBJ Group has built diverse networks with customers, financial institutions, investors, and national and local government agencies for 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.

Stakeholder Engagement and Collaboration

Customers	• Provided DBJ Sustainability Certification Loan programs • Provided platforms for collaboration via DBJ Connect	• Held a business plan competition for women • Supported innovation with iHub
Financial institutions	• Collaborated with Long-Term Investors Club (LTIC) • Coordinated operations with Bridges Fund Management Ltd. in the United Kingdom	
Government	• Participated in high-level panel about ESG finance	• Participated in Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis support project
Research institutions	• Held DBJ Financial Academy at RICF	

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.

Social Capital	Details	Examples 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 of the financial system, development and invigoration of financial markets	Crisis Response Operations, supply of risk capital, sustainability bond issuance

GRIT Strategy × Project Spotlight

Mutual Cooperation Agreement with NEDO: Accelerating Innovation Toward Carbon Neutrality in 2050

DBJ has entered into a mutual cooperation agreement with New Energy and Industrial Technology Development Organization (NEDO) with the objective of accelerating innovation to help build a sustainable society and realize the Japanese government's goal of achieving carbon neutrality by 2050.

Based on this agreement, both parties will strive to create innovations while embedding in society the outcomes of ground-breaking R&D, by organically combining NEDO's technological strategies in diverse technical fields and its management's insight and know-how with DBJ's broad industrial network of connections and expertise in finance.

Through this agreement, DBJ will support the commercialization of NEDO's projects by helping to maintain business foundations, advance R&D and explore opportunities for coordination with private companies. We aim to realize a sustainable society through our GRIT Strategy in the Fifth Medium-Term Management Plan.

Mutual cooperation agreement signing ceremony

Response to the TCFD Recommendations

Basic Approach

Since the adoption of the Paris Agreement in 2015, governments, industrial groups and companies around the world have declared commitments to move towards a decarbonized society, and activities are gaining momentum to mitigate and adapt to climate change. In October 2020, the Japanese government declared a goal of carbon neutrality by 2050, and various government policies are advancing the achievement of net zero greenhouse gas (GHG) emissions.

In May 2017, the DBJ Group set out its Policy on Sustainability to represent its basic approach to contributing to the realization of a sustainable society that balances economic value with social value. Based on this policy, the DBJ Group contributes to the realization of decarbonized society by solving issues faced by regions and its customers while collaborating with stakeholders. The DBJ Group has positioned addressing climate change, a problem affecting the entire world, as a priority of the utmost importance on the path to creating a sustainable society while also ensuring a stable supply of energy.

Under the Fifth Medium-Term Management Plan (see page 16), which commenced in fiscal 2021, the DBJ Group is advancing its GRIT Strategy* with the aim of building an industrial foundation as well as flexible, strong, safe, and secure regions and communities in a green society. At the same time, through dialogue (engagement) with customers, the DBJ Group supports their efforts in the transition to decarbonized society.

The DBJ Group intends to pursue net zero GHG emissions for its investment and loan portfolio by 2050 while solving management issues and assisting its customers' efforts to decarbonize. Through this process, we are helping Japan maintain and strengthen its competitiveness and spurring growth in our customers' businesses.

* GRIT: Green, Resilience & Recovery, Innovation, and Transition / Transformation

Governance

Under the Executive Committee, the Sustainability Committee deliberates on policy responses to various sustainability-related issues, such as climate change, and monitors progress on corresponding initiatives. With regard to the content of stakeholder communications and important initiatives in management strategy, the Sustainability Committee deliberates and reports these matters to the Board of Directors after the Executive Committee reviews and decides such matters. The Sustainability Management Office has been created as an administrative body within the Corporate Planning & Coordination Department to advance various measures and act as a hub for information inside and outside the DBJ Group.

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

Organizational Chart

Board of Directors — Advisory Board

Executive Committee

Sustainability Committee	Discusses and monitors policies and initiatives to address issues related to sustainability, such as climate change
ALM* & Risk Management Committee	Deliberates and reports the state of initiatives related to risk management, including climate change risks

List of Key Matters Discussed by the Sustainability Committee

- TCFD recommendation trends and policy for response
- Environmental and social management policy for investments and loans
- Policy for response to coal-fired power generation
- Adoption of the Equator Principles
- Editorial policy for the annual integrated report

* ALM: asset liability management

Strategy

Basic Approach to Climate-Related Risks and Opportunities

When formulating its Vision 2030 (see page 4), the DBJ Group identified climate change, natural resources, and energy as areas of change in the external environment that are having a major impact on the stakeholders of the DBJ Group. Properly understanding the risks and opportunities related to climate change is essential when establishing business strategies. The DBJ Group intends to pursue net zero GHG emissions for its investment and loan portfolio by 2050. Based on a scenario where the world moves toward decarbonized society (with an average rise in global temperatures below 2.0°C), we are advancing initiatives that take into account the results of our analysis of risks and opportunities, including those in scenarios where average temperatures increase more than 2.0°C.

Analysis of Climate-Related Opportunities

In fiscal 2019, DBJ began to analyze scenarios for 2030–2050 from medium- and long-term standpoints. In light of future uncertainties associated with climate change, financial institutions must envision a variety of scenarios for the economy and society in the future, and consider changes in their portfolios and countermeasures based on these scenarios. As an initial approach, we utilized Shared Socioeconomic Pathways (SSPs), which are GHG emissions scenarios under various climate policies, to analyze and assess the impact on businesses. Our focus was on transition opportunities in the context of government policies and regulations and technological innovation for attaining low-carbon or zero-carbon society in the framework of four visions for the world in the future.

Summary of Analysis

Sectors covered	Energy, transportation, urban development
Scenario	Use SSP scenarios to analyze scenarios where the average temperature increases by 1.5°C, 2°C, and 4°C
Relevant technologies	Carbon capture and storage, electric vehicles, biomass, hydrogen, renewable energy
Period covered	2030–2050

Analysis of Climate-Related Risks

The DBJ Group is aware of climate-related financial risks in terms of transition risks and physical risks. Transition risks could impact the business strategy of the DBJ Group by increasing credit costs if the creditworthiness of the recipients of its investments and loans declines due to lower sales and higher costs, mainly from the introduction of a carbon tax and upgrades to low-carbon technologies. Physical costs might also impact our business strategy by increasing credit costs if the creditworthiness of the recipients of our investments and loans declines due to damages to collateral value as a result of abnormal weather or supply chain disruptions.

In fiscal 2021, DBJ analyzed scenarios for the electric power sector, including structured finance projects for energy projects in Japan and around the world (for transition risks), and damage to collateral value due to water disaster (for physical risks). The results of this analysis indicate that even if DBJ's current portfolio balance were to stay the same, the financial impact would be limited to an acceptable level from a long-term perspective.

The DBJ Group is aware that the methodologies and data used to analyze financial risks related to climate change continue to evolve. While monitoring trends in this field, we will adopt more advanced methods of analysis if necessary.

Summary of Analysis

	Transition risk	Physical risk
Risk event	Sudden change in policy toward net zero GHG emissions	Water damage (flooding)
Scenario	NGFS*1 Delayed Transition scenario	IPCC*2 RCP*3 8.5 (4°C scenario)
Present analysis targets	Electric power sector	Damage to collateral value as a result of flooding
Assets covered	Balance of investments and loans	Balance of loans
Analysis period	By 2050	By 2050
Analysis results (level of increase in credit costs)	About ¥40.0 billion (cumulative)	About ¥6.0 billion (cumulative)

*1 NGFS: Network for Greening the Financial System
*2 IPCC: Intergovernmental Panel on Climate Change
*3 RCP: Representative Concentration Pathway

Response to the TCFD Recommendations

Strategy Based on Analysis of Climate-Related Risks and Opportunities

In addition to analyzing climate-related risks and opportunities, The DBJ Group is advancing green, transition, and innovation initiatives through its GRIT Strategy, and intends to make investments and loans totaling ¥5.5 trillion over the five years of the strategy.

Under this policy, the Group is providing sustainable financing and consulting and advisory services (see page 20) to support the initiatives of its customers to decarbonize. The DBJ Group is also supplying risk capital to climate technology firms.

Constructive Dialogue (Engagement) with Customers

Through constructive dialogue (engagement) with customers, we enhance mutual understanding of management issues and awareness of problems, deepen our understanding of each customer's needs and issues, and propose solutions. In this way, we offer support through investments and loans and consulting and advisory services backed by the strengths of the entire DBJ Group.

Example (1)

Kawasaki Heavy Industries, Ltd.

A hydrogen supply chain is an essential part of sustainable growth and Japan's efforts to become carbon neutral. In consultation with DBJ, Kawasaki Heavy Industries, Ltd. set key performance indicators and sustainability performance targets (SPTs) for its extensive Hydrogen Road initiatives linking hydrogen production sites with energy consumers. DBJ Group then extended DBJ Sustainability Linked Loans with Engagement Dialogue to the company.

During the loan period, we will support the company through periodic dialogue as it strives to achieve its SPTs.

Example (2)

Mitsui O.S.K. Lines

Ferry Sunflower Limited, a subsidiary of Mitsui O.S.K. Lines, plans to operate the first two ferries fueled by liquefied natural gas (LNG) in Japan. These LNG-fueled ferries were selected as a Climate Transition Finance Model Project by the Ministry of Economy, Trade and Industry, and the DBJ Group extended a syndicated transition loan for this project.

This syndicated loan was put together with Sumitomo Mitsui Trust Bank, Limited and regional financial institutions.

Example (3)

Shikokuchuo City Carbon Neutrality Council

As a part of their efforts to foster carbon neutrality, Ehime Paper Co., Ltd., Daio Paper Corporation, and Marusumi Paper Co., Ltd. established this council to evaluate energy conversion throughout the Shikokuchuo area.

As it examines the possibility of building shared energy infrastructure for the region, the council is gathering a wide range of information about government policy trends and assessments of the safety, economic viability, and procurement reliability of hydrogen and other types of energy. The council is also evaluating practical measures and road maps in collaboration with local governments.

Risk Management

Risk Management

The DBJ Group recognizes that being underprepared for climate change is a risk that could significantly impact on management. It therefore analyzes potential impacts based on a range of scenarios and formulates initiatives and policies to deal with this risk. The DBJ Group has introduced business-specific policies for investments and loans in particular sectors, and monitors progress in partnership with the Sustainability Committee.

Initiatives Based on Environmental and Social Management Policy for Financing and Investment Activity

In 2021, the DBJ Group set policies for investments and loans for businesses likely to entail major risks or negative impacts on the environment and society, and for finance for specific sectors. In fiscal 2022, DBJ is reviewing these policies as necessary.

Operations Based on the Equator Principles

The DBJ Group adopted the Equator Principles in 2020 and uses them as the basis for identifying, assessing, and managing the environmental and social risks associated with large-scale projects, with guidance from the Environmental & Social Assessment Office.

Operations Based on the Poseidon Principles

The Poseidon Principles were created as a framework for financial institutions to deal with climate change risks in the marine transportation industry. The DBJ Group became a signatory in 2021, and every year discloses its contributions to reducing GHG emissions in the context of ship financing. We endeavor to provide investments and loans that take climate change risks into account.

Please refer to the DBJ website for more information about the Equator Principles.
https://www.dbj.jp/en/sustainability/collaboration/initiative/equator_principles.html

Please refer to the DBJ website for more information about the Poseidon Principles.
https://www.dbj.jp/en/topics/dbj_news/2021/html/20210520_203260.html

Indicators and Targets

Climate Change-Related Targets at Companies Receiving Investments and Loans

DBJ has set a target of ¥5.5 trillion in investments and loans related to its GRIT Strategy over the five-year period of its Fifth Medium-Term Management Plan. In fiscal 2021, DBJ made ¥754.4 billion in investments and loans (see page 14). With an eye on future targets, we will proactively support initiatives to tackle climate change at companies receiving investments and loans from us.

GHG Emissions Targets

The DBJ Group intends to pursue net zero emissions by 2050, not only for Scope 1 (direct emissions) and Scope 2 (indirect emissions) but also for Scope 3 (emissions from investments and loans).

Scope 1 and 2

Scope 1 and Scope 2 GHG emissions from corporate activities are measured and tallied for DBJ and eight major domestic Group companies. DBJ has created an environmental management system overseen by the managing executive officer in charge of the Corporate Planning & Coordination Department and promotes ongoing initiatives to achieve improvement targets and make specific contributions to the environment.

Results Fiscal 2019	Results Fiscal 2020	Results Fiscal 2021
3,270 t-CO_2	3,074 t-CO_2	2,473 t-CO_2

Scope: DBJ Head Office, 10 branch offices, eight representative offices, DBJ Capital Co., Ltd., DBJ Securities Co., Ltd., DBJ Asset Management Co., Ltd., Japan Economic Research Institute Inc., Value Management Institute Inc., DBJ Real Estate Co., Ltd., Consist Inc., DBJ Business Support Co., Ltd.
Items covered: Scope 1: Gasoline in company vehicles
Scope 2: Electricity, fuel (kerosene, fuel oil, coal gas, city gas)

Scope 3

Based on its policy of achieving net zero GHG emissions for its portfolio of investments and loans by 2050, the DBJ Group is committed to measuring and disclosing its GHG emissions. We believe it will be important to measure and monitor Scope 3 emissions along with the amount of credit provided to sectors that emit large quantities of GHG emissions, such as energy and transportation.

While deepening our understanding of measurement methodologies in this context, we are validating and estimating GHG emissions in the energy sector following the methodology of the Global GHG Accounting and Reporting Standard for the Financial Industry, which was developed by the Partnership for Carbon Accounting Financials (PCAF).

PCAF Methodology

Regarding detailed measurement methods for GHG emissions via investments and loans, the Global GHG Accounting and Reporting Standard for the Financial Industry is used to validate and estimate GHG emissions in each class of assets for investment and loan activities for financial institutions.

Future Policies

The DBJ Group will measure Scope 3 emissions while considering the following main validation issues in measurement.
(1) We will select the energy sector (electricity, oil, and gas) as the sector for measurement.
(2) We will continue to examine the best indicators for disclosure (emissions intensity, absolute emissions, etc.).
(3) We will aim to improve the quality of emissions data gathering by updating data gathering methods in stages with reference to ongoing dialogue with customers.

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. 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 over the past few years. In fiscal 2021, in light of the requests being made by the government with the pandemic still ongoing, we strengthened our temporary support for businesses by arranging an underwriting fund for preferred shares issued by mid-tier and large enterprises in sectors that have been hit hard by the pandemic, such as the restaurants and hotels 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 Internal 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 60) 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 59). 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 the strengthening of legal compliance, risk management, and internal audits as important subjects for management.

A Value Creation Process That Balances Economic and Social Value

Given international trends that are accelerating the strengthening of measures to address climate change, such as the adoption of the Paris Agreement and the hosting of COP26 (the 26th United Nations Climate Change Conference), the DBJ Group established its Sustainability Committee to deal with the growing need to review corporate management from a sustainability standpoint, including the enhancement of corporate information disclosure about sustainability, and to discuss important management matters regarding constantly changing social issues. In fiscal 2021, directors engaged in invigorating discussions about the DBJ Group's response and initiatives related to the transition to a carbon-free society and its potential impact on Japan's industrial structure. These discussions were reflected in business plans. In fiscal 2022, 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.

August 2022

Yasushi Kinoshita

Yasushi Kinoshita
Chairman

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.

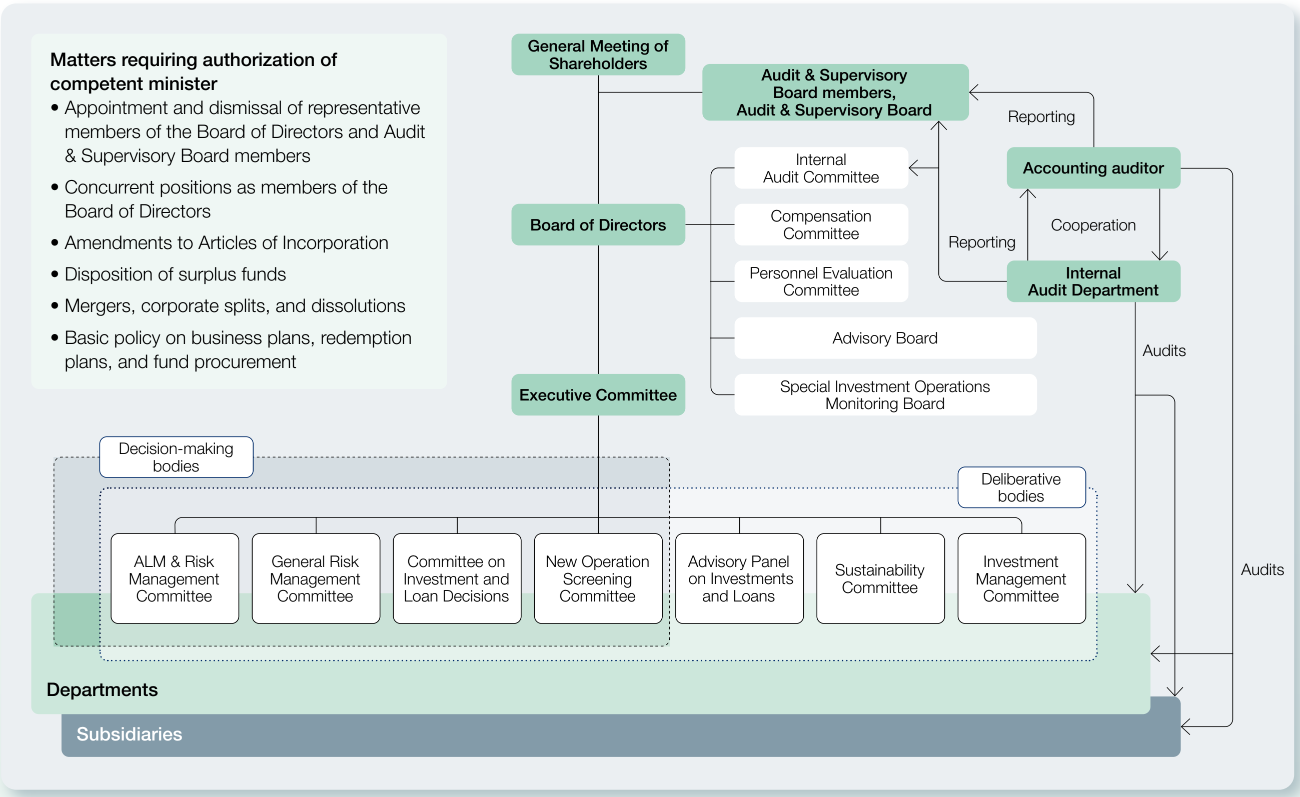
DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board), through a business model built upon features such as integrated investments and loans and proper execution of the 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	(2)
Number of Board of Directors' meetings in fiscal 2021	14
Number of Audit & Supervisory Board members	5
Of whom are outside members	(3)
Number of Audit & Supervisory Board meetings in fiscal 2021	14
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu LLC

Overview of DBJ's Corporate Governance System



Audit & Supervisory Board Members, Audit & Supervisory Board

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

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

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

Advisory Bodies to the Board of Directors

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

Internal Audit Committee

The Board of Directors has established the Internal Audit Committee, delegating to this body the authority to deliberate important matters related to internal audits. This committee met three times during the fiscal year ended March 31, 2022.

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 matters related to ensuring that appropriate competitive relations are maintained with private financial institutions.

This board convened twice during the fiscal year ended March 31, 2022. 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 (As of June 30, 2022)

Reiko Akiike	The Boston Consulting Group K.K. Co-Chairperson
Kazuaki Kama	Senior Advisor, IHI Corporation
Takeshi Kunibe	Chairman, Sumitomo Mitsui Financial Group, Inc.
Hidetoshi Sakuma	Chairman (Representative Director), Group Chief Executive Officer, The Chiba 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

Corporate Governance

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 from private-sector financial institutions and capital markets, convened twice during the fiscal year ended March 31, 2022.

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 2021, 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 (as of June 30, 2022)

Takeshi Kunibe	Chairman, Sumitomo Mitsui Financial Group, Inc.
Hidetoshi Sakuma	Chairman (Representative Director), Group Chief Executive Officer, The Chiba Bank, Ltd.
Kosei Shindo	Representative Director and Chairman, Nippon Steel Corporation
Keiko Tashiro	Deputy President, Member of the Board, Daiwa Securities Group, Inc.
Tsuji Matsuo	Vice Chairman & Senior Executive Director, Japanese Bankers Association
Sadatoshi Tsumagari	Representative Director and President, Nippon Gas Co., Ltd.

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 31 times during the fiscal year ended March 31, 2022.

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 discussing 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 Internal 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 29, 2022, 25 people belonged to the Internal Audit Department.

Accounting Audits

DBJ has in place an agreement whereby Deloitte Touche Tohmatsu LLC conducts accounting audits as the Company's accounting auditor in accordance with Article 396, Paragraph 1 of the Companies Act and Article 193, Paragraph 2 (i) of the Financial Instruments and Exchange Act.

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.

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

Securities filings (state of corporate governance, etc.) (Japanese only)
https://www.dbj.jp/ir/financial/report.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 (¥46,815 million in the fiscal year ended March 31, 2021) 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.

Details for fiscal 2021 are as follows.

	Number of meetings held in fiscal 2021
Compensation Committee	2

Compensation Committee Members in Fiscal 2021

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 Board Members in Fiscal 2021

Category	Number of people	Compensation, etc. (Millions of yen)
Members of the Board of Directors (Excluding Outside Members of the Board of Directors)	10	205
Audit & Supervisory Board members (Excluding Outside Audit & Supervisory Board Members)	2	39
Outside Executives	5	63
Total	17	308

Notes: 1. Compensation amounts include provisions to reserves for executive retirement benefits.
2. Numbers of persons paid and compensation amounts include two members of the Board of Directors who retired during fiscal 2021.

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers (As of the end of July 2022)

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
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
2022: President and CEO of DBJ

Deputy President
Norifumi Sugimoto

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
2022: 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

Note: Of the 15 members of the Board of Directors and the Audit & Supervisory Board, 14 are male and one is female. The female to male ratio is 6.7%.

Member of the Board of Directors,
Managing Executive Officer

Tsutomu Murakami

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

Kazufusa Matsushima

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

1988: Joined Hokkaido-Tohoku Development Finance Public Corporation
2015: Head of Hokkaido Branch of DBJ
2019: Executive Officer (in charge of Internal Audit Department) of DBJ
2020: Managing Executive Officer of DBJ
2022: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors,
Managing Executive Officer

Katsushi Kitajo

In charge of Business Planning & Coordination Department

1990: Joined Japan Development Bank
2017: Head of Business Development Department of DBJ
2019: Executive Officer, Head of Human Resources Management Department of DBJ
2021: Managing Executive Officer of DBJ
2022: 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:
- 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.
- Directors Akio Mimura and Kazuo Ueda are outside members of the Board of Directors in accordance with Article 2, Paragraph 15 of the Companies Act. 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 the Audit & Supervisory Board, based on Paragraph 1, Article 427, of the Companies Act.

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

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

Hitoshi Sato

1984: Joined The Sumitomo Trust and Banking Co., Ltd.
2015: Managing Executive Officer of Sumitomo Mitsui Trust Bank, Limited.
2021: Director, Senior Managing Executive Officer of Sumitomo Mitsui Trust Bank, Limited
2022: 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

Outside Director, Sojitz Corporation

2020: Audit & Supervisory Board Member of DBJ

Note: Directors Hitoshi Sato, Masato Dogauchi, and Naoko Saiki are outside directors in accordance with Article 2, Paragraph 16 of the Companies Act.

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 (Japan), Hokuriku Branch, Kyushu Branch, Minami-Kyushu Branch

Managing Executive Officer (Head of Kansai Branch)
Toshiyasu Takazawa
In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Managing Executive Officer
Seiji Tomosada
In charge of Corporate Finance Department, Division 3, Hokkaido Branch, Tohoku Branch, Niigata Branch, Tokai Branch

Managing Executive Officer
Tomoya Sato
In charge of Corporate Finance Department, Division 5

Managing Executive Officer
Takao Isozaki
In charge of Corporate Finance Department, Divisions 1 and 6

Managing Executive Officer
Masao Masuda
In charge of Corporate Finance Department, Division 2, Sustainable Solution Department

Managing Executive Officer
Fumiyo Harada
In charge of Economic & Industrial Research Department, Regional Research & Planning Department, Structured Finance Department (Global)

Managing Executive Officer
Michiyo Machida
In charge of Corporate Finance Department, Division 4

Executive Officer
Isao Nishio
In charge of Financial Institution

Executive Officer
Hirofumi Maki
Head of Corporate Planning & Coordination Department

Executive Officer
Shingo Kobayashi
Head of Human Resources Management Department

Executive Officer
Yoshiyuki Takada
In charge of Internal Audit

Executive Officer
Yuichiro Mori
Head of Business Planning & Coordination Department, Chief Manager of Crisis Response Operations Office

Messages from Outside Members of the Board of Directors

Akio Mimura
Outside Member of the Board of Directors

Leveraging Corporate Governance to Help Solve Social Issues

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 the need for digitalization, and for the strengthening of corporate supply chains. Moreover, amid increasing uncertainties on the international stage, issues have emerged related to the transition to carbon neutrality while maintaining international competitiveness, and ensuring economic, energy, and food stability. I will continue to fulfill my responsibilities on the governance front in facilitating essential dialogue and cooperation with stakeholders so that DBJ can help solve these social issues.

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)

Kazuo Ueda
Outside Member of the Board of Directors

Reinforcing Corporate Governance to Advance Sustainability Management

The international movement toward a carbon-free society has gained momentum 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 and support for decarbonization. DBJ has provided solutions in tune with the times and constantly evolving social issues, such as by developing its sustainability financing services, including sustainability certification programs, and by 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 the 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 is both at the heart of our corporate management and that it 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 various other 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 adheres to customer-oriented business conduct. DBJ conducts operations in compliance with all laws and regulations through appropriate use of the Three Lines of Defense model 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 Code of Conduct (Action Guidelines), the basis for decisions and behavior by Group employees and executives.

Compliance Framework

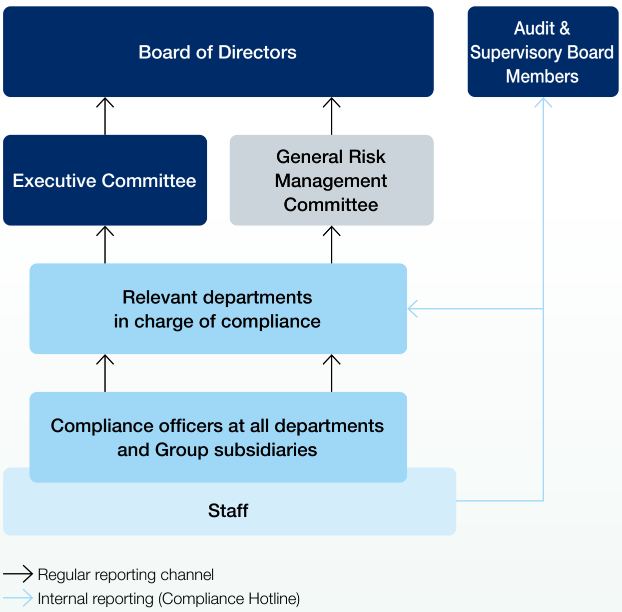
The DBJ Group has determined basic policies and rules for compliance, creates and distributes compliance manuals for employees and executives to follow, and conducts training and explanatory sessions to spread awareness of compliance. Each fiscal year, all DBJ Group companies design compliance programs 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-related issues, DBJ has set up an internal reporting channel to relevant departments and Audit & Supervisory Board members, which circumvents the normal reporting channels in the organizational structure. DBJ has also created an external reporting channel through a law office.

In light of revisions to the Whistleblower Protection Act, DBJ is updating its protections for whistleblowers. DBJ aims to improve the credibility of its whistleblowing system, and is encouraging Group companies to adopt whistleblowing systems based on DBJ's system.

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 engage in our business fairly, 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, DBJ understands the importance of taking measures to prevent money laundering and the financing of terrorism. It has been reinforcing these measures based on guidance from the Financial Action Task Force (FATF) and the supervisory authorities. Although DBJ does not engage in foreign currency transactions or accept deposits, DBJ implements risk assessments as if it did, and takes steps based on the risks that would be involved. DBJ has systems in place to ensure that proper procedures are taken, periodically conducts risk management operations, and provides thorough training in these for its employees and executives. We also strive to continuously improve this structure by evaluating a variety of measures.

Initiatives to Prevent Bribery and Corruption

Due to the public nature of DBJ, the DBJ Act stipulates that the executives and employees of DBJ must not receive improper compensation, and internal rules define matters that warrant caution when executives and employees come into contact with clients and other parties. In addition to preventing bribery and corruption at DBJ, we take steps to prevent involvement in the bribery and corruption of third parties and other entities, including recipients of investments and loans.

Customer Protection Management

The DBJ Group has identified "the customer's perspective" as a key element of its Code of Conduct (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 services, asset management, and other financial services, the DBJ Group has systems in place 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 with 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.

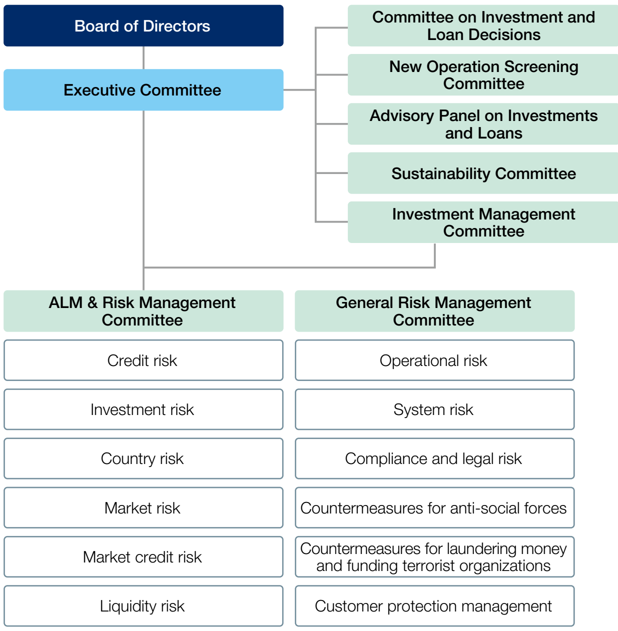
Risk Management

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

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 latest 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.

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.	

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.

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 credit management policies.

Risk Management

Investment Risk

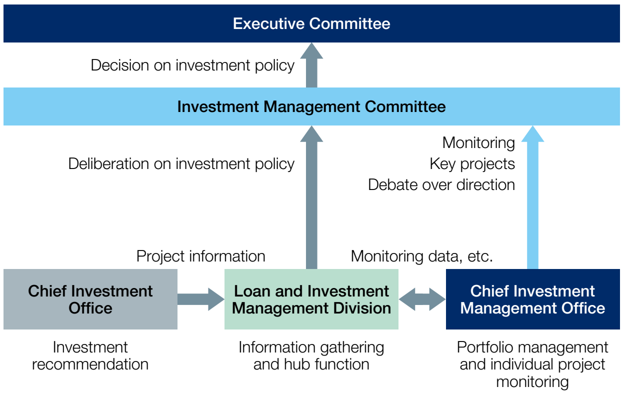
Investment risk refers to the risk of sustaining losses resulting from a decline in or loss of the economic value of assets due to worsening financial conditions for entities receiving funds and to changing market environments. DBJ's investments include the provision of mezzanine and equity financing, 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.

Overview of Investment Management System



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 in order to manage 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.

Portfolio Management

The bulk of assets in our investment portfolio consists of unlisted shares and mezzanine loans. We quantify our risk exposure to these assets with a focus on risk characteristics in each asset category and differences in methods for recouping investments.

Specifically, DBJ assesses credit risk based on asset type with the aim of recovering the investment, mainly through business cash flow. We also take into account market risk for asset types where investments are likely to be recovered when the asset is sold to a third party or the market. In these ways, DBJ quantifies risks by applying methods to estimate credit risk and market risk.

Market Risk

DBJ classifies market risk as risk pertaining to investment and loan activities. The main risks it manages are interest rate risk and foreign exchange risk. 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 would otherwise 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.

Risk Management

Operational Risk

DBJ defines operational risk as the risk of loss arising from internal processes, people, or systems that are inappropriate or non-functioning, 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.

Over the past few years, cyberattacks have rapidly become more advanced and cunning, and the DBJ Group is aware of the increasing risk of being damaged by a cyberattack. Given these circumstances, the Group has set up the Cyber Security Office and the DBJ Computer Security Incident Response Team (DBJ-CSIRT) as a team dedicated to responding to cybersecurity incidents across related divisions, centered on the Cyber Security Office and the Corporate Planning & Coordination Department. DBJ-CSIRT is in charge of responding to cybersecurity incidents within the DBJ Group as well as maintaining and updating the necessary response systems.

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 possible responses to various management issues.

Based on the latest forecasts for economic conditions and in light of the international situation, 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.

We also 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 multi-layered 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 that 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.

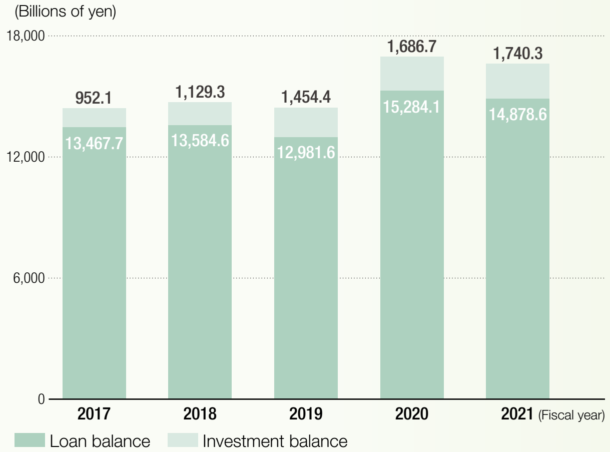
Initiatives to Maintain or Improve BCP Viability

DBJ conducts various types of instruction and training of executives and 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.

Financial and Non-Financial Highlights

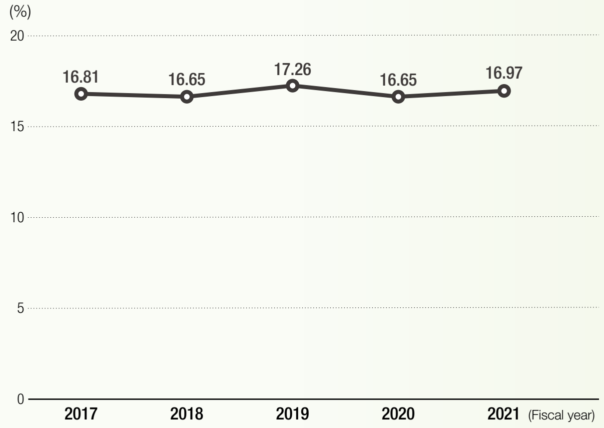
Financial Highlights

Balance of Investments and Loans (Non-Consolidated)



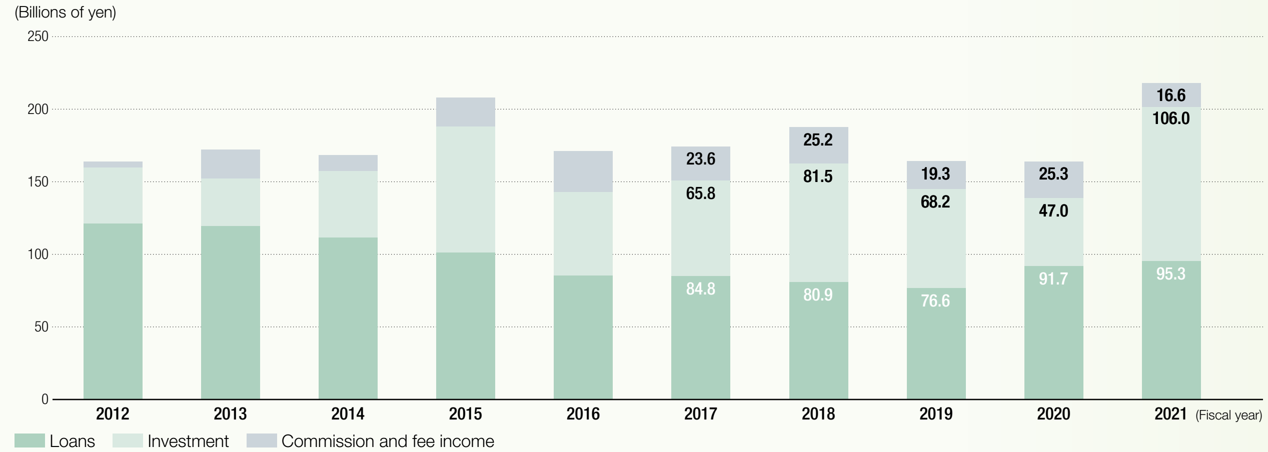
The balance of investments and loans (non-consolidated) stood at ¥16.6 trillion as of the end of fiscal 2021. The loan balance was ¥14.8 trillion as of the end of the fiscal year under review. The investment balance expanded to ¥1.7 trillion as of the end of fiscal 2021, reflecting DBJ's focus on investment operations.

Common Equity Tier 1 Capital Ratio (Consolidated)



The common equity Tier 1 capital ratio (consolidated) was 16.97% as of the end of fiscal 2022. This ratio may decline, for example, when DBJ supplies risk capital for strengthening investment operations, but DBJ continues to work on keeping this ratio at a sound level.

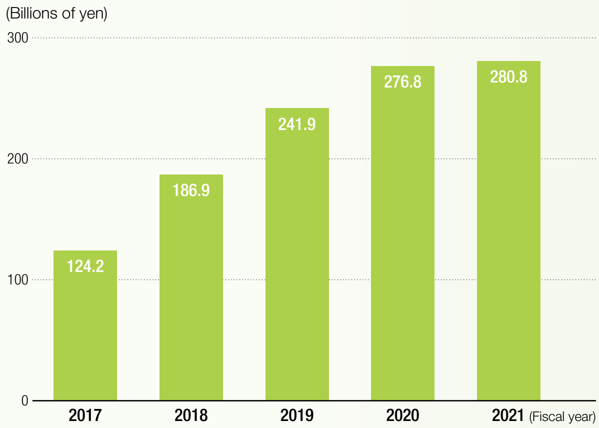
Gross Ordinary Income (Consolidated)



In fiscal 2021, in loan operations, loan profits increased alongside growth in the average loan balance compared with fiscal 2020. In investment operations, profits expanded due to such factors as dividend income from investees. Fee and commission income decreased on a decline in fee income. Accordingly, gross ordinary income amounted to ¥218 billion, up from that of the previous fiscal year.

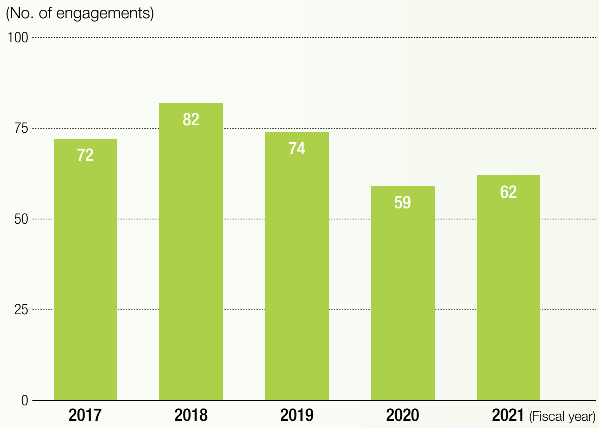
Non-Financial Highlights

Balance of Investments and Loans in Renewable Energy



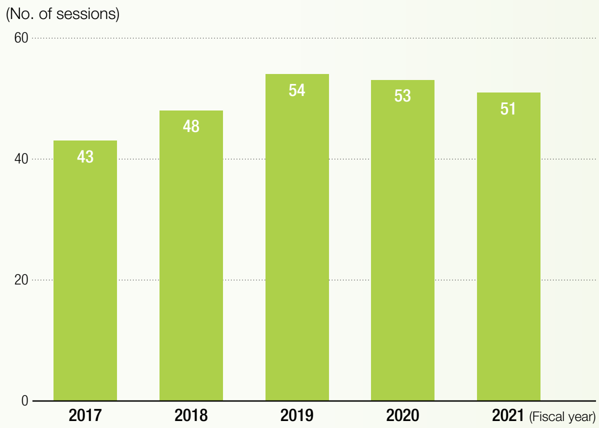
The balance of investments and loans in renewable energy stood at ¥280.8 billion as of the end of fiscal 2021. With renewable energy drawing more attention as the world moves away from carbon-based energy sources, the DBJ Group will provide financial support to ventures in solar power, onshore and offshore 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



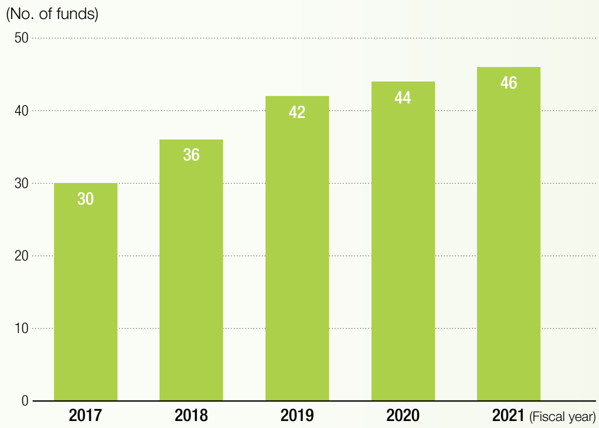
Under the DBJ Sustainability Evaluation Certification Program (see page 20), at the request of customers, we provide feedback from a third-party perspective on the results of customers' evaluations and help them understand the issues they should address and enhance their management capabilities. Since the outset of the COVID-19 pandemic, it became impractical to hold in-person award ceremonies for executives and employees. Through the use of online meeting systems, however, we continued with feedback initiatives. Through dialogue, we will continue to support our customers' efforts to advance sustainability management.

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



The DBJ Group provides abundant opportunities for training through combinations of rank-based and business-related training programs. In fiscal 2021, DBJ reassessed its training programs for women and for management positions. While online training remained the main format, some in-person training was resumed while taking measures against COVID-19, in a bid to maximize the effectiveness of training through optimal formats. DBJ will continue to train personnel, proactively encouraging employees to enhance their skills through training seminars and 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)



As of the end of fiscal 2021, the DBJ Group had created 46 collaborative funds with regional financial institutions. The DBJ Group and regional financial institutions, each with a 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

(Billions of yen)

Consolidated	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)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Total income	345.1	318.7	340.0	361.6
Income before income taxes	95.0	99.2	115.6	165.7
Extraordinary profit / loss	9.3	10.9	0.6	0.2
Income before income taxes and minority interests	104.3	110.2	116.2	166.0
Total income taxes	(1.3)	(31.9)	(44.5)	(40.8)
Net income attributable to owners of the parent	101.5	77.3	71.3	124.3
Total dividend amount	50.0	37.3	35.2	30.8
Total assets	14,845.2	15,579.8	16,248.7	16,310.7
Loans	13,031.4	13,645.4	13,918.2	13,838.4
Securities	1,165.5	1,176.6	1,357.0	1,637.5
Total liabilities	12,435.2	13,118.8	13,710.1	13,682.9
Borrowed money	8,576.4	9,170.5	9,448.3	9,182.6
Debentures and corporate bonds	3,629.3	3,671.8	3,924.5	4,237.4
Total equity	2,409.9	2,461.0	2,538.5	2,627.7
Common stock	1,181.1	1,187.7	1,206.9	1,206.9
Capital adequacy ratio (Basel II, BIS standard)	20.50%	18.56%	—	—
Common equity Tier 1 capital ratio (Basel III, BIS standard)	—	—	14.93%	15.30%
Ratio of loan balance in risk-managed assets	1.28%	1.47%	1.23%	0.99%
Return on assets (ROA)	0.67%	0.51%	0.45%	0.76%
Return on equity (ROE)	4.31%	3.18%	2.86%	4.83%
Number of employees	1,203	1,270	1,315	1,391

Investment and fund–raising flow (non–consolidated)	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Loans and investments (flow)	2,116.6	2,927.0	2,652.4	2,943.3
Loans	2,034.4	2,849.0	2,524.5	2,805.1
Investments	82.2	78.0	127.8	138.2
Funds raised (flow)	2,116.6	2,927.0	2,652.4	2,943.3
Of which, recovered, etc.	1,212.8	691.7	502.2	1,307.5

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

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)	Fiscal 2021 (April 1, 2021 to March 31, 2022)
339.0	358.6	285.4	291.7	301.2	289.1	269.4	**310.3**
153.0	185.1	122.5	127.1	128.1	78.9	73.0	**86.1**
0.6	1.5	(0.0)	2.2	(1.3)	4.0	0.7	**2.3**
153.6	186.7	122.4	129.4	126.7	83.0	73.8	**88.5**
(58.9)	(57.6)	(34.6)	(35.0)	(33.5)	(31.5)	(26.9)	**(29.4)**
92.7	128.9	87.6	91.9	91.9	50.4	45.2	**57.6**
22.5	29.2	19.7	22.1	21.0	9.9	8.1	**15.6**
16,360.6	15,907.1	16,570.4	16,952.2	17,079.5	17,693.6	21,221.8	**21,508.5**
13,261.3	12,952.5	13,039.5	12,725.2	12,923.9	12,415.9	14,757.1	**14,346.1**
1,887.9	1,803.0	1,750.3	1,866.4	1,961.0	2,374.2	2,535.8	**3,034.4**
13,613.3	13,022.9	13,584.2	13,842.1	13,783.2	14,259.6	17,518.4	**17,676.5**
8,598.2	7,892.1	8,472.3	8,574.1	7,987.8	8,070.9	10,664.5	**10,573.6**
4,569.3	4,727.9	4,711.8	4,932.9	5,296.9	5,696.8	6,223.4	**6,392.3**
2,747.2	2,884.2	2,986.2	3,110.1	3,296.3	3,434.0	3,703.4	**3,832.0**
1,206.9	1,000.4	1,000.4	1,000.4	1,000.4	1,000.4	1,000.4	**1,000.4**
—	—	—	—	—	—	—	**—**
16.22%	17.54%	17.22%	16.81%	16.65%	17.26%	16.65%	**16.97%**
0.77%	0.64%	0.54%	0.47%	0.40%	0.46%	0.76%	**0.73%**
0.57%	0.80%	0.54%	0.55%	0.54%	0.29%	0.23%	**0.27%**
3.47%	4.60%	2.99%	3.03%	2.88%	1.51%	1.27%	**1.54%**
1,407	1,435	1,546	1,631	1,650	1,703	1,781	**1,809**
2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8	5,786.7	**3,222.6**
2,262.7	2,861.3	3,805.8	2,973.6	3,490.4	3,401.5	5,484.2	**2,994.6**
281.4	166.3	206.7	179.7	300.4	555.0	302.5	**227.9**
2,544.2	3,027.7	4,012.6	3,153.4	3,790.8	3,951.8	5,786.7	**3,222.6**
1,129.9	1,639.7	1,526.1	1,005.0	2,051.4	1,546.1	1,191.4	**1,078.0**

2014–2016	2017–2019	2020	2021–
Third Medium-Term Management Plan: Supporting Japan's Sustained Growth as a Global Innovator	Fourth Medium-Term Management Plan: Initiate Change, Create the Future	Crisis Response Operations during the COVID-19 pandemic	Fifth Medium-Term Management Plan Connect and Value Creation –Innovation for Sustainability–

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's 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, 2022)

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 joint-stock company, the global financial crisis and the Great East Japan Earthquake occurred. The Japanese government called on DBJ to steadily mount large-scale Crisis Response Operations. Due to these crises, the Development Bank of Japan Inc. Act (Act No. 85 of 2007) was amended twice, with DBJ accepting an additional increase in Japanese government capital. Also, by the end of fiscal 2014, the Japanese government was committed to reviewing 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 (see pages 82–98).

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 June 1, 2022)

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

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

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

The Chief Investment Management Office consists of the Corporate Planning & Coordination Department, the Business Planning & Coordination Department, the Credit Analysis Department, the Risk Management Department, and the 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 100 million yen;
      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 Replacement of Terms for Application of Provisions of Financial Instruments and Exchange Law

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 a “cooperative financial institution”)	(referred to as the “Cooperative Financial Institution”), 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 institution	Cooperative Financial Institution, Development Bank of Japan Inc.
Article 33-8, Paragraph 1	a financial institution are the financial institutions	is a financial institution that has obtained the authorization referred to in Article 1, paragraph (1) of the Act on Engagement in Trust Business by a Financial Institution, 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 SHEETS

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
As of March 31,	2022	2021	2022
Assets			
Cash and due from banks (Notes 2(c), 11, 14 and 28)	¥ 2,191,525	¥ 2,187,820	$ 17,906,083
Call loans and bills bought (Note 28)	705,000	684,000	5,760,275
Money held in trust (Notes 28 and 30)	15,021	17,856	122,732
Securities (Notes 3, 14, 28 and 30)	3,034,488	2,535,827	24,793,599
Loans (Notes 4, 5, 14 and 28)	14,346,188	14,757,131	117,216,996
Other assets (Notes 6, 11 and 14)	191,215	179,445	1,562,350
Tangible fixed assets (Notes 7, 11 and 14)	497,239	427,467	4,062,745
Intangible fixed assets (Notes 11 and 14)	37,554	39,400	306,842
Asset for retirement benefits (Note 23)	2,749	1,593	22,466
Deferred tax assets (Note 24)	14,307	2,572	116,900
Customers' liabilities for acceptances and guarantees (Note 13)	557,127	446,616	4,552,064
Allowance for loan losses (Notes 8 and 28)	(83,792)	(57,869)	(684,636)
Allowance for investment losses	(33)	(33)	(270)
Total assets	¥21,508,591	¥21,221,829	$175,738,145
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,339,098	¥ 3,483,570	$ 27,282,443
Borrowed money (Notes 10, 11, 14, 28 and 31)	10,573,681	10,664,537	86,393,345
Corporate bonds (Notes 9, 11, 14 and 28)	3,053,262	2,739,904	24,946,995
Other liabilities (Notes 12 and 31)	132,673	163,620	1,084,024
Accrued bonuses to employees	5,273	5,186	43,085
Accrued bonuses to directors	23	15	188
Liability for retirement benefits (Note 23)	8,212	8,195	67,098
Reserve for directors' retirement benefits	141	127	1,154
Reserve for contingent losses	0	—	2
Deferred tax liabilities (Note 24)	7,035	6,639	57,488
Acceptances and guarantees (Note 13)	557,127	446,616	4,552,064
Total liabilities	17,676,529	17,518,413	144,427,887
Equity:			
Common stock authorized, 160,000 thousand shares in 2022 and 2021; issued, 43,632 thousand shares in 2022 and 2021 (Note 15)	1,000,424	1,000,424	8,174,067
Crisis response reserve (Note 16)	206,529	206,529	1,687,466
Special investment reserve (Note 17)	1,543,000	1,368,000	12,607,239
Special investment surplus (Note 17)	22,438	28,172	183,337
Capital surplus (Note 15)	242,082	336,466	1,977,960
Retained earnings (Note 15)	750,175	695,697	6,129,384
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	42,298	40,733	345,601
Deferred gain on derivatives under hedge accounting	10,798	13,271	88,232
Foreign currency translation adjustments	(616)	(936)	(5,035)
Accumulated adjustments for retirement benefits (Note 23)	(1,036)	(693)	(8,465)
Total	3,816,094	3,687,663	31,179,786
Non-controlling interests	15,968	15,752	130,471
Total equity	3,832,062	3,703,415	31,310,258
Total liabilities and equity	¥21,508,591	¥21,221,829	$175,738,145

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the years ended March 31,	2022	2021	2022
Income			
Interest income:	¥ 170,480	¥159,422	$1,392,928
Interest on loans	127,803	132,099	1,044,231
Interest and dividends on securities	37,978	21,663	310,304
Interest on call loans and bills bought	71	120	585
Interest on due from banks	59	38	485
Interest on swaps	4,560	5,508	37,263
Other interest income	7	(7)	60
Fees and commissions	17,338	20,922	141,663
Other operating income (Note 19)	14,498	14,094	118,465
Other income (Note 20)	110,724	76,221	904,687
Total income	**313,042**	**270,661**	**2,557,743**
Expenses			
Interest expense:	46,049	55,357	376,248
Interest on debentures	19,401	21,743	158,523
Interest on call money and bills sold	(188)	(84)	(1,541)
Interest on payables under repurchase agreements	(100)	(69)	(821)
Interest on borrowed money (Note 31)	23,322	29,008	190,558
Interest on short-term corporate bonds	8	62	69
Interest on corporate bonds	3,418	4,504	27,930
Other interest expense	187	191	1,530
Fees and commissions	1,287	642	10,519
Other operating expenses (Note 21)	13,933	9,223	113,843
General and administrative expenses	58,045	56,726	474,270
Other expenses (Note 22)	105,219	74,910	859,710
Total expenses	**224,535**	**196,859**	**1,834,590**
Income before income taxes	**88,506**	**73,802**	**723,153**
Income taxes (Note 24):			
Current	40,011	32,852	326,921
Deferred	(10,603)	(5,865)	(86,641)
Total income taxes	**29,407**	**26,986**	**240,280**
Net income	**59,098**	**46,815**	**482,873**
Net income attributable to non-controlling interests	**1,486**	**1,568**	**12,143**
Net income attributable to owners of the parent	**¥ 57,612**	**¥ 45,246**	**$ 470,730**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 18)			
Basic net income	¥1,382.07	¥ 867.21	$ 11.29
Cash dividend applicable to the year	358	186	2.93

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the years ended March 31,	2022	2021	2022
Net income	**¥59,098**	**¥46,815**	**$482,873**
Other comprehensive (loss) income (Note 26):			
Unrealized (loss) gain on available-for-sale securities	(1,036)	17,499	(8,470)
Deferred loss on derivatives under hedge accounting	(3,710)	(5,476)	(30,320)
Foreign currency translation adjustments	304	146	2,487
Adjustments for retirement benefits	(344)	264	(2,813)
Share of other comprehensive income in affiliates accounted for by the equity method	2,000	1,074	16,346
Total other comprehensive (loss) income	**(2,786)**	**13,508**	**(22,769)**
Comprehensive income	**¥56,312**	**¥60,323**	**$460,103**
Total comprehensive income attributable to:			
Owners of the parent	¥54,806	¥58,761	$447,801
Non-controlling interests	1,505	1,561	12,302

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen					
For the year ended March 31, 2022	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	¥1,368,000	¥28,172	¥336,466	¥695,697
Cumulative effects of changes in accounting policies						(753)
Restated balance	¥1,000,424	¥206,529	¥1,368,000	¥28,172	¥336,466	¥694,944
Investment from government			80,000			
Transfer from capital surplus to special investment reserve			95,000		(95,000)	
Transfer from special investment surplus to retained earnings				(5,734)		5,734
Cash dividends						(8,115)
Net income attributable to owners of the parent						57,612
Changes due to purchases of treasury stock of subsidiaries					93	
Change in scope of consolidation					523	
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥1,543,000	¥22,438	¥242,082	¥750,175

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2022	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	¥40,773	¥13,271	¥(936)	¥ (693)	¥3,687,663	¥15,752	¥3,703,415
Cumulative effects of changes in accounting policies	1,876				1,123		1,123
Restated balance	¥42,609	¥13,271	¥(936)	¥ (693)	¥3,688,787	¥15,752	¥3,704,539
Investment from government					80,000		80,000
Transfer from capital surplus to special investment reserve							—
Transfer from special investment surplus to retained earnings							—
Cash dividends					(8,115)		(8,115)
Net income attributable to owners of the parent					57,612		57,612
Changes due to purchases of treasury stock of subsidiaries					93		93
Change in scope of consolidation					523		523
Net change during the year	(311)	(2,473)	320	(342)	(2,806)	216	(2,589)
Balance at end of year	¥42,298	¥10,798	¥(616)	¥(1,036)	¥3,816,094	¥15,968	¥3,832,062

	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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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

	Thousands of U.S. Dollars (Note 1)					
For the year ended March 31, 2022	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	$8,174,067	$1,687,466	$11,177,384	$230,188	$2,749,113	$5,684,267
Cumulative effects of changes in accounting policies						(6,154)
Restated balance	$8,174,067	$1,687,466	$11,177,384	$230,188	$2,749,113	$5,678,114
Investment from government			653,648			
Transfer from capital surplus to special investment reserve			776,207		(776,207)	
Transfer from special investment surplus to retained earnings				(46,850)		46,650
Cash dividends						(66,309)
Net income attributable to owners of the parent						470,730
Changes due to purchases of treasury stock of subsidiaries					760	
Change in scope of consolidation					4,275	
Net change during the year						
Balance at end of year	$8,174,067	$1,687,466	$12,607,239	$183,337	$1,977,960	$6,129,384

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
For the year ended March 31, 2022	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	$332,183	$108,439	$(7,654)	$(5,699)	$30,130,433	$128,704	$30,259,137
Cumulative effects of changes in accounting policies	15,332				9,179		9,179
Restated balance	$348,146	$108,439	$(7,654)	$(5,699)	$30,139,612	$128,704	$30,268,316
Investment from government					653,648		653,648
Transfer from capital surplus to special investment reserve							—
Transfer from special investment surplus to retained earnings							—
Cash dividends					(66,309)		(66,309)
Net income attributable to owners of the parent					470,730		470,730
Changes due to purchases of treasury stock of subsidiaries					760		760
Change in scope of consolidation					4,275		4,275
Net change during the year	(2,545)	(20,207)	2,619	(2,795)	(22,928)	1,767	(21,161)
Balance at end of year	$345,601	$ 88,232	$(5,035)	$(8,465)	$31,179,786	$130,471	$31,310,258

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the years ended March 31,	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 88,506	¥ 73,802	$ 723,153
Adjustments for:			
Depreciation	15,072	14,862	123,148
Amortization of goodwill	1,820	1,820	14,875
Losses on impairment of long-lived assets	266	324	2,178
Equity in (earnings) losses of affiliates	(2,588)	6,908	(21,146)
Interest income	(170,480)	(159,422)	(1,392,928)
Interest expense	46,049	55,357	376,248
Gain on securities – net	(18,873)	(23,214)	(154,211)
Gain on money held in trust – net	(1,059)	(792)	(8,658)
Foreign exchange gains	(22,000)	(13,426)	(179,756)
Gain on sales of fixed assets – net	(2,215)	(1,029)	(18,098)
Changes in operating assets and liabilities:			
Allowance for loan losses	25,922	22,340	211,802
Allowance for investment losses	(0)	(3)	(2)
Accrued bonuses to employees	85	(159)	699
Accrued bonuses to directors	7	—	64
Asset for retirement benefits	(1,156)	(329)	(9,446)
Liability for retirement benefits	16	103	137
Reserve for contingent losses	0	—	2
Loans	411,523	(2,341,056)	3,362,399
Debentures	(144,472)	168,914	(1,180,424)
Borrowed money	(90,855)	2,593,588	(742,345)
Corporate bonds	313,357	357,678	2,560,323
Due from banks (excluding cash equivalents)	(191)	19,999	(1,564)
Call loans and bills bought	(21,000)	36,000	(171,583)
Interest received	169,746	156,479	1,386,932
Interest paid	(47,207)	(59,010)	(385,713)
Other – net	(59,862)	(60,890)	(489,113)
Sub-total	490,413	848,844	4,006,972
Payments for income taxes	(42,058)	(25,848)	(343,644)
Net cash provided by operating activities	**448,354**	**822,995**	**3,663,328**
Cash flows from investing activities:			
Payments for purchases of securities	(799,793)	(368,417)	(6,534,797)
Proceeds from sales of securities	28,449	56,527	232,451
Proceeds from redemption of securities	332,473	201,873	2,716,508
Payments for increase of money held in trust	(2,531)	(944)	(20,684)
Proceeds from decrease of money held in trust	7,755	4,199	63,365
Payments for purchases of tangible fixed assets	(86,406)	(18,228)	(705,990)
Proceeds from sales of tangible fixed assets	7,044	4,761	57,560
Payments for purchases of intangible fixed assets	(4,581)	(3,221)	(37,436)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	294	—	2,403
Proceeds from sales of intangible fixed assets	—	1	—
Net cash used in investing activities	**(517,295)**	**(123,449)**	**(4,226,620)**
Cash flows from financing activities:			
Proceeds from investment from government	80,000	220,000	653,648
Payments for cash dividends	(8,115)	(9,948)	(66,309)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	2,421	34	19,781
Payments to non-controlling shareholders for capital reduction	(435)	—	(3,554)
Dividends paid to non-controlling shareholders of subsidiaries	(2,686)	(1,340)	(21,953)
Payments for purchases of treasury stock of subsidiaries	(111)	—	(912)
Payments for purchases of stocks of subsidiaries not resulting in change in scope of consolidation	(101)	—	(832)
Net cash provided by financing activities	**70,970**	**208,745**	**579,870**
Foreign currency translation adjustments on cash and cash equivalents	**938**	**572**	**7,669**
Net change in cash and cash equivalents	**2,967**	**908,864**	**24,247**
Cash and cash equivalents at beginning of year	**2,141,734**	**1,232,869**	**17,499,260**
Increase in cash and cash equivalents due to merger	**545**	**—**	**4,455**
Cash and cash equivalents at end of year (Note 2(c))	**¥2,145,247**	**¥ 2,141,734**	**$17,527,962**

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 the 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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥122.39 = $1.00, the effective exchange rate prevailing as of March 31, 2022, 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., is able to directly or indirectly exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force ("PITF") 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, 2022 was 45. The major consolidated subsidiaries as of March 31, 2022 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.
DBJ Business Support Co., Ltd.

In the year ended March 31, 2022, South Tower Global Infrastructure Investments & Finance, L.P., four companies including a silent partnership managed by Honmachi Properties Godo Kaisha and DBJ Business Support Co., Ltd. were newly consolidated due to an increase in materiality, new investments and an increase in ownership interest, respectively.

(ii) Unconsolidated subsidiaries
The number of unconsolidated subsidiaries as of March 31, 2022 was 47. The major unconsolidated subsidiary as of March 31, 2022 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.
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 accounted for by the equity method
Not applicable.

(ii) 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, 2022 was 47.
The major unconsolidated subsidiary not accounted for by the equity method was DBJ Regional Investment Co., Ltd.

(iii) Affiliates accounted for by the equity method
The number of affiliates accounted for by the equity method as of March 31, 2022 was 27. One of the major affiliates accounted for by the equity method as of March 31, 2022 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:
Mezzanine Solution II Limited Partnership was excluded from the scope of the equity method accounting due to liquidation in the year ended March 31, 2022.

(iv) Affiliates not accounted for by the equity method
The number of affiliates not accounted for by the equity method as of March 31, 2022 was 124. One of the major affiliates as of March 31, 2022 was Arc Japan Inc.
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.

(v) 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, 2022

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.
HIROFU CO., LTD.
Art Japan Co., Ltd.
SHIMONO CO., LTD.
MIYATAKE SEISAKUSHO CO., LTD.
KOJIMA MANUFACTURING CO., LTD.

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries
	2022
December 31	38
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.

(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
	2022	2021	2022
Cash and due from banks	¥2,191,525	¥2,187,820	$17,906,083
Time deposits with banks	(46,278)	(46,086)	(378,121)
Cash and cash equivalents	¥2,145,247	¥2,141,734	$17,527,962

(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. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost 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. Non-marketable equity securities 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 fair value. The fair value is determined as a unit for the group of financial assets and financial liabilities based on net assets or liabilities after offsetting financial assets or liabilities regarding specified market risk or specified credit risk.

(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 March 17, 2022; 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, 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 initial 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 of loans, etc., which is calculated based on the average default rate in a certain historical period, added with adjustments as necessary considering 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 ¥7,134 million ($58,291 thousand) and ¥13,226 million for the years ended March 31, 2022 and 2021, 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, 2022 and 2021.

(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 within 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) Reserve for Contingent Losses

"Reserve for Contingent Losses" is provided for possible contingent losses on loan commitment limits based on individually estimated losses.

(q) Lease Transactions

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

(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, 2022 and 2021.

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, 2022 and 2021 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

DBJ Inc. and its consolidated subsidiaries (hereinafter the "Group") consider allowance for loan losses to be significant in accounting estimates since loans account for a relatively high portion of the consolidated balance sheet of the Group and the recording of allowance for loan losses has a significant impact on the operating results and financial positions.

(1) Allowances for loan losses of ¥83,792 million ($684,636 thousand) and ¥57,869 million were recorded in the consolidated financial statements as of March 31, 2022 and 2021, respectively.

(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, which has caused adverse effects of worsening business results, etc. in the wide range of industries such as transportation and traffic fields and industrial fields, 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 individually classified debtors or future cash flows under the cash flow estimation method as needed.

These are decided based on the best estimates and judgments 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 non-marketable equity securities

The Group considers that the valuation of non-marketable equity securities is significant in accounting estimates, since the materiality of unlisted equity securities, etc. is relatively higher in the consolidated balance sheet of the Group and generally accounting for impairment losses on non-marketable equity securities has a significant impact on the operating results and financial positions.

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

It is stated under Note 28 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

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

Information regarding non-marketable equity securities is disclosed in (Note 3) under Note 28 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES." When substantial value significantly declines relative to the carrying amount, an impairment loss or allowance for investment losses is recognized, unless recoverability of substantial value is supported by sufficient evidence. Determining that recoverability of substantial value 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) Changes in Accounting Policies

(Accounting Standards for Fair Value Measurement)

Effective the beginning of the year ended March 31, 2022, DBJ Inc. has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019), etc. and changed the risk adjustment method in the fair value measurement of derivatives to the method to maximize the use of observable inputs estimated from derivatives traded in the market pursuant to Paragraph 8 of ASBJ Statement No. 30. In addition, pursuant to the transitional treatment provided in Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on July 4, 2019), DBJ Inc. began determining the fair value of securities which are extremely difficult to identify the fair value other than non-marketable equity securities.

Such changes came after the adoption of Accounting Standard for Fair Value Measurement, etc. Pursuant to the transitional treatment provided in the second sentence of Paragraph 20 of Accounting Standard for Fair Value Measurement, DBJ Inc. reflected cumulative effects of applying the new accounting policy retroactively to the period before the beginning of the year ended March 31, 2022 in retained earnings and accumulated other comprehensive income at the beginning of the year ended March 31, 2022. As a result, retained earnings as of April 1, 2021 decreased by ¥753 million ($6,154 thousand), unrealized gain on available-for-sale securities increased by ¥1,876 million ($15,332 thousand), securities increased by ¥2,704 million ($22,099 thousand), other assets decreased by ¥1,085 million ($8,869 thousand) and deferred tax liabilities increased by ¥495 million ($4,051 thousand).

In addition, DBJ Inc. decided to disclose details by level of the fair value of financial instruments. However, pursuant to the transitional treatment provided in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on July 4, 2019), the related notes for the fiscal year ended March 31, 2021 are not presented.

(v) New Accounting Pronouncement

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Revised Guidance No. 31 issued on June 17, 2021; hereinafter “Fair Value Measurement Guidance”)

The ASBJ published the Fair Value Measurement Standards, etc. on July 4, 2019 as an effort to ensure consistency between Japanese accounting standards and the international accounting standards regarding guidance and disclosures about the fair value of financial instruments.

In the Fair Value Measurement Guidance, it was decided that the ASBJ will take approximately one year to study the measurement of fair value of investment trusts after the issuance of Fair Value Measurement Standard since it is considered that the study would need a certain period of time for discussions, etc. with the related parties, and that the ASBJ will determine the timing of application of the said amendment when the treatment of investment trust will be amended.

Furthermore, notes on fair value of investments in partnerships, etc. in which the net amount of equity interest is recorded on the balance sheet (Paragraph 132 and 308 of Statement No. 14 of JICPA Accounting Practice Committee (Practical Guidelines on Accounting Standards for Financial Instruments)) had been discussed by the ASBJ since it requires a certain level of study, and the revised implementation guidance has been published this time as deemed consistent with the Fair Value Measurement Standard.

DBJ Inc. expects to apply the Fair Value Measurement Guidance effective April 1, 2022 and is in the process of measuring the effects of the amendment to the Fair Value Measurement Guidance on the consolidated financial statements.

3. SECURITIES

Securities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Japanese government bonds*3	¥ 295,774	¥ 129,047	$ 2,416,656
Corporate bonds*2	819,041	812,512	6,692,060
Equities*1	835,435	822,641	6,826,013
Other securities*1	1,084,237	771,626	8,858,871
Total	¥3,034,488	¥2,535,827	$24,793,599

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2022 and 2021, are ¥63,687 million ($520,367 thousand) and ¥59,854 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2022 and 2021, are ¥176,100 million ($1,438,847 thousand) and ¥203,022 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 ¥3,488 million ($28,500 thousand) and ¥4,022 million as of March 31, 2022 and 2021, respectively.
*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥35,014 million ($286,086 thousand) and ¥32,348 million as of March 31, 2022 and 2021, respectively.

Impairment losses on securities:
Securities available-for-sale (excluding non-marketable equity securities), 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 not recognized on securities for the year ended March 31, 2022 and recognized on other securities in an amount of ¥110 million for the year ended March 31, 2021.

4. NON-PERFORMING LOANS

Claims based on the Banking Act and the Act on Emergency Measures for the Reconstruction of the Financial Functions are as follows:

Claims are defined as corporate bonds included in "Securities" in the consolidated balance sheet (the whole or part of the redemption of the principal and payment of interest are guaranteed and limited to the corporate bonds issued through private placement of the securities (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans, other assets and customers' liabilities for acceptances and guarantees.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Claims under bankruptcy/rehabilitation or similar proceedings	¥ 6,368	¥ 34,543	$ 52,033
Doubtful claims	72,913	47,047	595,747
Loans past due three months or more	—	—	—
Restructured loans	25,213	30,999	206,013
Sub-total	¥ 104,495	¥ 112,590	$ 853,792
Performing loans	14,818,439	15,111,860	121,075,571
Total	¥14,922,934	¥15,224,450	$121,929,363

Claims under bankruptcy/rehabilitation or similar proceedings are claims to debtors under bankruptcy or similar proceedings due to reasons such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, and petition for commencement of rehabilitation proceedings.

Doubtful claims are claims for which it is highly probable that the principal and interest cannot be collected and received according to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not yet gone bankrupt, and which do not fall in the category of claims under bankruptcy/rehabilitation or similar proceedings.

Loans past due three months or more are loans whose principal or interest payment is three month or more past due from the contract due date, and which do not fall under the category of claims under bankruptcy/rehabilitation or similar proceeds nor doubtful claims.

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 which do not fall under any of the above categories.

Performing loans are those which do not have any problem with the debtors' financial positions and operating performance, and are not classified in any of the above categories.

The amounts of above claims are presented before deducting allowance for loan losses.

(Change in presentation method)

Following the enforcement of the "Cabinet Office Ordinance for Partial Revision to the Ordinance for Enforcement of the Banking Act, etc." (Cabinet Office Ordinance No. 3 issued on January 24, 2020) effective on March 31, 2022, the categories of "Non-performing loans" of the Banking Act are presented in accordance with the disclosure requirements based on the Act on Emergency Measures for the Reconstruction of the Financial Functions.

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, 2022 and 2021, the amounts of unused commitments are ¥735,389 million ($6,008,577 thousand) and ¥798,060 million, respectively. As of March 31, 2022 and 2021, the amounts of unused commitments with remaining contract term within one year are ¥570,114 million ($4,658,176 thousand) and ¥568,245 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 the Group 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, the Group obtains liens on customers' real estate, securities or other assets as collateral as deemed necessary. Subsequently, the Group performs 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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prepaid expenses	¥ 5,891	¥ 3,842	$ 48,138
Accrued income	24,146	25,076	197,291
Derivatives	55,634	76,438	454,569
Cash collateral paid for financial instruments	40,465	13,326	330,625
Margin deposits with the central clearing house	26,054	24,022	212,880
Other	39,023	36,739	318,846
Total	¥191,215	¥179,445	$1,562,350

7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings	¥ 17,780	¥ 17,953	$ 145,273
Land	90,037	90,151	735,657
Leased assets	529	586	4,325
Construction in progress	37	285	304
Other	388,855	318,491	3,177,185
Total	¥497,239	¥427,467	$4,062,745

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2022 and 2021, is ¥58,408 million ($477,233 thousand) and ¥48,099 million, respectively.

8. ALLOWANCE FOR LOAN LOSSES

Allowance for loan losses as of March 31, 2022 and 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
General allowance for loan losses	¥30,675	¥29,098	$250,636
Specific allowance for loan losses	53,117	28,771	434,000
Total	¥83,792	¥57,869	$684,636

9. DEBENTURES AND CORPORATE BONDS

Debentures and corporate bonds as of March 31, 2022 and 2021 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
(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	¥ 119,998 [90,005]	¥ 210,002	$ 980,462 [735,399]
Japanese government-guaranteed bonds 3, 4, 11, 14, 16, 19, 22, 23, 26, 28–44, 46, 48–73	Dec. 2008–Nov. 2021	0.001–2.1	Jun. 2021–Jun. 2061	1,195,597 [150,026]	1,510,937	9,768,754 [1,225,803]
Japanese government-guaranteed foreign bond 67*2, 7	Sep. 1998	1.81	Sep. 2028	25,026	25,030	204,479
Japanese government-guaranteed foreign bonds 5–7, 10, 11, 14*1, 7	Dec. 2002–Nov. 2007	1.05–4.75	Sep. 2022–Nov. 2027	369,015 [105,033]	369,016	3,015,077 [858,186]
Japanese government-guaranteed Euro MTN bonds 10, 12–25*3	Sep. 2014–Oct. 2021	0.5–3.25	Sep. 2021–Oct. 2031	1,552,486 [122,336]	1,291,611	12,684,747 [999,565]
FILP agency domestic bonds 31, 34–36, 42 *4, 7	Mar. 2007–Dec. 2007	2.23–2.74	May 2027–Mar. 2047	74,974	74,972	612,583
Euro MTN FILP agency bond 2*4, 5, 7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	16,341
Corporate bonds						
Corporate bonds through public placement 31, 40, 47, 50, 57, 60, 63, 65, 66, 68, 69, 71, 72, 74, 75, 77-79, 81-83, 85, 86, 88–153	Nov. 2012–Jan. 2022	0–1.183	Jun. 2021–Apr. 2071	1,691,403 [175,600]	1,522,001	13,819,783 [1,434,760]
Corporate bonds through private placement 3–6, 8–21, 23–25, 27, 28, 31, 34, 35, 39–42, 44–48, 52–69, 71–127	Feb. 2015–Jan. 2022	0.001–1.16	Apr. 2021–Mar. 2058	426,500 [70,000]	427,000	3,484,767 [571,943]
Corporate bonds Euro MTN 45, 48, 49, 52, 54, 55, 57, 60–90*6	Oct. 2013–Feb. 2022	0.01–3.749	Apr. 2021–May 2049	930,233 [140,547]	785,777	7,600,571 [1,148,357]
(Issuer: Core Investment Japan TMK)						
Specified corporate bond 3*8	Jun. 2019	0.25727	Jun. 2026	5,000	5,000	40,853
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bond 5*8	Sep. 2019	0.35727	Sep. 2026	125	125	1,021
Total				¥6,392,360	¥6,223,475	$52,229,438

*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, 2022 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,	2023	¥853,549	¥ —	$6,974,013	$ —
	2024	868,776	—	7,098,430	—
	2025	987,528	—	8,068,700	—
	2026	782,606	—	6,394,366	—
	2027	674,482	5,125	5,510,925	41,874

10. BORROWED MONEY

Borrowed money as of March 31, 2022 and 2021 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2022	2021	2022
Borrowings	0.199	Apr. 2022–Nov. 2041	¥10,370,144	¥10,479,970	$84,730,324
Non-recourse borrowings	0.715	Apr. 2022–Dec. 2036	203,537	184,566	1,663,021
Total	0.209		¥10,573,681	¥10,664,537	$86,393,345

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2022 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,	2023	¥1,144,228	¥ 7,695	$9,349,038	$ 62,876
	2024	930,191	7,259	7,600,224	59,313
	2025	973,664	6,513	7,955,424	53,219
	2026	1,047,858	71,325	8,561,632	582,776
	2027	1,014,291	35,137	8,287,370	287,097

11. NON-RECOURSE DEBTS

Non-recourse debts in consolidated special purpose companies as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-recourse debts:			
Borrowed money	¥203,537	¥184,566	$1,663,021
Corporate bonds	5,125	5,125	41,874
Assets corresponding to non-recourse debts:			
Cash and due from banks	17,454	13,410	142,615
Other assets	2,650	3,412	21,656
Tangible fixed assets	266,545	225,666	2,177,836
Intangible fixed assets	4,564	4,847	37,294

12. OTHER LIABILITIES

Other liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Accrued expenses	¥ 9,956	¥ 10,300	$ 81,350
Unearned income	658	516	5,382
Accrued income taxes	16,040	17,599	131,059
Derivatives	22,797	29,523	186,268
Lease obligations	454	511	3,714
Asset retirement obligations	5,900	5,768	48,214
Other	76,865	99,401	628,039
Total	¥132,673	¥163,620	$1,084,024

13. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Guarantees	¥557,127	¥446,616	$4,552,064

14. ASSETS PLEDGED AS COLLATERAL

Cash and due from banks of ¥17,454 million ($142,615 thousand), other assets of ¥2,650 million ($21,656 thousand), tangible fixed assets of ¥266,545 million ($2,177,836 thousand) and intangible fixed assets of ¥4,564 million ($37,294 thousand) are pledged as collateral for borrowed money of ¥203,537 million ($1,663,021 thousand) and corporate bonds of ¥5,125 million ($41,874 thousand) as of March 31, 2022.

Cash and due from banks of ¥13,410 million, other assets of ¥3,412 million, tangible fixed assets of ¥225,666 million and intangible fixed assets of ¥4,847 million are pledged as collateral for borrowed money of ¥184,566 million and corporate bonds of ¥5,125 million 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 ¥213,178 million ($1,741,799 thousand) and ¥694,953 million ($5,678,190 thousand), as of March 31, 2022, respectively. Such securities and loans are pledged as collateral for transactions, including exchange settlements as of March 31, 2022. On behalf of the investees who borrow from third parties, ¥15,064 million ($123,085 thousand) of securities are pledged as collateral as of March 31, 2022. Additionally, ¥40,465 million ($330,625 thousand) of cash collateral paid for financial instruments and ¥26,054 million ($212,880 thousand) of margin deposits with the central clearing house are included in other assets as of March 31, 2022. 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 ¥591,289 million ($4,831,187 thousand) as of March 31, 2022.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥169,189 million and ¥840,231 million, 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 of securities are pledged as collateral as of March 31, 2021. Additionally, ¥13,326 million of cash collateral paid for financial instruments and ¥24,022 million 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 as of March 31, 2021.

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 appropriated 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 of 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 a 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, 2022 and 2021 and basic net income per common share (“EPS”) for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
March 31, 2022	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	¥3,832,062			
Items deducted from total equity	957,025			
(Crisis response reserve)	206,529			
(Special investment reserve attributable to the National Treasury)	724,000			
(Special investment surplus attributable to the National Treasury)	10,528			
(Non-controlling interests)	15,968			
Equity related to common stock	¥2,875,036	43,632	¥65,892.29	$538.38
March 31, 2021				
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	

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
March 31, 2022	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income (loss) attributable to owners of the parent	¥57,612			
Net income (loss) not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	(2,690)			
Net income (loss) attributable to owners of the parent related to common stock	¥60,303	43,632	¥1,382.07	$11.29
March 31, 2021				
Basic EPS				
Net income (loss) attributable to owners of the parent	¥45,246			
Net income (loss) not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	7,408			
Net income (loss) attributable to owners of the parent related to common stock	¥37,838	43,632	¥ 867.21	

Note: Diluted net income per share for the years ended March 31, 2022 and 2021 is not disclosed because there are no dilutive securities.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2022 and 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Foreign exchange gains	¥14,498	¥ —	$118,465
Gains on derivatives	—	13,838	—
Other	—	256	—
Total	¥14,498	¥14,094	$118,465

20. OTHER INCOME

Other income for the years ended March 31, 2022 and 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gains on sales of equities and other securities	¥ 8,150	¥23,515	$ 66,592
Gains on redemption of securities	1,116	359	9,121
Equity in earnings of affiliates	2,588	—	21,146
Gains on sales of fixed assets	2,268	1,199	18,537
Collection of written-off claims	3,052	423	24,942
Gains on investments in limited partnerships and other similar partnerships	59,265	21,652	484,236
Rental income on land and buildings	13,588	12,520	111,025
Sales of electric power	12,080	10,946	98,704
Other	8,614	5,605	70,382
Total	¥110,724	¥76,221	$904,687

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Foreign exchange losses	¥ —	¥6,909	$ —
Debenture issuance costs	506	936	4,134
Corporate bonds issuance costs	1,137	1,263	9,298
Losses on derivatives	12,288	—	100,405
Other	0	114	6
Total	¥13,933	¥9,223	$113,843

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Write-off of equities	¥ 41,760	¥ 9,352	$341,212
Equity in losses of affiliates	—	6,908	—
Losses on investments in limited partnerships and other similar partnerships	7,743	12,762	63,272
Depreciation	9,091	8,954	74,283
Provision of allowance for loan losses	34,794	23,970	284,295
Other	11,828	12,962	96,648
Total	¥105,219	¥74,910	$859,710

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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥37,267	¥36,167	$304,498
Service cost	1,648	1,591	13,467
Interest cost	406	393	3,318
Actuarial losses	451	931	3,687
Benefits paid	(1,852)	(1,816)	(15,139)
Other	42	—	349
Balance at end of year	¥37,963	¥37,267	$310,181

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥30,665	¥29,338	$250,557
Expected return on plan assets	153	146	1,253
Actuarial (losses) gains	(177)	1,108	(1,450)
Contributions from the employer	2,691	965	21,990
Benefits paid	(832)	(894)	(6,800)
Balance at end of year	¥32,500	¥30,665	$265,549

(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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded retirement benefit obligations	¥ 29,750	¥ 29,072	$ 243,083
Plan assets	(32,500)	(30,665)	(265,549)
	(2,749)	(1,593)	(22,466)
Unfunded retirement benefit obligations	8,212	8,195	67,098
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,462	¥ 6,601	$ 44,632
Liability for retirement benefits	¥ 8,212	¥ 8,195	$ 67,098
Asset for retirement benefits	(2,749)	(1,593)	(22,466)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,462	¥ 6,601	$ 44,632

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥1,648	¥1,591	$13,467
Interest cost	406	393	3,318
Expected return on plan assets	(153)	(146)	(1,253)
Amortization of net actuarial losses	128	196	1,047
Amortization of prior service cost	4	7	36
Net periodic retirement benefit costs	¥2,033	¥2,042	$16,616

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 4	¥ 7	$ 36
Actuarial (losses) gains	(500)	373	(4,090)
Total	¥(496)	¥381	$(4,054)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ —	¥ (4)	$ —
Unrecognized actuarial losses	(1,480)	(980)	(12,099)
Total	¥(1,480)	¥(984)	$(12,099)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2022 and 2021 consisted of the following:

	2022	2021
Debentures	86%	73%
Equity	12%	13%
Others	2%	14%
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, 2022 and 2021 were set forth as follows:

	2022	2021
Discount rate	1.1%	1.1%
Expected salary increase rate	2.1%–6.7%	2.1%–6.7%
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, 2022 and 2021 are ¥297 million ($2,433 thousand) and ¥273 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, 2022 and 2021.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2022 and 2021 is as follows:

	2022	2021
Normal effective statutory tax rate	30.62%	30.62%
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	4.36%	2.38%
Equity in earnings of affiliates	(0.89)%	2.86%
Other	(0.87)%	0.70%
Actual effective tax rate	33.22%	36.56%

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥ 27,265	¥ 20,153	$ 222,771
Losses from revaluation of securities	35,211	25,159	287,701
Excess of fair value over assets of consolidated subsidiaries	3,120	3,120	25,499
Liability for retirement benefits	2,021	2,027	16,521
Tax goodwill	994	1,135	8,130
Tax loss carryforwards	12,329	7,275	100,737
Other	19,119	16,357	156,218
Sub-total	100,063	75,229	817,577
Less-valuation allowance on total of temporary differences deductible in future periods	(51,830)	(47,967)	(423,490)
Sub-total*1	(51,830)	(47,967)	(423,490)
Total	48,232	27,262	394,086
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(16,322)	(16,282)	(133,367)
Deferred gain on derivatives under hedge accounting	(3,867)	(5,962)	(31,601)
Other	(20,770)	(9,084)	(169,706)
Total	(40,960)	(31,328)	(334,674)
Net deferred tax assets (liabilities)*2	¥ 7,271	¥ (4,066)	$ 59,412

*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
	2022	2021	2022
Deferred tax assets	¥14,307	¥ 2,572	$116,900
Deferred tax liabilities	(7,035)	(6,639)	(57,488)

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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥1,593	¥1,710	$13,018
Due after 1 year	5,383	6,251	43,989
Total	¥6,977	¥7,961	$57,007

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥ 7,713	¥ 5,695	$ 63,024
Due after 1 year	38,306	18,322	312,989
Total	¥46,020	¥24,017	$376,013

26. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized (loss) gain on available-for-sale securities:			
Gain arising during the year	¥ 6,989	¥ 37,501	$ 57,107
Reclassification adjustments to profit or loss	(7,881)	(11,129)	(64,395)
Amount before income tax effect	(891)	26,372	(7,288)
Income tax effect	(144)	(8,872)	(1,182)
Total	(1,036)	17,499	(8,470)
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	(7,844)	(2,682)	(64,096)
Reclassification adjustments to profit or loss	(4,154)	(5,210)	(33,944)
Amount before income tax effect	(11,999)	(7,893)	(98,040)
Income tax effect	8,288	2,417	67,720
Total	(3,710)	(5,476)	(30,320)
Foreign currency translation adjustments:			
Adjustments arising during the year	304	146	2,487
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	304	146	2,487
Income tax effect	—	—	—
Total	304	146	2,487
Adjustments for retirement benefits:			
Adjustments arising during the year	(628)	177	(5,137)
Reclassification adjustments to profit or loss	132	204	1,083
Amount before income tax effect	(496)	381	(4,054)
Income tax effect	151	(116)	1,241
Total	(344)	264	(2,813)
Share of other comprehensive income in affiliates accounted for by the equity method:			
Gain arising during the year	5,606	879	45,812
Reclassification adjustments to profit or loss	(3,606)	194	(29,466)
Amount before income tax effect	2,000	1,074	16,346
Income tax effect	—	—	—
Total	2,000	1,074	16,346
Total other comprehensive (loss) income	¥ (2,786)	¥ 13,508	$(22,769)

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, 2022 and 2021 is following:

	Millions of Yen			
Year ended March 31, 2022	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥130,856	¥106,510	¥72,982	¥310,349

	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

	Thousands of U.S. Dollars			
Year ended March 31, 2022	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,069,173	$870,255	$596,315	$2,535,742

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, real estate, article leasing, and others as of March 31, 2022. The changes of economic circumstances surrounding these industries may influence the fulfillment of their obligations. DBJ Inc. holds securities such as bonds, equities and investments in limited partnerships and other similar partnerships, which are exposed to issuer's credit risk, interest rate risk, price volatility risk and other risks. DBJ Inc. does not have any trading-related risk because it does not engage in trading (specified transactions).

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

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

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

(3) Risk Management for Financial Instruments

(i) Credit Risk Management

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

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

(ii) Market Risk Management

1) Interest Rate Risk Management

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

2) Foreign Exchange Risk Management

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

3) Price Volatility Risk Management

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

4) Derivative Transactions

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

5) Quantitative Information about Market Risk

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

Market risk exposure (estimated loss) is based on VaR methods through interest rate sensitivity analyses (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, 2022 and 2021 was ¥43,610 million ($356,316 thousand) and ¥61,135 million, respectively. Such measurements are conducted by the risk management department on a regular basis and reported to the ALM & Risk Management Committee to utilize for establishing ALM operating policies.

VaR or 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

Because certain assumptions are used in calculating the fair value of financial instruments, an assessed price could differ if different assumptions are used.

(b) Matters concerning Fair Value of Financial Instruments and Breakdown by Fair Value Hierarchy

The following tables summarize the amount stated on consolidated balance sheets and the fair value of financial instruments as of March 31, 2022 and March 31, 2021 together with their difference and the fair value of financial instruments by level within the fair value hierarchy as of March 31, 2022 and March 31, 2021.

The following tables do not include non-marketable equity securities and investment in partnerships and others (See Note 3.).

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used for fair value measurement.

Level 1: Fair value determined based on the unadjusted quoted price in the active market for the same asset or liability
Level 2: Fair value determined based on observable inputs other than the Level 1 inputs, either directly or indirectly
Level 3: Fair value determined based on significant unobservable inputs

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

	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	¥ —

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

(1) Financial Assets and Liabilities Stated at Fair Value on the Consolidated Balance Sheets

	Millions of Yen			
	March 31, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities*1:				
Japanese government bonds	¥215,440	¥ —	¥ —	¥ 215,440
Corporate bonds	—	593,032	28,351	621,384
Equity securities	57,464	501	322,193	380,158
Other	—	6,116	22,133	28,249
Total assets	¥272,904	¥599,649	¥372,678	¥1,245,232
Derivatives*2,*3,*4				
Interest related instruments	¥ —	¥ 24,855	¥ —	¥ 24,855
Currency related instruments	—	7,981	—	7,981
Total derivatives	¥ —	¥ 32,837	¥ —	¥ 32,837

	Thousands of U.S. Dollars			
	March 31, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities*1:				
Japanese government bonds	$1,760,278	$ —	$ —	$ 1,760,278
Corporate bonds	—	4,845,431	231,651	5,077,082
Equity securities	469,518	4,093	2,632,514	3,106,125
Other	—	49,973	180,840	230,813
Total assets	$2,229,795	$4,899,497	$3,045,006	$10,174,298
Derivatives*2,*3,*4				
Interest related instruments	$ —	$ 203,086	$ —	$ 203,086
Currency related instruments	—	65,215	—	65,215
Total derivatives	$ —	$ 268,301	$ —	$ 268,301

*1. Pursuant to Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019), the investment trusts to which the transitional treatment is applied are not included in the above table. Such investment trusts were ¥123,081 million ($1,005,653 thousand) of financial assets in the consolidated balance sheet.
*2. Assets and liabilities arising from derivative transactions are presented on a net basis. Total amounts, which are net liabilities, are presented in parentheses.
*3. Derivative transactions to which hedge accounting is applied are ¥(2,287) million ($(18,687) thousand) in the consolidated balance sheet.
*4. Derivatives to which hedge accounting is applied are interest rate swaps, etc. designated as hedging instruments to offset market fluctuations of debentures, borrowed money, corporate bonds and loans, etc. as hedged items, and are mainly applied by the accrual method. Of these hedging relationships, PITF No. 40, the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (March 17, 2022) is applied to all the hedging relationships subject to PITF No. 40.

(2) Financial Assets and Financial Liabilities, Which Are Not Stated at Fair Value on the Consolidated Balance Sheets

Cash and due from banks, call loans, bills bought, payable under repurchase agreements, and short-term foreign currency-denominated sovereign bonds included in "Securities" are not included the following since they are short-term (within one year), and their carrying amounts approximate their fair values.

	Millions of Yen					
	March 31, 2022					
	Fair Value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Money held in trust	¥ —	¥ 1,820	¥ 13,255	¥ 15,075	¥ 15,021	¥ 54
Securities:						
Held-to-maturity debt securities:						
Japanese government bonds	83,152	—	—	83,152	80,334	2,818
Corporate bonds	—	499	201,196	201,695	197,657	4,038
Other	—	—	85,958	85,958	82,979	2,978
Shares in affiliates	2,104	—	—	2,104	3,106	(1,002)
Loans*1	—	—	14,554,560	14,554,560	14,262,553	292,007
Other assets	—	—	36,115	36,115	23,822	12,293
Total assets	¥85,256	¥ 2,319	¥14,891,086	¥14,978,662	¥14,665,474	¥ 313,188
Debentures	¥ —	¥ 3,382,813	¥ —	¥ 3,382,813	¥ 3,339,098	¥ 43,715
Borrowed money	—	10,267,486	196,685	10,464,172	10,573,681	(109,509)
Corporate bonds	—	3,033,922	5,125	3,039,047	3,053,262	(14,215)
Total liabilities	¥ —	¥16,684,222	¥ 201,810	¥16,886,032	¥16,966,042	¥ (80,009)

*1. Allowances for credit losses of ¥83,634 million are deducted.

	Thousands of U.S. Dollars					
	March 31, 2022					
	Fair Value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Money held in trust	$ —	$ 14,871	$ 108,308	$ 123,179	$ 122,732	$ 447
Securities:						
Held-to-maturity debt securities:						
Japanese government bonds	679,406	—	—	679,406	656,378	23,028
Corporate bonds	—	4,080	1,643,895	1,647,976	1,614,977	32,999
Other	—	—	702,334	702,334	677,996	24,338
Shares in affiliates	17,193	—	—	17,193	25,385	(8,192)
Loans*1	—	—	118,919,526	118,919,526	116,533,651	2,385,875
Other assets	—	—	295,082	295,082	194,640	100,442
Total assets	$696,599	$ 18,952	$121,669,145	$122,384,696	$119,825,759	$2,558,937
Debentures	$ —	$ 27,639,624	$ —	$ 27,639,624	$ 27,282,443	$ 357,181
Borrowed money	—	83,891,547	1,607,041	85,498,588	86,393,345	(894,757)
Corporate bonds	—	24,788,971	41,874	24,830,846	24,946,995	(116,150)
Total liabilities	$ —	$136,320,142	$ 1,648,915	$137,969,058	$138,622,784	$ (653,726)

*1. Allowances for credit losses of $683,345 thousand are deducted.

(Note 1) Explanation about valuation techniques and inputs used for fair value measurement

Securities

The fair value of securities is classified into Level 1 if the quoted prices unadjusted are available in active markets. Since listed equity securities and Japanese government bonds are traded in active markets, the fair values of listed equity securities and Japanese government bonds are classified into Level 1. If the market is inactive, even if the quoted prices are available, it is classified into Level 2. As the quoted market prices of corporate bonds are not considered to be in active markets due to low market transactions, the fair values of corporate bonds are classified into Level 2.

When the quoted prices are not available, the fair value is determined using valuation techniques such as discounted present value method of expected future cash flows. Inputs include swap rates, credit spread, and liquidity premium. If a significant unobservable input is used in the determination, the fair value is classified into Level 3. Classified shares of unlisted equity securities considered to have the similar characteristics with debentures are included in this classification.

Investment trusts are not classified into any fair value hierarchy, applying the transitional measures in accordance with Paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Derivatives

Derivatives are OTC transactions, and no quoted prices exist. The fair value is determined by utilizing valuation techniques such as the discounted present value method according to the type of transactions and maturity lengths. Key inputs used in these valuation techniques are interest rates, foreign exchange rates, volatility, etc. and price adjustments based on the credit risk of the counterparties are performed. The fair value is classified into Level 2.

Money held in trust

The fair value of financial assets which are components of money held in trust is measured principally in the same manner as “Loans” and classified principally into Level 3.

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

Loans

The fair value of loans is determined by discounting the total amount of the principal and interest by type of loans and category based on internal rating and lengths using the discount rate reflecting credit risk in the market interest rate. For floating rate loans, which are within a short-term period and reflect the market interest rate, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value if there has been no significant change in the creditworthiness of the borrowers since such loans were executed. The fair value of claims, whose cash flows on recovery of the principal and receipt of the interest can be reasonably estimated out of claims on debtors which need special attention regarding all or part of claims, is determined by discounting the relevant cash flows reflecting credit risk, etc. at the market interest rate. For claims on debtors who are legally bankrupt, effectively bankrupt, and likely to become bankrupt, the fair value is determined based on the discounted present value of expected future cash flows or net of amounts expected to be recovered through disposal of collateral or execution of guarantees. The fair value is classified into Level 3.

Other assets

The fair value of other assets is determined using valuation techniques such as discounted future cash flows reflecting the estimated collectible amount. Input includes swap rates and liquidity premium. The fair value is classified into Level 3.

Debentures

The present value is determined by discounting the total amount of the principal and interest of the debentures classified by certain definite period (or the total amount of the principal and interest by the related interest rate swap rate, for the debentures to which the accrual method on interest swaps is applied) issued by DBJ Inc. at the interest rate considering the remaining maturity period of the debentures and credit risk. 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 since they are within a short-term period and reflect the market interest rate and there has been no significant change in the creditworthiness of DBJ Inc. since such debentures were issued. (Certain foreign currency denominated debentures with foreign currency forward contracts which qualify for the hedging requirements of the assignment method are translated using forward contract rates and the fair value is determined as Japanese yen denominated debentures.) Such fair value is classified into Level 2.

Borrowed money

The present value is determined by discounting the total amount of the principal and interest of the borrowed money classified by certain definite period (or the total amount of the principal and interest by the related interest rate swap rate, for the borrowed money to which the accrual method on interest swaps is applied) at the interest rate considering the remaining maturity period of the borrowed money and credit risk. For floating rate borrowed money, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value since they are within a short-term period and reflect the market interest rate and there has been no significant change in the creditworthiness of DBJ Inc. and its consolidated subsidiaries since borrowed money was executed. (Certain foreign currency denominated borrowed money with foreign currency swaps which qualify for the hedging requirements of the assignment method are translated using forward contract rates. As a result of this translation, the fair value is the same as Japanese yen denominated borrowed money.) Such fair value is classified into Level 3, if the impact of unobservable input on the fair value is material. Otherwise, it is classified into Level 2.

Corporate bonds

The fair value of marketable corporate bonds issued by DBJ Inc. and its consolidated subsidiaries are determined based on the market prices and classified into Level 2. For corporate bonds without market prices, the present value is determined by discounting the total amount of the principal and interest of the corporate bonds (or the total amount of the principal and interest by the related interest rate swap rate, for the corporate bonds to which the accrual method on interest swaps is applied) at the interest rate considering the remaining maturity period of the corporate bonds and credit risk. For floating rate corporate bonds, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value since they are within a short-term period and reflect the market interest rate and there has been no significant change in the creditworthiness of DBJ Inc. and its consolidated subsidiaries since the corporate bonds were issued. (Certain foreign currency denominated corporate bonds with foreign currency swaps which qualify for the hedging requirements of the assignment method are translated using forward contract rates and the fair value is determined as Japanese yen denominated corporate bonds.) Such fair value is classified into Level 3, if the impact of unobservable input on the fair value is material. Otherwise, it is classified into Level 2.

(Note 2) Information about fair value of financial assets and financial liabilities stated at fair value which is classified into Level 3

(1) Quantitative information about significant unobservable inputs

As of March 31, 2022

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities				
Available-for-sale securities				
Corporate bonds	Discounted present value method	Discount rate	0.2%–0.4%	0.2%
Equity securities	Discounted present value method	Liquidity premium	3.9%–4.2%	4.1%

(2) A reconciliation of the beginning balance and the ending balance and unrealized gain (loss) recognized in net income or loss

	Millions of Yen							
	March 31, 2022							
	March 31, 2021	Included in net income*1	Included in other comprehensive income*2	Changes due to purchases, issues, sales and settlements	Transfers into fair value of Level 3	Transfers out of fair value of Level 3	March 31, 2022	Change in unrealized gains (losses) included in net income for financial assets and liabilities still held at March 31, 2022*1
Securities								
Available-for-sale securities:								
Corporate bonds	¥ 29,615	¥ —	¥1,235	¥(2,500)	¥—	¥ —	¥ 28,351	¥ —
Equity securities	322,976	—	(783)	—	—	—	322,193	—
Other	24,123	2,780	(677)	531	—	(4,625)	22,133	2,081

	Thousands of U.S. Dollars							
	March 31, 2022							
	March 31, 2021	Included in net income*1	Included in other comprehensive income*2	Changes due to purchases, issues, sales and settlements	Transfers into fair value of Level 3	Transfers out of fair value of Level 3	March 31, 2022	Change in unrealized gains (losses) included in net income for financial assets and liabilities still held at March 31, 2022*1
Securities								
Available-for-sale securities:								
Corporate bonds	$ 241,980	$ —	$10,097	$(20,427)	$—	$ —	$ 231,651	$ —
Equity securities	2,638,915	—	(6,401)	—	—	—	2,632,514	—
Other	197,107	22,715	(5,534)	4,344	—	(37,792)	180,840	17,005

*1. Included in "Other income" in the consolidated statement of income.
*2. Included in "Net unrealized gain on available-for-sale securities" and "Foreign currency translation adjustments" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(3) Explanation about the valuation process of fair value
The middle office and back office of DBJ Inc. have established the DBJ Inc. policy and procedures for fair value measurement, by which the fair value is determined. With respect to the fair value determined, DBJ Inc. verifies the reasonableness of valuation techniques used in determining the fair value and inputs and appropriateness of classification of the level of the fair value.

In determining the fair value, DBJ Inc. uses the valuation models which can reflect most appropriately the nature, characteristics and risk associated with individual assets. In addition, when quoted prices obtained from third parties are used as fair value, their validity is verified taking appropriate methods such as confirming the valuation techniques and inputs used and the reasonableness of the prices is verified by an appropriate way of analysis of chronological transition, etc.

(4) Explanation about effects on fair value of changing a significant unobservable input
Discount rate
Discount rate is a rate of adjustment to the market interest rates such as overnight index swap rate, etc. and consists of risk premium, etc. which are remuneration that market participants require on uncertainties of cash flows of financial instruments arising principally from credit risk. A significant increase (decrease) in discount rate would cause a significant decrease (increase) fair value.

Liquidity premium

Liquidity premium is an adjustment to discount rates to reflect liquidity of the financial instruments. A significant increase (decrease) in liquidity premium would cause a significant decrease (increase) in fair value.

(Note 3) The carrying amounts of non-marketable equity securities and investment in partnerships and others are as follows and they are not included in "Available-for-sale securities" under information about fair value of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-marketable equity securities*1, *3	¥ 626,494	¥ 623,342	$5,118,837
Investment in partnerships and others*2	429,055	379,875	3,505,638
Total	¥1,055,549	¥1,003,218	$8,624,474

*1. Non-marketable equity securities include unlisted equity securities. Their fair value is not disclosed in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on March 31, 2020). Classified shares which are considered to have the similar characteristics with debentures are subject to fair value disclosure and not included in the above table.

*2. Investment in partnerships and others mainly include silent partnerships and investment partnerships. Their fair values are not disclosed in accordance with Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31 issued on July 4, 2019).

*3. With respect to non-marketable equity securities, an impairment loss of ¥41,725 million ($340,920 thousand) and ¥9,316 million was recorded in the fiscal years ended March 31, 2022 and 2021, respectively.

(Note 4) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen					
	2022					
	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	¥2,191,521	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	705,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	327,545	51,903	134,957	39,021	48,955	3,340
Japanese government bonds	4,999	10,034	10,047	10,008	45,243	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	53,492	28,198	89,900	19,012	3,712	3,340
Other	269,053	13,670	35,010	10,000	—	—
Available-for-sale securities with contractual maturities	72,262	173,222	140,004	43,530	101,773	306,031
Japanese government bonds	—	18,229	5,069	—	24,771	167,370
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	72,262	154,992	134,935	43,530	77,002	138,661
Other	—	—	—	—	—	—
Loans*	2,264,545	3,575,204	3,352,673	2,185,577	2,013,538	875,426
Total	¥5,560,874	¥3,800,330	¥3,627,636	¥2,268,129	¥2,164,267	¥1,184,797

	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*	2,503,573	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

	Thousands of U.S. Dollars					
	2022					
	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	$17,906,048	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	5,760,275	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	2,676,248	424,085	1,102,685	318,830	399,999	27,290
Japanese government bonds	40,849	81,990	82,091	81,779	369,669	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	437,069	230,402	734,541	155,345	30,329	27,290
Other	2,198,330	111,692	286,053	81,706	—	—
Available-for-sale securities with contractual maturities	590,425	1,415,329	1,143,925	355,666	831,553	2,500,462
Japanese government bonds	—	148,945	41,417	—	202,398	1,367,518
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	590,425	1,266,383	1,102,508	355,666	629,155	1,132,945
Other	—	—	—	—	—	—
Loans*	18,502,697	29,211,577	27,393,362	17,857,486	16,451,819	7,152,761
Total	$45,435,693	$31,050,991	$29,639,972	$18,531,983	$17,683,370	$9,680,513

* Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥79,222 million ($647,294 thousand) and ¥81,494 million are not included as of March 31, 2022 and 2021, respectively.

(Note 5) Maturity analysis for debentures, borrowed money and other interest-bearing liability as of March 31, 2022 and 2021 are as follows:

	Millions of Yen					
	2022					
	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	¥1,151,924	¥1,917,628	¥2,168,613	¥1,362,364	¥1,595,459	¥2,377,691
Debentures and Corporate bonds	853,549	1,856,305	1,462,213	812,096	1,019,238	388,958
Total	¥2,005,473	¥3,773,933	¥3,630,826	¥2,174,460	¥2,614,697	¥2,766,650

	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

	Thousands of U.S. Dollars					
	2022					
	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	$ 9,411,914	$15,668,179	$17,718,876	$11,131,336	$13,035,865	$19,427,175
Debentures and Corporate bonds	6,974,013	15,167,130	11,947,165	6,635,315	8,327,792	3,178,024
Total	$16,385,927	$30,835,309	$29,666,041	$17,766,651	$21,363,657	$22,605,199

29. DERIVATIVE TRANSACTIONS

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

(1) Interest rate-related transactions

	Millions of Yen			
	2022			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥909,198	¥839,934	¥31,205	¥31,205
Receive float/ Pay fixed	907,018	724,614	(7,277)	(7,277)
Total	—	—	¥23,928	¥23,928

	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

	Thousands of U.S. Dollars			
	2022			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$7,428,697	$6,862,767	$254,970	$254,970
Receive float/ Pay fixed	7,410,888	5,920,539	(59,463)	(59,463)
Total	—	—	$195,507	$195,507

* The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.

(2) Currency-related transactions

	Millions of Yen			
	2022			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps	¥ 5,226	¥5,226	¥ 52	¥ 52
Forwards				
Sold	48,404	—	(2,313)	(2,313)
Bought	279,796	—	13,457	13,457
Total	—	—	¥11,196	¥11,196

	Millions of Yen			
	2021			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
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

	Thousands of U.S. Dollars			
	2022			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps	$ 42,706	$42,706	$ 431	$ 431
Forwards				
Sold	395,490	—	(18,906)	(18,906)
Bought	2,286,107	—	109,956	109,956
Total	—	—	$ 91,481	$ 91,481

* The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

(5) **Commodity-related transactions**

Not applicable.

(6) **Credit derivative transactions**

Not applicable.

(b) Derivative Transactions to which Hedge Accounting is Applied

(1) Interest rate-related transactions

	Hedged item	Millions of Yen 2022 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money, Loans and Securities			
Receive float/ Pay fixed		¥ 79,508	¥ 73,009	¥927
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		3,064,549	2,704,331	*2
Receive float/ Pay fixed		6,130	—	
Total		—	—	¥927

	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	*2
Receive float/ Pay fixed		9,111	6,130	
Total		—	—	¥(2,798)

	Hedged item	Thousands of U.S. Dollars 2022 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money, Loans and Securities			
Receive float/ Pay fixed		$ 649,635	$ 596,532	$7,580
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		25,039,217	22,096,014	*2
Receive float/ Pay fixed		50,090	—	
Total		—	—	$7,580

*1. The deferral method or the accrual method is applied as a hedge accounting method.

*2.. 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 2022 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	¥ 5,503	¥ 5,503	¥ (636)
Translated at contractual rates Swaps	Foreign-currency debentures, and Corporate bonds	156,660	145,704	*2
Forwards	Foreign-currency available-for-sale securities	32,804	—	(2,578)
Total		—	—	¥(3,214)

	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	*2
Forwards	Foreign-currency available-for-sale securities	30,075	—	(1,659)
Total		—	—	¥(1,713)

	Hedged item	Thousands of U.S. Dollars 2022 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	$ 44,967	$ 44,967	$ (5,199)
Translated at contractual rates Swaps	Foreign-currency debentures, and Corporate bonds	1,280,012	1,190,495	*2
Forwards	Foreign-currency available-for-sale securities	268,029	—	(21,067)
Total		—	—	$(26,266)

*1. These derivatives are primarily accounted for by the deferral method of hedge accounting provided in the Industry Committee Practical Guidance No. 25.
*2. 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 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, 2022 and 2021 is summarized below.

(a) Securities

(1) Held-to-maturity debt securities as of March 31, 2022 and 2021 are as follows:

		Millions of Yen		
		2022		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥ 40,106	¥ 43,338	¥ 3,232
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	190,468	194,575	4,106
	Other	82,979	85,958	2,978
Sub-total		313,555	323,872	10,317
Fair value does not exceed carrying amount	Japanese government bonds	40,227	39,814	(413)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	7,188	7,120	(67)
	Other	244,753	244,753	—
Sub-total		292,169	291,688	(481)
Total		¥605,724	¥615,560	¥ 9,835

		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

		Thousands of U.S. Dollars		
		2022		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$ 327,693	$ 354,102	$26,409
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,556,246	1,589,798	33,551
	Other	677,996	702,334	24,338
Sub-total		2,561,935	2,646,233	84,298
Fair value does not exceed carrying amount	Japanese government bonds	328,685	325,304	(3,381)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	58,731	58,178	(553)
	Other	1,999,785	1,999,785	—
Sub-total		2,387,201	2,383,268	(3,933)
Total		$4,949,136	$5,029,501	$80,365

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

(2) Available-for-sale securities as of March 31, 2022 and 2021 are as follows:

		Millions of Yen		
		2022		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 374,597	¥ 323,429	¥51,167
	Bonds	256,161	251,761	4,399
	Japanese government bonds	28,473	28,136	337
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	227,688	223,625	4,062
	Other	24,560	18,289	6,271
Sub-total		655,319	593,481	61,838
Carrying amount does not exceed cost	Equities	5,561	6,815	(1,254)
	Bonds	580,662	586,711	(6,048)
	Japanese government bonds	186,967	190,540	(3,573)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	393,695	396,171	(2,475)
	Other	43,688	43,757	(69)
Sub-total		629,912	637,285	(7,372)
Total		¥1,285,232	¥1,230,766	¥54,465

		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

		Thousands of U.S. Dollars		
		2022		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$ 3,060,687	$ 2,642,616	$418,070
	Bonds	2,092,994	2,057,047	35,947
	Japanese government bonds	232,645	229,888	2,756
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,860,349	1,827,158	33,191
	Other	200,676	149,437	51,239
Sub-total		5,354,357	4,849,100	505,256
Carrying amount does not exceed cost	Equities	45,439	55,690	(10,251)
	Bonds	4,744,366	4,793,788	(49,421)
	Japanese government bonds	1,527,633	1,556,830	(29,197)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	3,216,733	3,236,957	(20,224)
	Other	356,961	357,527	(566)
Sub-total		5,146,766	5,207,004	(60,238)
Total		$10,501,122	$10,056,105	$445,018

(3) Available-for-sale securities sold during the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		
	2022		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥ 9,632	¥6,004	¥ —
Bonds	—	—	—
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	—	—	—
Other	18,409	1,065	153
Total	¥28,041	¥7,070	¥153

	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

	Thousands of U.S. Dollars		
	2022		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$ 78,703	$49,061	$ —
Bonds	—	—	—
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	—	—	—
Other	150,416	8,707	1,255
Total	$229,119	$57,768	$1,255

(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				
	2022				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥15,021	¥13,039	¥1,981	¥1,981	¥—

	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

	Thousands of U.S. Dollars				
	2022				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$122,732	$106,539	$16,193	$16,193	$—

(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
	2022	2021	2022
Unrealized gain on			
Available-for-sale securities	¥ 54,865	¥ 54,674	$ 448,285
Other money held in trust	1,204	411	9,842
Deferred tax liabilities	(17,405)	(17,260)	(142,211)
Unrealized gain on available-for-sale securities before interest adjustments	38,665	37,825	315,916
Amount corresponding to non-controlling interests	—	—	—
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	3,633	2,907	29,684
Unrealized gain on available-for-sale securities, net of taxes	¥ 42,298	¥ 40,733	$ 345,601

*1. The gain of ¥21,361 million ($174,539 thousand) and ¥4,737 million recognized by applying the fair value hedge accounting, which were reflected in profit or loss, are deducted from the above unrealized gain, net of taxes, as of March 31, 2022 and 2021, respectively.
*2. Unrealized gain includes foreign currency translation adjustments on available-for-sale securities and other money held in trust denominated in foreign currency which do not have a market price as of March 31, 2022 and 2021.

31. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2022 and 2021 are as follows:

				2022			
				Transaction Amount		Balance at March 31, 2022	
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	—	¥ 80,000	$ 653,648	—	—
		Borrowings*2	Borrowed money	780,000	6,373,070	¥5,862,551	$47,900,574
		Repayments		396,703	3,241,305		
		Payment for interest	Accrued expenses	15,371	125,597	3,831	31,308
		Guarantees*3	—	3,274,284	26,752,880	—	—

*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 November 20, 2041 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.
*4. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,000,119 million ($24,512,781 thousand) from Japan Finance Corporation relating to the crisis response operations.

				2021	
				Transaction Amount	Balance at March 31, 2021
Related party	Category	Description	Account item	Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 220,000	—
		Borrowings*2	Borrowed money	1,050,000	¥5,479,254
		Repayments		386,940	
		Payment for interest	Accrued expenses	18,934	4,755
		Guarantees*3	—	3,416,988	—

*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.
*4. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,335,948 million from Japan Finance Corporation relating to the crisis response operations.

32. SUBSEQUENT EVENT

1. Nichi-Iko Pharmaceutical Co., Ltd., a customer of DBJ, Inc. requested financial support based on the special dispute resolution procedures by Japanese Association of Turnaround Professionals on May 13, 2022. Total amount of claims associated with the business partner as of March 31, 2022 amounted to ¥30,375 million ($248,182 thousand), of which amount unsecured by collateral, etc. was ¥30,375 million ($248,182 thousand). Depending on the future progress of such procedures, additional allowance for loan losses on the amount of claims expected to be newly uncollectible may be required to be recorded, or such amount may be directly deducted from the claims in the following fiscal year.
2. At the Board of Directors' meeting held on May 16, 2022, DBJ Inc. resolved to submit the proposal for reduction of the amount of special investment reserve for deliberation at the general shareholders' meeting held on June 29, 2022.
   a. Purpose of reduction of the amount of special investment reserve
   Considering the status of implementation and financial position of special investment operations, such amount of reserve is deemed unnecessary for implementing special investment operations properly, and accordingly, a portion of the amount of special investment reserve shall be reduced.

b. Method of reducing the amount of special investment reserve
In accordance with the provision of Paragraph 2 of Article 2-27 of the supplementary provision of the Act, a portion of the amount of special investment reserve will be reduced, and at the same time, an amount equivalent to the amount to be attributable to the National Treasury will be paid to the National Treasury and the remaining amount will be added to capital surplus.

c. Amount of special investment reserve to be reduced
The amount of special investment reserve of ¥1,543,000 million ($12,607,239 thousand) will be reduced by ¥68,910 million ($563,042 thousand), of which ¥34,455 million ($281,521 thousand) will be paid to the National Treasury, and ¥34,455 million ($281,521 thousand) will be added to capital surplus.

d. Time schedule of reduction of special investment reserve
Date of resolution by the Board of Directors: May 16, 2022
Date of resolution by the shareholders' meeting: June 29, 2022
Date of application for approval of the Minister of Finance: June 29, 2022
Final due date of making objections by creditors: July 31, 2022 (planned)
Effective date: August 31, 2022 (planned)

3. Appropriation of retained earnings
On June 29, 2022, the shareholders approved the following appropriations of retained earnings. On the same day, the Finance Minister authorized becoming effective of the timing and amounts for dividends as of June 30, 2022:
Appropriations of retained earnings as of March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥358–$2.93 per share)	¥15,620	$127,628

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Development Bank of Japan Inc.

	Millions of Yen		Thousands of U.S. Dollars (Note)
As of March 31,	2022	2021	2022
Assets			
Cash and due from banks	¥ 2,115,882	¥ 2,124,938	$ 17,288,033
Call loans	705,000	684,000	5,760,275
Money held in trust	13,201	16,824	107,862
Securities	3,086,107	2,612,535	25,215,353
Loans	14,490,758	14,837,718	118,398,223
Other assets	168,673	164,520	1,378,163
Tangible fixed assets	109,724	110,369	896,519
Intangible fixed assets	10,938	10,776	89,375
Prepaid pension costs	2,736	1,078	22,355
Deferred tax assets	12,335	—	100,786
Customers' liabilities for acceptances and guarantees	557,127	446,616	4,552,064
Allowance for loan losses	(83,960)	(57,935)	(686,011)
Allowance for investment losses	(33)	(33)	(270)
Total assets	**¥21,188,490**	**¥20,951,409**	**$173,122,726**
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,339,098	¥ 3,483,570	$ 27,282,443
Borrowed money	10,370,044	10,479,945	84,729,507
Corporate bonds	3,048,137	2,734,779	24,905,121
Other liabilities	103,791	150,445	848,040
Accrued bonuses to employees	4,848	4,734	39,616
Accrued bonuses to directors	23	15	188
Reserve for employees' retirement benefits	6,408	6,447	52,359
Reserve for directors' retirement benefits	130	117	1,062
Reserve for contingent losses	0	—	2
Deferred tax liabilities	—	3,654	—
Acceptances and guarantees	557,127	446,616	4,552,064
Total liabilities	**17,429,609**	**17,310,326**	**142,410,404**
Equity:			
Common stock authorized, 160,000 thousand shares in 2022 and 2021; issued, 43,632 thousand shares in 2022 and 2021	1,000,424	1,000,424	8,174,067
Crisis response reserve	206,529	206,529	1,687,466
Special investment reserve	1,543,000	1,368,000	12,607,239
Special investment surplus	22,438	28,172	183,337
Capital surplus	241,466	336,466	1,972,926
Retained earnings	705,538	651,840	5,764,672
Unrealized gain on available-for-sale securities	37,936	37,519	309,967
Deferred gain on derivatives under hedge accounting	1,547	12,131	12,648
Total equity	**3,758,881**	**3,641,083**	**30,712,322**
Total liabilities and equity	**¥21,188,490**	**¥20,951,409**	**$173,122,726**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥122.39 = $1.00, the effective exchange rate prevailing as of March 31, 2022, has been used in the conversion.

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Development Bank of Japan Inc.

For the years ended March 31,	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note) 2022
Income			
Interest income:	¥174,261	¥160,461	$1,423,824
Interest on loans	128,163	132,477	1,047,173
Interest and dividends on securities	41,401	22,324	338,273
Interest on call loans	71	120	585
Interest on due from banks	57	38	470
Interest on swaps	4,560	5,508	37,263
Other interest income	7	(7)	60
Fees and commissions	10,368	15,026	84,719
Other operating income	15,035	14,095	122,853
Other income	80,571	49,845	658,320
Total income	**280,238**	**239,429**	**2,289,717**
Expenses			
Interest expense:	44,470	53,720	363,347
Interest on debentures	19,401	21,743	158,523
Interest on call money	(188)	(84)	(1,541)
Interest on payables under repurchase agreements	(100)	(69)	(821)
Interest on borrowed money	21,961	27,606	179,435
Interest on short-term corporate bonds	8	62	69
Interest on corporate bonds	3,404	4,490	27,816
Other interest expense	(16)	(28)	(136)
Fees and commissions	691	442	5,651
Other operating expenses	13,933	8,901	113,843
General and administrative expenses	54,154	52,982	442,475
Other expenses	84,932	52,754	693,950
Total expenses	**198,181**	**168,800**	**1,619,266**
Income before income taxes	**82,056**	**70,628**	**670,451**
Income taxes:			
Current	36,330	29,010	296,838
Deferred	(11,106)	(6,616)	(90,745)
Total income taxes	**25,223**	**22,393**	**206,093**
Net income	**¥ 56,832**	**¥ 48,234**	**$ 464,357**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of¥122.39 = $1.00, the effective exchange rate prevailing as of March 31, 2022, has been used in the conversion.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Development Bank of Japan Inc.

	Millions of Yen				
For the year ended March 31, 2022	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥1,368,000	¥28,172	¥336,466
Cumulative effects due to changes in accounting policies					
Restated balance	¥1,000,424	¥206,529	¥1,368,000	¥28,172	¥336,466
Investment from government			80,000		
Transfer from capital surplus to special investment reserve			95,000		(95,000)
Transfer from special investment surplus to retained earnings				(5,734)	
Cash dividends					
Net income					
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥1,543,000	¥22,438	¥241,466

	Millions of Yen			
For the year ended March 31, 2022	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥651,840	¥37,519	¥ 12,131	¥3,641,083
Cumulative effects due to changes in accounting policies	(753)			(753)
Restated balance	¥651,087	¥37,519	¥ 12,131	¥3,640,330
Investment from government				80,000
Transfer from capital surplus to special investment reserve				—
Transfer from special investment surplus to retained earnings	5,734			—
Cash dividends	(8,115)			(8,115)
Net income	56,832			56,832
Net change during the year		417	(10,584)	(10,166)
Balance at end of year	¥705,538	¥37,936	¥ 1,547	¥3,758,881

	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

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Thousands of U.S. Dollars (Note)				
For the year ended March 31, 2022	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$8,174,067	$1,687,466	$11,177,384	$230,188	$2,749,133
Cumulative effects due to changes in accounting policies					
Restated balance	$8,174,067	$1,687,466	$11,177,384	$230,188	$2,749,133
Investment from government			653,648		
Transfer from capital surplus to special investment reserve			776,207		(776,207)
Transfer from special investment surplus to retained earnings				(46,850)	
Cash dividends					
Net income					
Net change during the year					
Balance at end of year	$8,174,067	$1,687,466	$12,607,239	$183,337	$1,972,926

	Thousands of U.S. Dollars (Note)			
For the year ended March 31, 2022	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	$5,325,927	$306,557	$ 99,126	$29,749,847
Cumulative effects due to changes in accounting policies	(6,154)			(6,154)
Restated balance	$5,319,774	$306,557	$ 99,126	$29,743,694
Investment from government				653,648
Transfer from capital surplus to special investment reserve				—
Transfer from special investment surplus to retained earnings	46,850			—
Cash dividends	(66,309)			(66,309)
Net income	464,357			464,357
Net change during the year		3,410	(86,478)	(83,068)
Balance at end of year	$5,764,672	$309,967	$ 12,648	$30,712,322

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥122.39=$1.00, the effective exchange rate prevailing as of March 31, 2022, 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, 2021	March 31, 2022	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		2,024,471	1,977,060	1a+2–1c–26
of which: common stock and capital surplus		1,336,890	1,242,506	1a
of which: retained earnings		695,696	750,174	2
of which: treasury stock		—	—	1c
of which: planned distribution of income		8,115	15,620	26
of which: other than the above		—	—	
Rights to acquire new common shares		—	—	1b
Accumulated other comprehensive income and other disclosed reserves		1,655,075	1,823,412	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)	3,679,548	3,800,473	6
Common Equity Tier 1 capital: regulatory adjustments (2)				
Total intangible assets (excluding those relating to mortgage servicing rights)		34,893	32,942	8+9
of which: goodwill (including those equivalent)		22,673	20,852	8
of which: other intangible assets other than goodwill and mortgage servicing rights		12,219	12,090	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		2,319	224	10
Deferred gains or losses on derivatives under hedge accounting		13,271	10,798	11
Shortfall of eligible reserves to expected losses		—	—	12
Capital increase due to securitization transactions		—	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities		—	—	14
Assets for retirement benefits		1,105	1,799	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, 2021	March 31, 2022	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)	51,590	45,766	28	
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B))	(C)	3,627,957	3,754,707	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		—	—		31b
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		—	—		32
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		—	—		
Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)		1,875	1,757	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)	1,875	1,757	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	19	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	19	43	
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E))	(F)	1,858	1,738	44	
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F))	(G)	3,629,815	3,756,445	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		—	—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		—	—		
Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		—	—		
Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)		441	382	48–49	
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves		—	—	47+49	

Capital Adequacy Ratio

(Units: Millions of yen, %)

Items		March 31, 2021	March 31, 2022	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		29,098	30,675	50
of which: general allowance for loan losses		29,098	30,675	50a
of which: eligible reserves		—	—	50b
Tier 2 capital: instruments and reserves	(H)	29,539	31,057	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)	29,539	31,057	58
Total capital (TC = T1 + T2)				
Total capital (TC = T1 + T2) ((G) + (J))	(K)	3,659,354	3,787,502	59
Risk weighted assets (6)				
Risk weighted assets		21,787,451	22,112,712	60
Capital ratio (consolidated) (7)				
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))		16.65%	16.97%	61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))		16.66%	16.98%	62
Total risk-weighted capital ratio (consolidated) ((K)/(L))		16.79%	17.12%	63
Regulatory adjustments (8)				
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		106,410	114,899	72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		3,538	3,803	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)		6,394	18,752	75
Reserves included in Tier 2 capital: instruments and reserves (9)				
General allowance for loan losses		29,098	30,675	76
Cap on inclusion of general allowance for loan losses		269,591	273,422	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, 2022 is 45. Please refer to page 177, "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 68 to 72, "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 68 to 73, Section Four: "Risk Management".
4. Credit Risk	(a) Overview of Risk Management Policies and Procedure Please refer to page 68 to 69, "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 72, "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 70 “Comprehensive Risk: Investment Risk” in “Risk Management.”
11. Interest Rate Risk	(a) Overview of Risk Management Policies and Procedures Please refer to page 71, “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, 2021	March 31, 2022	March 31, 2021	March 31, 2022
Credit Risk	12,220,757	11,786,801	977,660	942,943
Of which, exposure to which standardized approach applied	11,759,354	11,212,568	940,748	897,005
Other	461,403	574,233	36,912	45,938
Counterparty Credit Risk	168,745	122,550	13,498	9,802
Of which, exposure to which current exposure method applied	44,178	30,098	3,534	2,407
Of which, CVA risk	124,286	92,198	9,942	7,375
Of which, exposure for central counterparty clearing house	281	254	22	20
Other	—	—	—	—
Equity investments in funds (look-through approach)	1,711,562	1,862,240	136,924	148,979
Equity investments in funds (mandate-based approach)	2,091,820	2,473,435	167,345	197,874
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)	1,348,517	1,749,545	107,881	139,963
Unsettled transactions	—	—	—	—
Securitization exposure subject to calculation of credit risk assets	4,001,100	3,822,811	320,086	305,824
Of which: securitisation external ratings-based approach (SEC-ERBA)	31,984	30,738	2,558	2,459
Of which: securitisation standardised approach (SEC-SA)	1,187,906	1,115,585	95,032	89,246
Of which, exposure with a risk weight of 1,250%	2,781,210	2,676,488	222,496	214,119
Operational risk	220,111	238,935	17,608	19,114
Of which, exposure to which basic indicator approach applied	220,111	238,935	17,608	19,114
Exposure with related to specified items not included in adjustments	24,833	56,390	1,986	4,511
Amount of items included in risk weighted assets subject to transitional arrangements	—	—	—	—
Total	21,787,451	22,112,712	1,742,988	1,769,010

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, 2022
Domestic	19,946,845
Overseas	109,503
Total	20,056,349

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

(2) By industry and transaction counterparty

(Unit: Millions of yen)

	March 31, 2022
Manufacturing	4,045,647
Agriculture and forestry	606
Fisheries	0
Mining, quarrying and gravel extraction	177,643
Construction	62,333
Electrical, gas, heat supply and water	2,942,341
Information and communications	216,260
Transportation and postal	3,260,440
Wholesale and retail	1,173,467
Finance and insurance	3,533,494
Real estate and leasing of goods	2,744,407
Services	476,165
Municipal government	12,771
Other	1,410,767
Total	20,056,349

(3) By period to maturity

(Unit: Millions of yen)

	March 31, 2022
Five years or less	10,611,629
More than five years, up to 10	4,934,996
More than 10 years, up to 15	1,461,928
More than 15 years	1,385,018
No maturity date	1,662,776
Total	20,056,349

(b) Credit Risk Mitigation Techniques

(Unit: Millions of yen)

	March 31, 2022				
	Exposure not secured	Exposure secured	Exposure secured by collateral	Exposure secured by guarantee	Exposure secured by credit derivatives
Loans	12,318,137	1,054,757	—	921,274	—
Securities (debt securities)	1,351,675	12,394	—	12,394	—
Other on-balance sheet assets (debt instruments)	705,013	—	—	—	—
Total	14,374,825	1,067,151	—	933,668	—
Of which, default items	59	—	—	—	—

(c) Standardized Approach - Credit risk exposure by asset class and risk weight (Unit: Millions of yen)

	March 31, 2022								
	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	1,609,101	—	—	—	—	—	—	—	1,604,462
Foreign central governments and central banks	244,753	—	—	—	—	—	—	—	244,753
Bank for International Settlements and other	—	—	—	—	—	—	—	—	—
Municipal governments in Japan	12,771	—	—	—	—	—	—	—	12,771
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	—	—	1,486,905	12,982	4,010	—	—	—	1,508,536
Corporations	36,320	211,083	1,216,657	7,757,122	4,891,847	—	—	—	14,113,029
Small and medium-sized enterprises and individuals	—	—	—	—	—	—	—	—	—
Mortgage loans (loans secured by residential properties)	—	—	—	—	—	—	—	—	—
Real estate investment business	—	—	—	—	898,927	—	—	—	898,927
Delinquent for 3 months or more (excluding mortgage loans)	—	—	—	—	—	59	—	—	59
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)	—	—	—	—	970,721	—	—	—	970,721
Total	1,902,947	211,083	2,704,062	7,770,104	6,765,505	59	—	—	19,353,760

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, 2022	
	Exposure after applying a credit risk mitigation technique	Amount of risk weighted assets
Current exposure method	113,676	30,098

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

(Unit: Millions of yen)

	March 31, 2022								
	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	2	–	–	–	–	–	–	–	2
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	–	–	103,605	–	–	–	–	–	103,605
Corporations	–	–	109	1,207	–	8,734	–	–	10,050
Small and medium-sized enterprises and individuals	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	17	–	–	17
Total	2	–	103,714	1,207	–	8,751	–	–	113,674

(b) Capital requirement for CVA risk

(Unit: Millions of yen)

	March 31, 2022	
	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	113,845	92,198

Capital Adequacy Ratio

(c) Composition of collateral for counterparty credit risk exposure (Unit: Millions of yen)

	March 31, 2022					
	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, 2022	
	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, 2022	
	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)	/	254
Trade exposure for Qualified Central Counterparty Clearing House (excluding initial margin)	12,745	254
(i) Derivative product transactions (other than listed transactions)	12,745	254
(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, 2022				
			DBJ as an investor		
	DBJ as the originator	DBJ as the sponsor	Traditional securitization	Synthetic securitization	Subtotal
Retail (Total)	—	—	—	—	—
Wholesale (Total)	—	—	1,404,589	—	1,404,589
Structured Finance	—	—	1,404,589	—	1,404,589
Other	—	—	—	—	—
Resecuritization	—	—	—	—	—

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

(Unit: Millions of yen)

	March 31, 2022
Amount of exposure (by risk weight)	
Securitization exposure by risk weight of 20% or less	60,983
Securitization exposure by risk weight of over 20% and 50% or less	1,835
Securitization exposure by risk weight of over 50% and 100% or less	1,119,224
Securitization exposure by risk weight of over 100% and below 1,250%	8,427
Securitization exposure by risk weight of 1,250%	214,119
Required capital amounts (by calculation method)	
Required capital amounts for securitization exposure to which SEC-ERBA is applied	2,459
Required capital amounts for securitization exposure to which SEC-SA is applied	89,246
Required capital amounts for securitization exposure to which 1,250% risk weight is applied	214,119

5. Interest Rate Risk (Non-consolidated)

(Unit: Hundred Millions of yen)

	March 31, 2021		March 31, 2022	
	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	3	94	—	138
Parallel down	1,157	(225)	815	(260)
Steepener	13	/	21	/
Flattener	811	/	577	/
Short rate up	125	/	98	/
Short rate down	20	/	31	/
Maximum	1,157	94	815	138
	March 31, 2021		March 31, 2022	
Tier 1 capital	36,125		37,322	

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

		March 31, 2021	March 31, 2022	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		19,358,916	19,542,439	1		
Total assets reported in the consolidated balance sheet		19,895,296	20,195,666		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) (–)		536,380	653,227		1d	3
The amount of adjustment items pertaining to Tier 1 capital (–)		38,336	34,986	2		7
Total on-balance sheet exposures	(a)	19,320,579	19,507,453	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.		135,643	70,324			
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.		78,693	73,069			
The amount of receivables arising from providing cash margin in relation to with derivatives transactions		13,326	40,465			
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		—	—	9		
The amount of deductions from effective notional amount of written credit derivatives (–)		—	—	10		
Total exposures related to derivative transactions	(b)	227,662	183,859	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		1,695,244	1,748,435	17		
The amount of adjustments for conversion in relation to off-balance sheet transactions (–)		510,137	598,850	18		
Total exposures related to off-balance sheet transactions	(d)	1,185,107	1,149,585	19		6

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

		March 31, 2021	March 31, 2022	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)	3,629,815	3,756,446	20	
Total exposures ((a)+(b)+(c)+(d))	(f)	20,733,349	20,840,898	21	8
Leverage ratio on a consolidated basis ((e)/(f))		17.50%	18.02%	22	
Consolidated leverage ratio when including deposits for Japanese banks (6)					
Total amount of exposure	(f)	20,733,349	20,840,898		
Amount of deposits for Japanese banks		1,326,532	1,312,924		
Total amount of exposure when including deposits for Japanese banks	(f')	22,059,881	22,153,823		
Consolidated leverage ratio when including deposits for Japanese banks((e)/(f'))		16.45%	16.95%		

Key Indicators (Consolidated)

(Unit: Millions of yen, %)

	March 31, 2021	September 30, 2021	March 31, 2022
Capital			
Common Equity Tier 1 capital	3,627,957	3,714,491	3,754,707
Tier 1 capital	3,629,815	3,716,197	3,756,446
Total capital	3,659,355	3,738,895	3,787,503
Risk weighted assets			
Risk weighted assets	21,787,451	21,811,569	22,112,712
Capital ratio			
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	16.65%	17.02%	16.97%
Tier 1 risk-weighted capital ratio (consolidated)	16.66%	17.03%	16.98%
Total risk-weighted capital ratio (consolidated)	16.79%	17.14%	17.12%
Leverage ratio (consolidated)			
Total exposures	20,733,349	20,400,241	20,840,898
Leverage ratio (consolidated)	17.50%	18.21%	18.02%

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	1,809 (non-consolidated 1,257)

(As of March 31, 2022)

Group Companies

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

Overseas Bases

DBJ Singapore Limited	DBJ Singapore Limited is a Singapore-based subsidiary. 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. 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. 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.	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 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 Services

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