



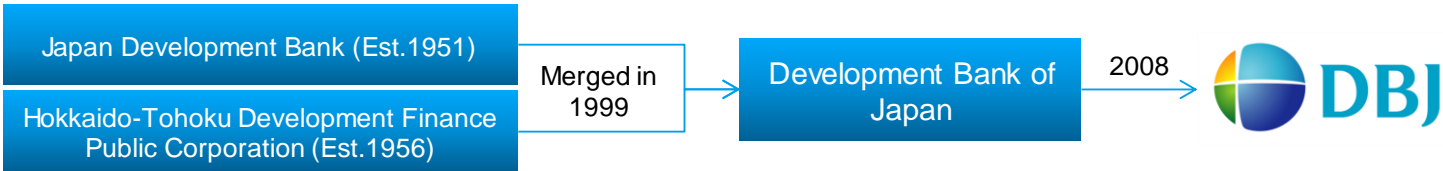
# Market Catalyst

– DBJ's Role in Finance Mobilization –

December 8, 2015

 **DBJ** Development Bank of Japan

# Overview of DBJ (as of March 31, 2015)

<b>Establishment</b>	<p>October 1, 2008 under the Development Bank of Japan Inc. Act (the “DBJ Act”)</p>  <pre> graph LR     A[Japan Development Bank (Est. 1951)] -- Merged in 1999 --&gt; B[Development Bank of Japan]     C[Hokkaido-Tohoku Development Finance Public Corporation (Est. 1956)] -- Merged in 1999 --&gt; B     B -- 2008 --&gt; D[DBJ]             </pre>
<b>Shareholder</b>	<p><b><u>100% owned by the government of Japan</u></b></p>
<b>President &amp; CEO</b>	<p>Mr. Masanori Yanagi</p>
<b>Total assets</b>	<p><b><u>JPY 16,360.6 billion (consolidated) (USD 136,145 million)*</u></b></p>
<b>Basel III Common Equity Tier 1 Ratio</b>	<p><b><u>16.80% (consolidated)</u></b></p>
<b>Credit ratings (as of October 1, 2015)</b>	<p><b><u>A1</u></b> by Moody's Investors Service, Inc; <b><u>A</u></b> by Standard &amp; Poor's Corp. (issuer ratings)</p>
<b>Offices</b>	<p>19 Domestic offices (head office, 10 branch offices, and 8 representative offices)          1 Overseas representative office (New York)          3 Overseas subsidiaries (London, Singapore and Beijing)</p>

\* USD/JPY=120.17 as of March 31, 2015.

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# 1. The Japanese Financial Market – Facts

## Household Financial Assets – In Global Comparison

### Household Financial Assets - Japan (End of March)

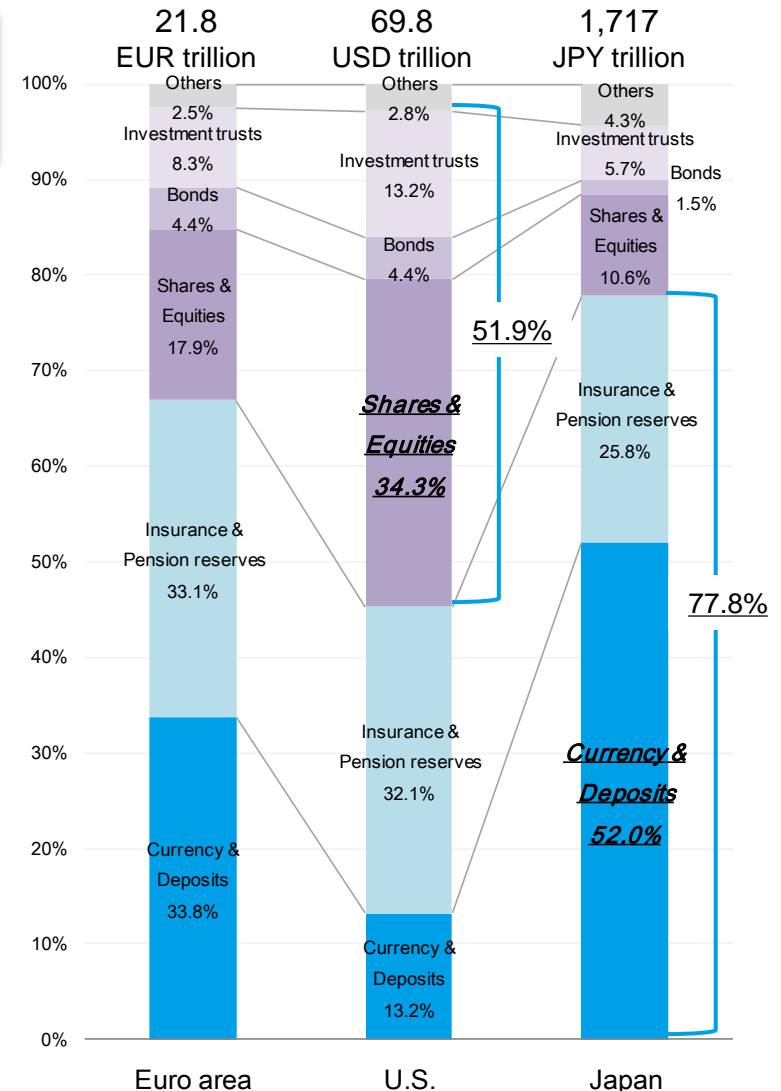
	(JPY Trillion)					
	FY2013		FY2014		FY2015 (2Q)	
Total Household Financial Assets	1,623	100%	1,700	100%	1,717	100%
<i>Currency, Deposits, Insurance and Pension Reserves</i>	<i>1,300</i>	<i>80%</i>	<i>1,327</i>	<i>78%</i>	<i>1,336</i>	<i>78%</i>
Securities other than Shares	108	7%	123	7%	124	7%
Shares and Other Equities	151	9%	178	10%	182	11%
Others	64	4%	72	4%	74	4%

(Data: Bank of Japan statistics)

Reference: Total Household Financial Assets in USD trillion at 120 JPY/USD

13.5                      14.2                      14.3

- Currency, deposits, and insurance & pension reserves occupy nearly 80% of total financial assets held by Japanese households, whereas shares, equities and other securities occupy less than 20%.
- In contrast, U.S. figures show over 50% held as shares, equities and other securities and 45% as currency, deposits and insurance & pension reserves.



(Source: Bank of Japan, Flow of Funds - Overview of Japan, US, and the Euro area - September 30, 2015)

# 1. The Japanese Financial Market – Issues

## What are the issues?

- Household financial assets are highly concentrated in the bank channel.
- Banks' portfolio-management is kept conservative and is fixed in secure assets.
- Thus, the financial market is falling short of meeting the industries' demands for higher-risk money and the institutional investors' demands for more diverse investment opportunities.

## How could they be addressed?

- Supplying higher-risk money to the market.
- Providing broader investment opportunities for institutional investors.

With our over-50-year history of credit risk management experience in development projects:

### Playing our part: **market catalyst**

- Increasing investment in newly introduced financial products market.
- Offering attractive investment opportunities.
- Collaboration with local Japanese banks and other institutional investors.



## 2. Our Initiatives – Outline

### I. Increasing investment in newly introduced financial products market

- i. **The TOKYO PRO-BOND Market** – announcing a commitment of JPY 100 billion investment in the market.

### II. Offering attractive investment opportunities

- i. **DBJ Green Bond** – becoming the first Japanese green bond issuer.
- ii. **DBJ sustainability bond** – further extending our scope to address the green issue from a financial perspective.

### III. Collaborating with local Japanese banks and other institutional investors

- i. **Co-finance** – joint finance (arranged together with a Japanese local bank, The Shizuoka Bank) to fund the share acquisition of a Thai power producer by a Japanese local company
- ii. **Co-investment** – co-investment program for infrastructure projects worldwide with the Japanese Government Pension Investment Fund (GPIF) and Canada's Ontario Municipal Employees Retirement System (OMERS)
- iii. **Co-investment** – co-investment program (launched together with two Japanese local banks, The Chiba Bank and The Shizuoka Bank) aimed at investment in foreign private equity funds (PE funds)

## 2. Our Initiatives: I. The Tokyo Pro Bond Market

### Key Market Highlights

- Open exclusively to institutional investors
- Designed to pursue flexibility and timeliness in bond issuance and greater convenience for overseas issuers
- Simplified listing requirements and disclosure system compared to regular domestic bonds

### The Market Today

- Established in 2011, the market has seen as many as 18 issuers listing their programs and 8 of them have successfully issued bonds.
- The issued bonds are denominated in JPY, USD, RMB and THB.



### Our Initiatives

In April 2014, DBJ invested in bonds issued by Banco Santander-Chile and announced our plan to invest a total of JPY 100 billion\* in the market.

\*Approximately USD 830 million at 120 JPY/USD.

### Issuers on the Tokyo Pro Bond Market

As of November 2, 2015

Issuer	Program listed date	Issue amount and date
ING Bank (Netherlands)	March 30, 2012	JPY 175.9 bn (12/2012)
		JPY 81.1 bn (7/2015)
Nomura Bank International plc (UK), Nomura Europe Finance N.V. (Netherlands)	July 27, 2012	---
ICICI Bank Limited (India)	June 18, 2013	---
Asian Development Bank (Philippines)	Nov. 11, 2013	---
Bank of America Corporation (USA)	March 7, 2014	---
Banco Santander-Chile (Chile)	April 2, 2014	JPY 27.3 bn (4/2014)
Malayan Banking Berhad (Malaysia)	May 1, 2014	JPY 31.1 bn (5/2014)
		JPY 20.0 bn (8/2014)
First Gulf Bank (UAE)	June 10, 2014	JPY 10.0 bn (6/2014)
Deutsche Pfandbriefbank (Germany)	June 27, 2014	---
HYPO NOE Gruppa Bank (Austria)	Feb. 18, 2015	---
Macquarie Bank Limited (Australia)	Feb. 24, 2015	JPY 34.1 bn (3/2105)
Tokyo Metropolis (Japan)	May 11, 2015	USD 1 bn (5/2015)
Mizuho Bank, Ltd. (Japan)	July 10, 2015 (standalone)	RMB 250 m (7/2015)
	Oct. 7, 2015	THB 3 bn (9/2015)
The Bank of Nova Scotia (Canada)	Oct.21,2015	JPY 47.2 bn (10/2015) (USD 20 bn EMTN)

## 2. Our Initiatives: II. Green Products

### DBJ Green Bond

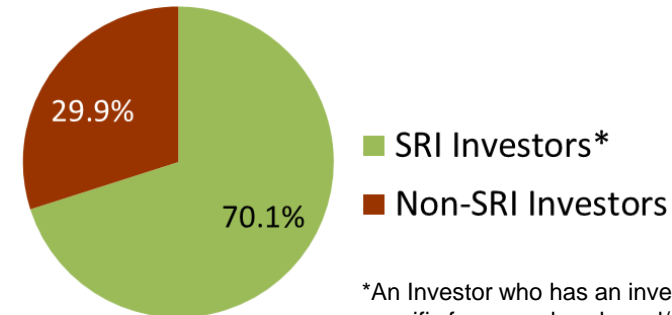
- In 2014, DBJ issued its Inaugural Green Bond, by which it became the first Japanese issuer of a green bond in the euro market.

#### [Issuance Overview]

Issuer:	Development Bank of Japan Inc.
Guarantor:	N/A (non-guaranteed)
Ratings*:	Aa3/A+ (Moody's/S&P)
Issue amount:	EUR 250 million
Pricing date:	30th September 2014
Maturity date:	6th October 2017
Coupon:	0.250% p.a.
Re-offer spread:	Mid Swap + 23bps
Re-offer yield:	0.373% p.a.
Bookrunners:	BoA ML, Morgan Stanley, Citi, Daiwa

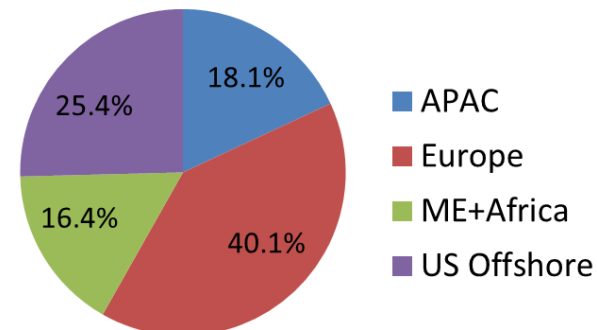
\*Moody's downgraded the ratings of DBJ to A1 with stable outlook from Aa3 on 2 December 2014, and S&P downgraded the ratings of DBJ to A with stable outlook from A+ on 17 September 2015. The downgrade action follows and is in response to the downgrade of the Government of Japan rating.

#### Distribution, by Investor Type



\*An Investor who has an investment portfolio specific for green bonds and/or prefers to make investment on green bonds over regular bonds.

#### Distribution, by Geographic Region





## 2. Our Initiatives: III. Green Products (continued)

### DBJ Sustainability Bond

- Sustainability bond: A type of socially responsible investment bond (SRI bond) for which there is a rapidly growing balance among issuers in Europe and America.
- DBJ issued a sustainability bond on October 21<sup>st</sup>, 2015, again *becoming the first Japanese issuer*. This successful issuance received much praise from the industry.

#### [Issuance Overview]

Issuer:	Development Bank of Japan Inc.
Market:	euro market
Issue amount:	EUR 300 million
Maturity:	4 years (due on Oct. 21, 2019)
Coupon:	0.375%
Re-offer price:	99.640%
Listing:	London Stock Exchange PSM
Lead managers:	Merrill Lynch International Morgan Stanley & Co. International plc J.P. Morgan Securities plc Goldman Sachs International
Bond rating:	Moody's/S&P: A1/A

#### Merrill Lynch International

“this inaugural euro-denominated sustainability bond *has positioned the bank as a clear leader* in the rapidly growing SRI fixed income market.”

#### Morgan Stanley & Co., International plc

“The transaction *attracted* both new and existing DBJ *green and sustainability investors*”

#### J.P. Morgan Securities plc

“J.P. Morgan celebrates DBJ’s *innovative environmental leadership in Asia*.”

#### Goldman Sachs International

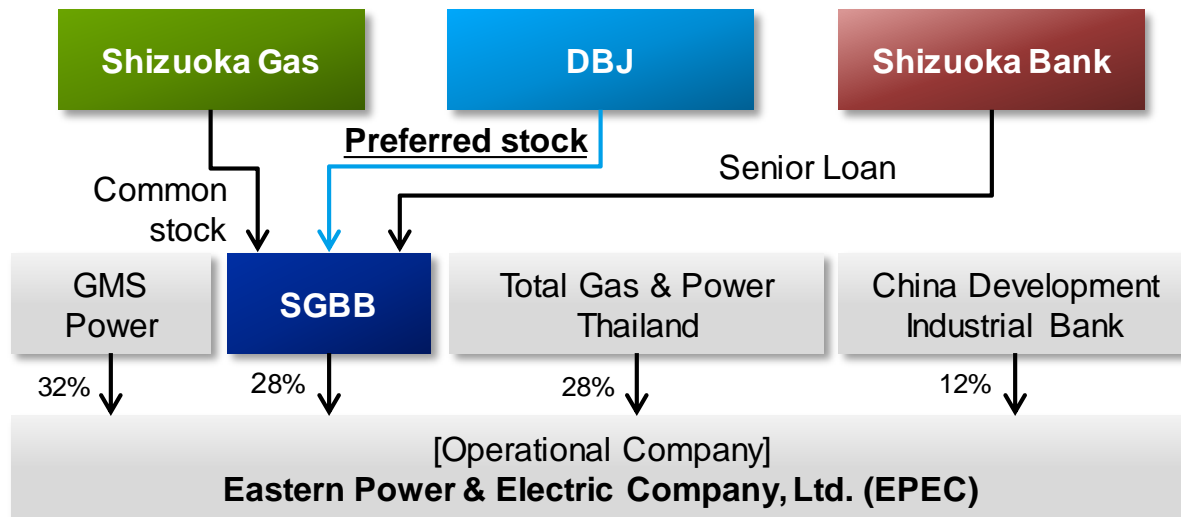
“DBJ’s decision to diversify its product range *not only led the way in creating new opportunities for other Japanese issuers to SRI products, but also helped to further the development of the Japanese SRI market*.”

Source: DBJ news release October 21, 2015.

## 2. Our Initiatives: IV. Co-finance

### DBJ & The Shizuoka Bank – Co-financing Offshore

- DBJ and The Shizuoka Bank, Ltd., a Japanese local bank, cooperated in the finance of the share acquisition of an existing Thai power producer by a Japanese local gas utility company, Shizuoka Gas Co., Ltd.
- This first overseas investment project for the company was intended to acquire management knowledge and business promotion skills overseas as well as to build offshore networks.
- Promoting Japan's local economic vitalization by supporting local companies together with Japanese local banks is one of our top-priority missions as a DFI.

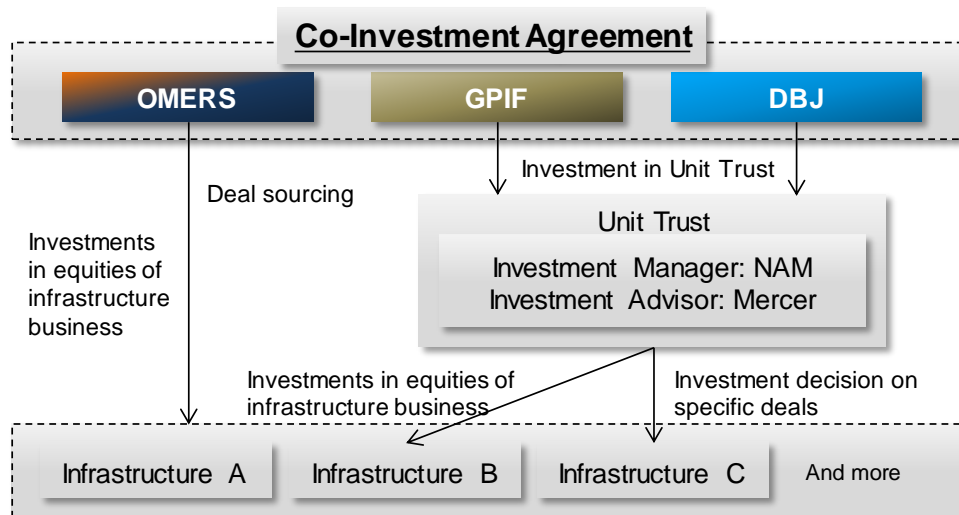


[EPEC's gas-fired thermal power generation facility]

## 2. Our Initiatives: V. Co-investment

### DBJ & Government Pension Investment Fund – Co-investing Offshore

- In 2014, DBJ, the Japanese Government Pension Investment Fund (GPIF), and the Ontario Municipal Employees Retirement System of Canada (OMERS) reached a co-investment agreement.
- GPIF has been conducting studies on, and pursuing, a portfolio yielding higher returns, while achieving lower exposure to financial market risks in general. Caught in the intersection of these two difficult tasks was overseas infrastructure investments.
- Partnering with the leading players of the field, this agreement is expected to bring investment opportunities with higher return that is less exposed to financial market risks to the parties involved, including GPIF.



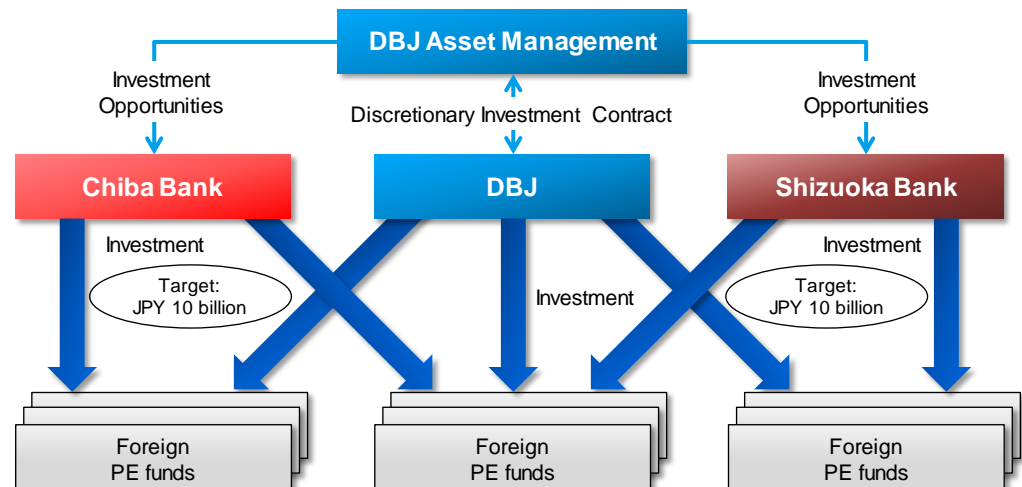
- NAM: Nissay Asset Management Corporation
- Mercer: Mercer Investments
- Unit Trust will be managed by NAM with Mercer acting as investment advisor.
- With Mercer acting as advisor, NAM decides on investment opportunities proposed by OMERS.

## 2. Our Initiatives: VI. Co-investment

### DBJ & Japanese Local Banks – Co-investing in PE Funds

- In August 2015, DBJ and its group company DBJ Asset Management Co., Ltd. (DBJAM) launched a co-investment program together with two Japanese Local Banks, The Chiba Bank, Ltd. and The Shizuoka Bank, Ltd., targeting foreign private equity funds (PE funds). In separate arrangements, each of the two local banks is planning to contribute up to JPY 10 billion\* jointly with DBJ. DBJAM will be in control of selecting and providing investment opportunities.
- Asset portfolio diversification has become a common issue of local banks, and PE fund investment is increasingly attracting their attention. Beyond the initial PE fund investments, such banks are also seeking possible alliances with the invested companies and the banks' direct clients, which would be a “value-added” to the solutions the banks could offer.
- This co-investment by DBJ and the local banks in PE funds is a whole new framework for our group.
- Providing support for local banks' business development initiatives and, thus, contributing to regional economies are two important challenges that DBJ faces and hopes to address.

\*Approximately USD 830 million at 120 JPY/USD.



### 3. In Summary

1. The Japanese financial market holds an immense amount of “sleeping” assets.
2. These assets deserve higher return and better quality management opportunities.
3. The market in its entirety with all the players involved is on its way to creating and providing such opportunities.
4. Our initiatives are aimed at, and designed and developed for, playing our role as a market catalyst: directly investing in new financial markets, taking the lead in “green” financial products, providing co-financing and co-investing opportunities jointly with pension funds and local banks, and more.
5. As a DFI, it is our continuing hope to better serve the industry worldwide, addressing the many socio-economic issues we share.

**THANK YOU FOR YOUR ATTENTION.**

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