

DBJ is a catalyst for the creation of the new value required to build a prosperous tomorrow.

DBJ builds and supports highly significant projects that will provide new solutions both for contemporary society and the next generation. This defines the approach of DBJ's policy-based financing.

Navigate to Tomorrow...



To community development

DBJ works closely with local communities to assist them with overcoming various challenges, helping to enhance regional financial functions and revitalize local industries.



To environmentally sustainable societies

DBJ contributes to the realization of a sustainable society by supporting companies that fulfill their social responsibilities.



To the future of technology and new industry

DBJ provides know-how and funds to create new industries built on technology in order to revitalize the Japanese economy.

Everything DBJ does is aimed at developing a sustainable society and creating a prosperous life for the citizens of Japan. DBJ is actively involved in projects needed now and for the future.



Creating disaster-prepared cities while revitalizing downtown areas

Urban redevelopment and downtown revitalization

Akashi Regional Promotion Development Co., Ltd.

- This project sought to redevelop urban areas and upgrade commercial facilities in downtown Akashi City.
- Urban redevelopment projects generally require massive capital investment, but these projects are not very profitable, and it takes a long time to recover the investment. DBJ facilitates project success by advising businesses based on past experience and providing financing through long-term loans.





Train cars that anyone can easily board or exit, creating cities that are friendly to people

Introduction of barrier-free train cars for regional transportation

Iyo Railway Co., Ltd.



- This project introduced train cars with street-level floors in Matsuyama City, Ehime Prefecture. Barrier-free train cars with low floors reduce the height of the step to allow people in wheelchairs or with baby carriages to get on and off smoothly.
- Low floor streetcars are more expensive than regular streetcars. DBJ financing provides incentive to carry out similar types of projects that have high policy significance.



Developing the energy of the future by channeling the power of nature

Project financing for construction of wind power plants

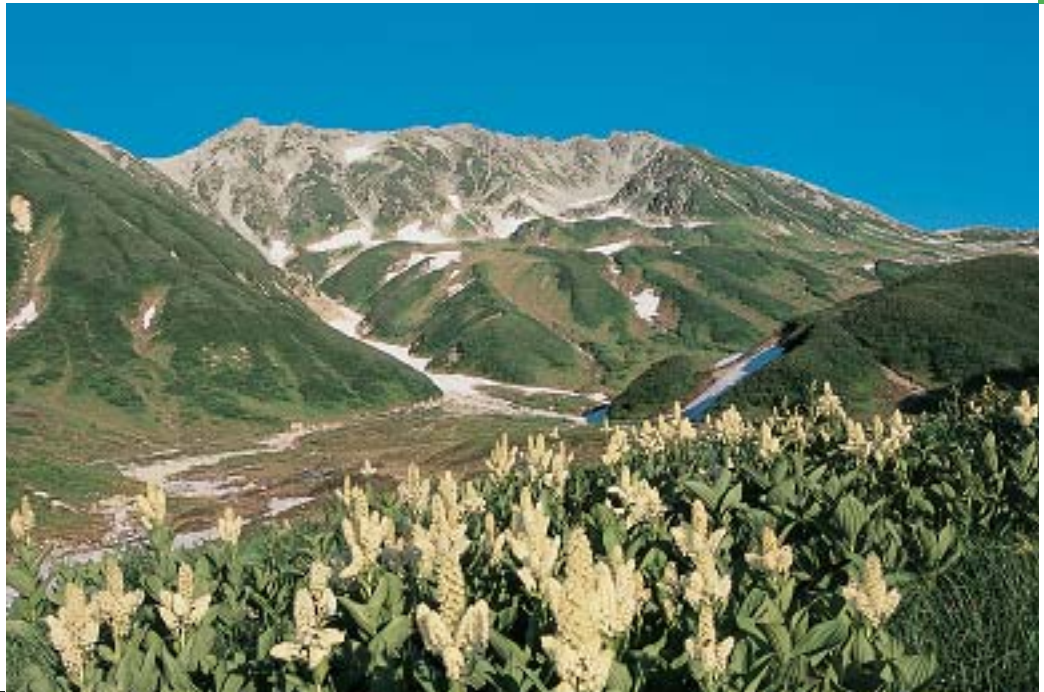
Eurus Energy Iwaya Corp.

- This project built twenty-five 1,300kW wind power generators in Higashidori-mura, Aomori Prefecture. Clean electric power will be sold to power companies for a 17 year period starting in 2001.
- DBJ provided project finance loans in conjunction with private financial institutions. Wind power is a high-risk

venture, and after a careful study of wind conditions, DBJ prepared a financing plan based on an understanding of wind direction, wind speed, and other factors.



Photo credit: Eurus Energy Japan Corp.



Protecting the rich natural environment of Tateyama Kurobe by introducing low-emission vehicles

Introducing low-emission vehicles at national parks

Tateyama Kaihatsu Tetsudo Co., Ltd.

- In order to protect and conserve the rich natural resources of the Tateyama Kurobe Alpine Route in Chubu Sangaku National Park, this project has been gradually introducing hybrid low-emission buses to the highland roads since 1998.
- Hybrid buses are more expensive than regular buses, and replacing all vehicles will take a long time. DBJ allowed this project to be implemented in a stable and systematic manner by providing long-term loans.





Achieving zero waste with eco-cement Environment-friendly recycling

Project to develop eco-cement

Ichihara Ecocement Corp.

- A project to develop eco-cement using the ash from incinerating waste is underway in Ichihara City in Chiba Prefecture.
- The eco-cement project is the core focus of the “Chiba Prefecture Western and Central Region Eco Town Plan,” which is based on the concept of zero emissions and aims to eliminate waste. By recycling waste that previously would have been buried in landfills, this project helps to build a society based on renewable



- resources, easing the problem of insufficient disposal sites and addressing the issue of dioxins.
- DBJ has provided long-term funds to aid the commercialization of Japan’s first eco-cement, which aims to achieve zero emissions, thus putting the project on stable footing.



Elevating railroad crossings Restoring safety and speed to everyday life

Elevated crossing project

Tokyu Corp.



Before elevated crossing

- This project removed ground level railroad crossings at 18 points along an approximately 2.8km stretch of the Tokyu Meguro Line between Meguro and Senzoku Stations by elevating the railroad above the roadway.
- The project costs for elevating railroad crossings are enormous. Moreover, because an increase in revenue is not expected, the investment must be recovered over a long period of time. DBJ cooperated in achieving this socially beneficial project by providing long-term (20-year) fixed-rate loans.

To the future of technology and new industry



Support for technology used for next-generation lenses New product line revitalizes community

Strengthening communities' technological foundation

Tamron Co., Ltd.

- A plant manufacturing high value-added lenses in Aomori Prefecture's Tsugaru region carried out construction work to upgrade the plant.
- This project is expected to strengthen the company's technological foundation, create employment in the region, and enhance the regional economy by securing orders for local companies.
- This project is part of efforts to strengthen the company's production system for the medium to long term, given the recent diversity in products such as



digital cameras. DBJ provides continual support for this type of technology-based effort by providing long-term fixed-rate loans.



Rendering

Rendering: Courtesy of JAXA & Lockheed Martin



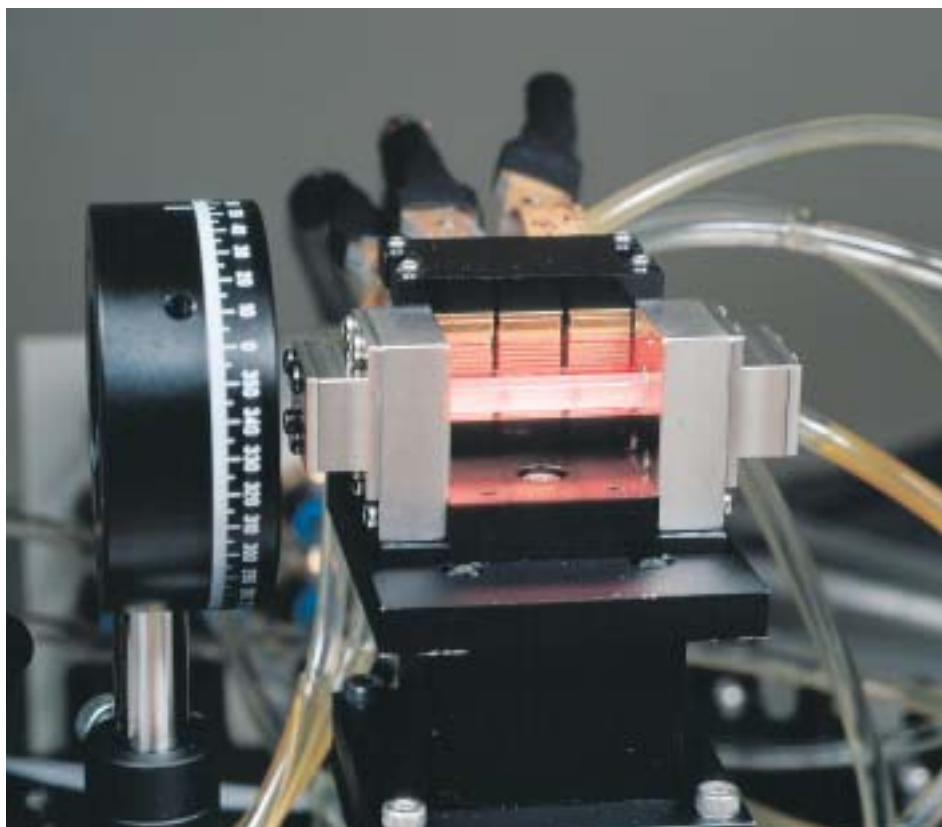
Advanced science and technology creating business on the vast stage of space

Space technology R&D project

Galaxy Express Corp.

- This project is Japan's first joint public and private sector venture in rocket development. The two-stage liquid fuel rocket under development is intended mainly for commercial launches and will have the capacity to launch 2-ton satellites into a sun-synchronous orbit at an altitude of 800km.
- Rocket development is generally a high-risk venture as a result of massive development costs and a long investment recovery period. DBJ is helping to facilitate this project by providing long-term loans.

To the future of technology and new industry



Creating new industry based on passion and experience in taking on new challenges on the human frontier

Commercializing high power diode laser

Hamamatsu Photonics K.K.

- This project commercialized high power diode laser by applying original cooling and condensing technology acquired through years of research and development.
- Commercializing high power diode laser is a pioneering venture that generally entails high business risk as a result of the need to establish production lines, maintain yield rates, and forecast demand. DBJ provides quality, long-term financing in support of companies willing to accept the challenge of blazing new trails.





Developing new engines to help revitalize the local economy




Technological development at a leading regional company

Mazda Motor Corp.

- Hiroshima has a flourishing automobile manufacturing industry, and in this project, Mazda developed an all-aluminum gasoline engine that achieves superior power performance, fuel efficiency, and low noise.
- This project required massive investment over several fiscal years. The project was key to revitalizing the local community, and DBJ provided support in the form of stable long-term financing.



DBJ strives to achieve optimal operations management within the Plan, Do, See cycle outlined below. The Bank is also working to manage the various risks associated with being a financial institution and to earn the trust of the general public.

	<i>Plan</i>	Preparation and publication of Investment and Finance Guidelines based on the Medium-Term Policy Principles
	<i>Do</i>	Execution of investments and loans
	<i>See</i>	External evaluation: Management Council Internal evaluation: Operations evaluation

Operations Management Cycle

Preparation and Publication of Investment and Finance Guidelines based on the Medium-Term Policy Principles

DBJ carries out its activities in accordance with three-year policies prepared by the competent ministers (Medium-Term Policy Principles) and prepares and publishes Investment and Finance Guidelines for each fiscal year.

Management Council

DBJ established a Management Council comprised of outside experts in accordance with Article 24 of the Development Bank of Japan Law. Council members examine the status of operations related to the items stated in the Bank's Medium-Term Policy Principles. The results of this examination are published with a view to enhancing transparency.

Management Council profile

Membership limit: Eight members

Appointment: The Bank Governor appoints scholars and experts subject to approval by the Minister of Finance.

Term of office: Four years

Chair: The Chair is designated by the Governor and presides over council affairs.

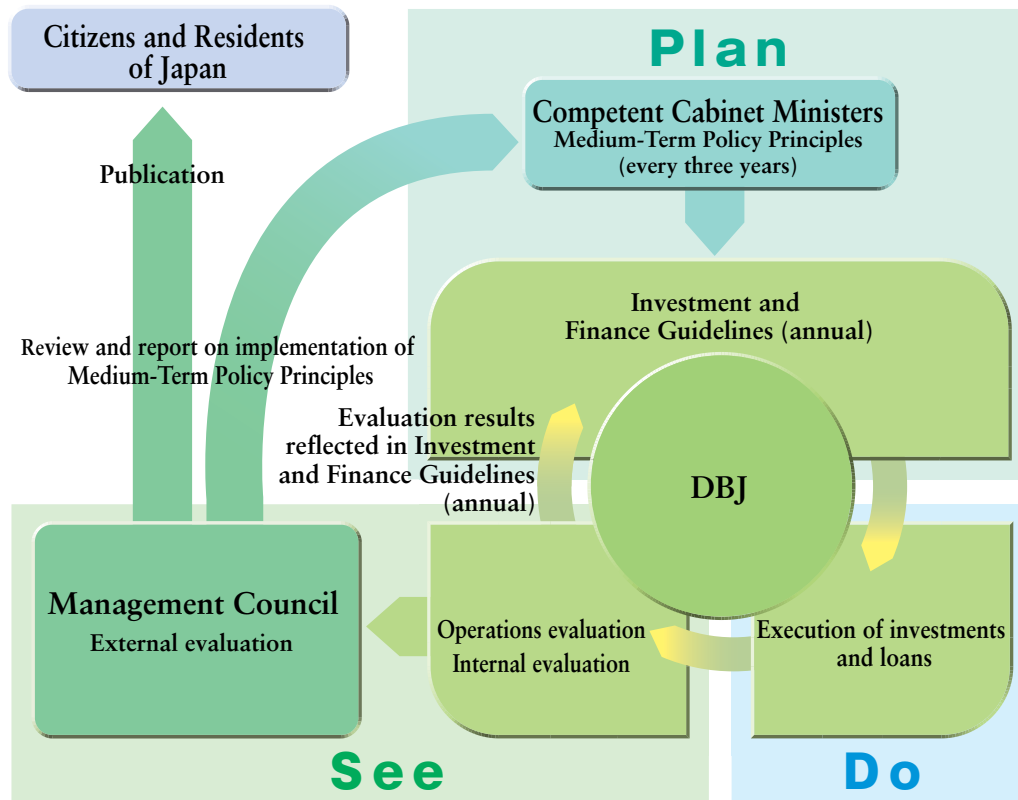
Management Counselors (As of the end of June 2004. *Chairman)

Satoru Kishi	Senior Advisor, The Bank of Tokyo-Mitsubishi, Ltd.
Shigeru Morichi	Professor, Department of Civil Engineering, Division of Engineering, Graduate School, University of Tokyo
Shinobu Shimizu	Chairman of the Board and Representative Director, Tokyu Corp. Former Chairman, The Association of Japanese Private Railways
*Shoichiro Toyoda	Honorary Chairman and Director, Toyota Motor Corp. Honorary Chairman, Nippon Keidanren
Yasuko Niimura	Chief Economist and Managing Director, Sumitomo-Life Research Institute, Inc.
Yasuo Shingu	Honorary Chairman, Sumitomo Metal Industries, Ltd. Former Chairman of the Board of Directors, Kansai Economic Federation
Yoichi Kaya	Director General, Research Institute of Innovative Technology for the Earth (RITE)
Yoshio Matsui	Chairman, The Yomiuri Shimbun

Report of the Management Council of the Development Bank of Japan (December 2001)

In accordance with Article 24 of the Development Bank of Japan Law, the Management Council prepared a report on the results of its examination of the implementation status of the current Medium-Term Policy Principles. DBJ passed this report on to the competent ministers.

Operations Management Cycle Based on the DBJ Law



Operations Evaluation

As with national and local public bodies, DBJ is required to undertake proactive reform to ensure accountability and better operations management. To achieve this goal, DBJ has introduced an operations evaluation system.

Mechanism for operations evaluation

DBJ conducts its operations in line with the Medium-Term Policy Principles formulated by the competent ministers. The law also stipulates that the Management Council discuss the status of the implementation of these policies. In order for this framework to work effectively, DBJ must evaluate its own operations and maintain an internal evaluation mechanism enabling it to provide the Management Council with the information needed for these deliberations. The operations evaluation mechanism assesses individual investment and loan proposals (individual proposals) as well as the internal investment and loan system, and then reports the results to the Management Council. This information is also useful to DBJ in reviewing its own operations (see figure above, “Operations Management Cycle Based on the DBJ Law”). Specifically, the procedure consists of (1) evaluation of individual investment and loan projects (an assessment of individual proposals’ policy significance); (2) evaluation of the investment and loan system (an assessment of the effectiveness of the investment and loan system); (3) evaluation of projects (a detailed evaluation of specific proposals); and (4) compilation of the results in an Operations Evaluation Report (comprehensive evaluation) and release of the report after the Management Council has been informed.

DBJ has established the Operations Evaluation Office as an internal organization dedicated to ensuring that internal evaluations generate accurate and reliable results. The office ensures optimal functioning of the evaluation system. DBJ also established a committee consisting of scholars and experts to solicit suggestions on how to improve the evaluation system.

Internal Management System

The Diet approves DBJ's budget every year, and DBJ must submit its financial statements to the Diet, as well. In addition, overall operations are reviewed by the Board of Audit, the Ministry of Finance and the Financial Services Agency. Under the DBJ Law, the executive serving as the auditor monitors operations, and the organization-wide measures described below are applied to internal management.

Legal Compliance System

DBJ positions the formulation of a legal compliance system as one of management's most important tasks in fulfilling the Bank's social mission and responsibilities as a policy-based financial institution. DBJ is currently undertaking the following organization-wide efforts.

Development of a compliance system

DBJ has established a general risk management committee to serve as the body to deliberate on compliance matters, as well as to ascertain the extent to which compliance is practiced and discuss improvements to the Bank's internal system. In addition, the compliance officers appointed in all departments and branch offices are responsible for verifying compliance in their assigned department or branch office as well as reporting on compliance-related matters and serving as liaisons.

Internal dissemination of compliance information

DBJ has prepared a Compliance Manual containing specific behavior guidelines to ensure compliance, as well as related laws and regulations. This manual is distributed to all executives and employees. Moreover, the Bank is holding training seminars and briefings in an effort to thoroughly educate all executives and employees about basic matters related to internal compliance.

Formulation of compliance programs

DBJ formulates compliance programs for each fiscal year as detailed action plans to achieve compliance. These programs are discussed and adopted by the Compliance Committee.

ALM and Risk Management System

DBJ has developed an asset/liability and risk management system that clarifies which department is responsible for each type of risk in order to ensure appropriate management of individual risk, and places the Finance Planning & Coordination Department in charge of overseeing comprehensive asset/liability and risk management activities. The ALM Committee, consisting of executives and the DBJ Governor, determines basic policies related to comprehensive asset/liability and risk management and conducts regular monitoring for each type of risk.

Credit risk

Credit risk refers to the risk of sustaining losses resulting from a decline or complete loss in the value of assets due to deterioration in the financial condition of the borrower. Credit risk management requires monitoring of individual loans as well as Bank-wide portfolio management.

- Monitoring of individual loans

When making investments and loans, DBJ examines the primary entity's project viability and profitability from a neutral and fair standpoint, in addition to considering the project's policy significance and benefits. The loan amounts are determined using ratings. DBJ is not subject to the Banking Law or the Law concerning Emergency Measures for the Revitalization of the Functions of the Financial System (Financial Revitalization Law), but carries out independent asset assessments in line with the Self-Assessment Criteria based on the Financial Services Agency's Financial Inspection Manual. The results of self-assessments are subject to an audit by an audit corporation in accordance with the Practical Guidelines for Verifying Internal Regulations Covering the Self-Assessment of Assets by Banks and Other Financial Institutions and for Auditing Bad Debt Write-offs and

Bad Debt Reserves (Fourth Report of the Special Committee on Bank Auditing of the Japanese Institute of Certified Public Accountants).

- Portfolio management

DBJ reports on the internal ratings, the results of the self-assessment, and the status of unexpected losses to the ALM Committee. This monitoring and consideration of countermeasures allows DBJ to control risk and carefully review measures to improve risk-return.

Market risk

Market risk can be broadly classified into interest rate risk and exchange risk. DBJ is taking the following steps to control market risk.

- Interest rate risk

DBJ employs cash flow ladder analysis (gap analysis), present value analysis, interest rate sensitivity analysis, and other methods to manage its assets and liabilities. The Bank covers a portion of interest rate risk associated with lending operations through interest rate swaps, which are used solely for hedging purposes. DBJ does not have any trading-related risk because it does not engage in trading (specified transactions).

- Exchange risk

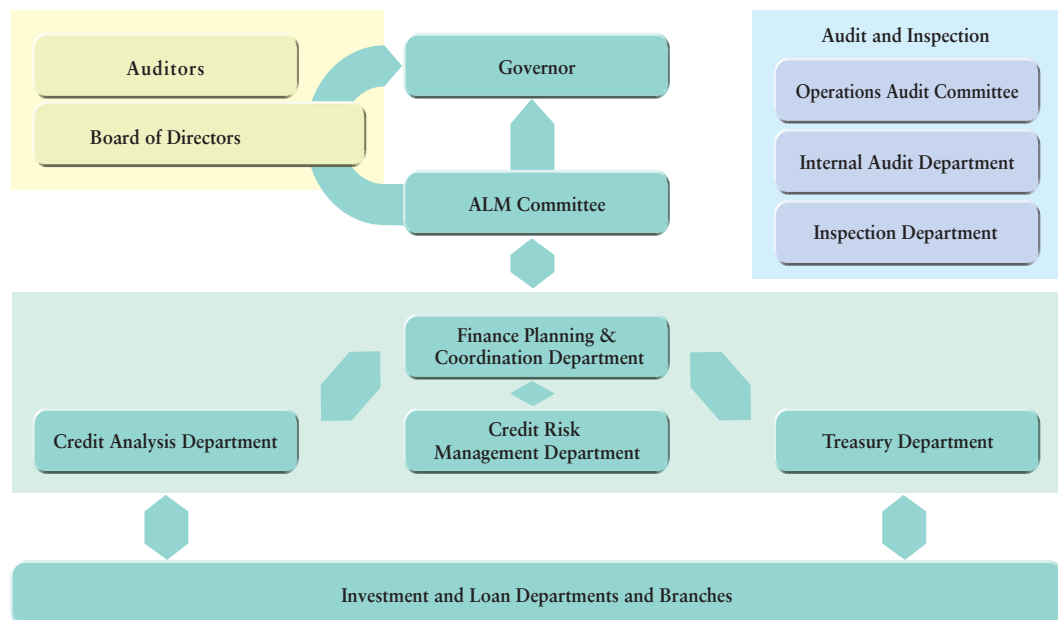
Exchange risk results from extending foreign currency loans and issuing foreign currency bonds. DBJ uses currency swaps to hedge this risk. The Bank manages counterparty risk in swap transactions (risk that the other party to the swap transaction will be unable to fulfill its obligations) by continually monitoring the creditworthiness of counterparties to swap transactions and by diversifying transactions across several institutions.

Liquidity risk

DBJ has a robust system for controlling liquidity risk. In addition to rigorous management of projected cash flows, the Bank relies on the stable procurement of long-term funds from the government’s Fiscal Investment and Loan Program (FILP), government-guaranteed bonds, and FILP agency bonds rather than short-term funds such as deposits.

To meet unexpected short-term funding requirements, funds on hand are placed primarily in short-term investments, taking security and liquidity into consideration, and overdraft lines of credit have been established with multiple private financial institutions. DBJ also maintains daytime liquidity by using the Bank of Japan’s settlement system, Real Time Gross Settlement (RTGS), a system whereby settlements are made instantly for each transaction. DBJ does its utmost to manage its settlement position appropriately.

Asset/Liability and Risk Management System



Operational Risk Management

Operational risk refers to the risk of sustaining losses resulting from employees neglecting to perform their operational duties correctly or from accidents, fraud, and so forth. DBJ is working to reduce and prevent the actualization of operational risk by preparing manuals, performing mutual checks on administrative procedures, providing education and training, and employing computer systems to reduce the burden of administrative duties. Inspection Department led by senior executives under the direct authority of the Governor perform independent inspections. These on-site inspections are conducted once yearly for each department and branch office to confirm that administrative duties are being carried out in an appropriate manner and in compliance with laws and regulations as well as internal Bank rules.

Systems Risk Management

Systems risk refers to the risk of sustaining losses resulting from the breakdown or malfunction of computer systems, system defects, or improper computer usage. DBJ recognizes the growing importance of systems risk management for financial institutions as a result of the ongoing spread of networks and other factors. In response to the Special Action Plan on Countermeasures to Cyberterrorism of Critical Infrastructure issued by the IT Security Promotion Committee of the Government of Japan, the Bank is taking the following steps to develop internal systems to manage systems risk.

Formulation of an Information Security Policy

DBJ has formulated an Information Security Policy as a uniform policy to ensure the security of the Bank's information systems.

Establishment of a System Risk Management Committee

A System Risk Management Committee has been established to deliberate on matters related to system risk. The Committee discusses policies for formulating basic policies for the system risk management system and internal rules.

Establishment of an Information Security Management Division

DBJ has established an Information Security Management Division to provide integrated maintenance and management of information security. The division is responsible for confirming on a daily basis that system usage complies with internal rules.

Appointing of Information Assets Officers

DBJ has appointed information assets officers for each department and branch office as the persons responsible for implementing security measures.

Internal Audit Systems

Internal audits involve a comprehensive and objective assessment of the appropriateness and effectiveness of the organization's internal management stance from a position independent of the managing divisions and the operation divisions, and also involve a series of work processes ranging from advice on problem correction to follow-up. As a policy-based financial institution, DBJ fulfills its social mission as a government-affiliated institution through its operations. As a financial institution, DBJ must maintain its health through governance based on principles of self-responsibility. Its internal monitoring functions, which aim to ensure the effectiveness of internal management while addressing the greater diversity and sophistication of operations, are becoming increasingly important.

To facilitate this internal monitoring process, DBJ has established an Internal Audit Department under the direct supervision of the Governor, independent of the operational departments, to complement the business audits. This department is working to facilitate internal monitoring in order to achieve and maintain appropriate and effective risk management, reliable financial reports, and compliance with laws and regulations—the primary objectives of internal control. Specifically, the department verifies the appropriateness and effectiveness of operations management with respect to compliance with laws and regulations and to risk management in each department and branch office, and also performs both internal rating audits and self-assessment of assets. Further, an Operations Audit Committee was established under the Governor to deliberate on important issues related to internal audits.

Website Information

DBJ's website offers a variety of timely information, including an introduction to the Bank, news releases, and research reports.

Website address: <http://www.dbj.go.jp/english/index.html>



Top page



Investor relations

DBJ's Business Areas and Fiscal 2004 Investment and Loan Plan

Business Areas and Investment and Loan Plan

In fiscal 2004, DBJ's activities focused on the following three main areas:

1. Restructuring and Economic Revitalization
2. Revitalization of Local Economies
3. Environmental Measure and Infrastructure

In order to promote investment in these areas, as explained below, DBJ focuses on investment and loan activities while conducting surveys and research and providing information in support of policy proposals and project formulation.

Restructuring and Economic Revitalization

- Economic structural reform, including assistance of new entrants in deregulated industries, support for the revitalization of financial and capital markets, support for industrial revitalization and business rehabilitation, and facilitation of access by overseas corporations to Japan
- Enhancement of intellectual infrastructure, including the development of new technologies and businesses that contribute to the improvement of technology standards in Japan

Revitalization of Local Economies

- Development of regional social infrastructure through implementing urban renewal projects, enhanced utilization of existing urban areas, improvement of regional transportation infrastructure and so forth
- Regional economic revitalization through the promotion of regional location of industries, regional industrial development and employment creation, enhancement of regional financial capabilities, and so forth

Environmental Measures and Infrastructure

- Environmental conservation, energy, disaster prevention, and welfare measures, including promotion of the creation of a recycling society, urban disaster prevention initiatives, and measures for welfare and the aging society
- Development of transportation and physical distribution networks, including the improvement of core metropolitan transportation networks and air transportation systems, and the enhancement of distribution efficiency
- Formulation of telecommunications networks, including the promotion of telecommunications network development, enhancement of utilization, and the introduction of advanced information technology

Loans and Investments by Fiscal Year

Item	Fiscal Year			(Reference) Fiscal 2003 year-end balance
	2001	2002	2003	(billions of yen)
Structural reform and economic revitalization	354.8	379.6	416.0	2,192.1
Economic structural reform	330.5	349.7	400.3	1,898.1
Development of intellectual infrastructure	24.2	29.8	15.7	294.0
Creation of self-reliant regions	247.8	253.2	275.5	3,639.4
Development of regional social infrastructure	115.7	147.4	182.4	2,301.2
Revitalization of regional economies	132.1	105.8	93.0	1,338.2
Enhancement of quality of life	606.2	573.3	448.1	8,748.3
Environmental protection, energy, disaster prevention, and welfare measures	339.5	269.9	252.1	4,607.2
Transport and distribution networks	171.4	176.7	186.2	3,491.6
Telecommunications networks	95.2	126.7	9.7	649.4
Sub-total	1,208.9	1,206.2	1,139.7	14,580.0
Improvement of social capital	46.7	55.7	43.3	641.5
Total	1,255.6	1,262.0	1,183.1	15,221.6
(of which capital subscription)	(5.1)	(101.8)	(61.6)	(311.4)
Debt guarantees	11.1	2,272.2	15.4	2,216.6

Notes: 1. Investment and loan categories were revised effective fiscal 2004. Investment and loan amounts in fiscal 2001 and 2002 were adjusted for convenience to conform to fiscal 2003 categories.

2. Investment in funds is recorded on the basis of the agreement amount.

3. In fiscal 2001, the figures include ¥75.5 billion corresponding with the business activities of the former Hokkaido-Tohoku Development Finance Public Corporation, ¥5.8 billion corresponding with the former lending business of the Japan Regional Development Corporation, and ¥16.0 billion corresponding with the former lending business of the Japan Environment Corporation.

4. In fiscal 2002, the figures include ¥81.6 billion corresponding with the business activities of the former Hokkaido-Tohoku Development Finance Public Corporation, ¥3.1 billion corresponding with the former lending business of the Japan Regional Development Corporation, and ¥17.7 billion corresponding with the former lending business of the Japan Environment Corporation.

5. In fiscal 2003, the figures include ¥63.7 billion corresponding with the business activities of the former Hokkaido-Tohoku Development Finance Public Corporation, ¥0.5 billion corresponding with the former lending business of the Japan Regional Development Corporation, and ¥11.5 billion corresponding with the former lending business of the Japan Environment Corporation.

6. The fiscal 2003 year-end balance does not include ¥36.1 billion in stock from Tomakomai East Development Corporation and the Mutsu Ogawara Development Corporation.

7. Debt guarantees, etc., in fiscal 2002 include ¥21.0 billion in debt guarantees for borrowings, etc., from private financial institutions, and ¥2,251.1 billion in debts for collateralized loan obligations using credit derivatives (bonds issued by special purpose companies totaling ¥10.0 billion and credit default swap transactions totaling ¥2,241.1 billion) etc.

Features of the Fiscal 2004 Investment and Finance Plan

Fiscal 2004 Investment and Finance Amount

In light of the reform of special public corporations, DBJ plans to invest or lend a total of ¥1,178.0 billion in fiscal 2004, as in fiscal 2003, in an effort to provide financing in cooperation with private financial institutions in areas critical to the achievement of national economic and fiscal policies addressing regional economies, the environment, technology, and other issues.

Accordingly, the balance of loans is expected to decrease about ¥4.3 trillion compared to the time of DBJ's founding (from ¥18.8 trillion at the end of March 2000 to an estimated ¥14.5 trillion at the end of March 2005).

(Reference) Comparison of fiscal 2000 investment and loan plan and initial amounts planned in recent years

Fiscal year	Initial amount planned	Comparison with fiscal 2000 plan
2000	2,230	—
2001	1,600	▲ 630
2002	1,200	▲ 1,030
2003	1,178	▲ 1,052
2004	1,178	▲ 1,052

DBJ decreases borrowings from the Fiscal Loan Fund and continues to raise its own capital through FILP agency bonds

DBJ decreased its borrowings from the Fiscal Loan Fund by ¥26 billion compared to the initial fiscal 2003 plan, to ¥577 billion (an approximately ¥1 trillion decrease compared to the fiscal 2000 initial plan) and accordingly reduced its dependence on the Fiscal Loan Fund. On the other hand, DBJ plans to issue ¥240 billion in FILP agency bonds, as in fiscal 2003, so that the Bank can raise funds independently. As a result, capital raised in the market (FILP agency bonds, government guaranteed bonds, foreign bonds) will make up 45.9% of the funds raised externally in fiscal 2004, excluding capital contributions.

Greater Focus on Three Priority Areas

In light of policies developed by the Council on Economic and Fiscal Policy and other government bodies, DBJ will focus on investment and loan programs intended to promptly address pressing matters among policy issues in fields such as regional economies, the environment, and technology. Particular emphasis was laid on the issues listed below.

Contributions to Regional Revitalization

- Enhancing measures in high risk areas by augmenting fund functions
DBJ will increase risk-taking and the provision of financial know-how through capital contributions to funds that can contribute to regional revitalization such as urban renewal funds, business and industrial rehabilitation funds, and venture funds.
- Greater support of regional midsized companies through relationship banking
DBJ utilizes relationship banking functions in cooperation with regional financial institutions to provide the necessary funds so that the midsized companies that play such a central role in regional industry and employment are able to continue to advance their business by streamlining and improving management efficiency.
- Aid for businesses in structural reform areas
To support regional revitalization, DBJ provides aid for businesses in special structural reform regions that have been designated as such in light of their particular characteristics.
- Continued active efforts with PFI
DBJ will continue to adopt a flexible approach to the percentage of loans it allocates to private finance initiatives.
- Stronger aid for funds addressing security issues such as disaster prevention
DBJ will increase its support for funds necessary to prevent disasters in public facilities such as train stations and airports used by large numbers of people.

Active Efforts to Address Environmental Issues

- Increased aid for environment-friendly companies through an environmental scoring system
DBJ has created Japan's first system to encourage companies' environmental efforts by using an environmental scoring system to select companies striving to employ advanced measures to address environmental problems and providing support for those companies' efforts to raise funds to cover environmental expenses.
- Support for the Kyoto mechanism
To improve the effectiveness of the Kyoto Protocol, DBJ has set up a system to provide aid in a timely manner through a fund intended to reduce greenhouse gases using the Kyoto mechanism.
- Promotion of energy conservation
DBJ attempts to facilitate energy conservation by including energy conserving building projects in its support, which corporations need to implement medium-term plans to achieve energy conservation targets developed for such building structures including offices, department stores, and hotels.

Promotion of Economic Revitalization Through Technological Advancement: Enhancing Industrial Financial Functions

- Creation and revitalization of new industries by facilitating supply of funds for business development in venture and midsized companies
Although venture and midsized companies have the technological capacity and knowledge to develop new industrial fields, it has become difficult for these companies to raise business capital due to the recent financial environment and inadequate credit strength. By facilitating the supply of these funds to venture and midsized companies, DBJ helps to create new industries that can support the next generation and revitalize Japan's economy.
- Operations supporting effective use of intellectual property
Japan has not developed the full market potential of intellectual property such as patents, copyrights, and various types of content. Accordingly, DBJ uses methods to mobilize and promote the effective use of intellectual property.
- Support to facilitate fundraising that focuses on a company's cash flow
DBJ supplies the funds needed by midsized companies to conduct businesses that serve valuable socioeconomic purposes. The Bank facilitates companies' fundraising by offering diverse financing technologies with an emphasis on cash flow. Among its measures are loans secured by accounts receivable and other assets—not only by real estate—and loans with covenants for risk control, available without depending on conventional financing methods such as real estate collateral.
- Promotion of industrial revitalization
DBJ attempts to prevent the loss of advanced technological resources by assisting businesses to rehabilitate themselves in a timely fashion through business reconstruction plans, by including a rehabilitation plan with its funding in support of industrial revitalization.

Examples of Projects Covered by the Fiscal 2004 Investment and Loan Plan

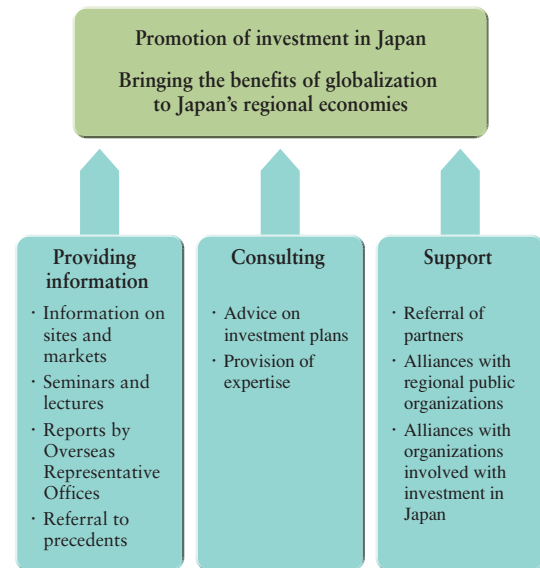
(billions of yen)		
	Initial amount	Chief loan targets (sample)
Structural reform and economic revitalization	318	
Economic structural reform	280	Support to facilitate fundraising using collateral other than real estate, business and industrial rehabilitation, promotion of access to Japan, support for businesses in areas targeted for structural reform
Development of intellectual infrastructure	38	New technology development, creation and revitalization of new industries, support for effective use of intellectual property
Support for regional economies	300	
Development of regional social infrastructure	170	Promotion of the privatization of public enterprises, improvement of social capital through private finance initiatives (PFI), urban redevelopment and renewal projects, establishment of disaster prevention projects for congested regions
Revitalization of regional economies	130	Enhanced support for regional midsized companies through relationship banking, advancement of regional financial functions, strengthening of regional competitiveness, revitalization of industrial activities in cold areas
Environmental measures and infrastructure	513	
Environmental protection, energy, disaster prevention, and welfare measures	270	Promotion of environmentally friendly management using environmental scoring, promotion of businesses utilizing the Kyoto mechanisms, energy and security measures, urban flood control businesses to develop new energy
Transport and distribution networks	165	Construction of core transportation networks and air transportation systems
Telecommunications networks	78	Installation of communications networks including fiber optic cable, improvements to information security, e-commerce
Sub-total	1,131	
Improvement of social capital	47	Operations to install advanced television broadcasting facilities
Total	1,178	

Note: The initial budget for fiscal 2004 includes ¥121.4 billion for the former Hokkaido-Tohoku Development Finance Public Corporation, ¥9.5 billion for the former lending business of the Japan Regional Development Corporation, and ¥7.1 billion for the former lending business of the Japan Environment Corporation.

Efforts to promote investment in Japan and bring the benefits of globalization to Japan's regional economies

The investment of foreign capital in Japan is expected to facilitate exchange of advanced technology and knowledge and to create jobs, as well as to vitalize the Japanese economy.

Department for International Affairs of DBJ and its Overseas Representative Offices support inward investment and brings the benefits of globalization to Japan's regional economies in a variety of ways: information provision by holding seminars and issuing of reports by Overseas Representative Offices, consulting services for corporations' investment plans, and through alliances with regional public institutions and organizations.



Example initiative: Finnish Well-being Center (FWBC) Project

This project endeavors to introduce health and welfare equipment utilizing IT that is commonly used in Finland to Japan's nursing homes. The goal is to create a new type of elderly care business that provides an environment in which the elderly can live independently within a community. Currently, special homes for the elderly and R&D facilities are being developed, as the core of the project.

The project is particularly notable for the alliances and cooperation between Finland and Sendai City's administration, academic organizations and companies. Requests for cooperation from the Finnish government resulted in DBJ's support for this project from its initial stage through completion.



Illustration of project at completion

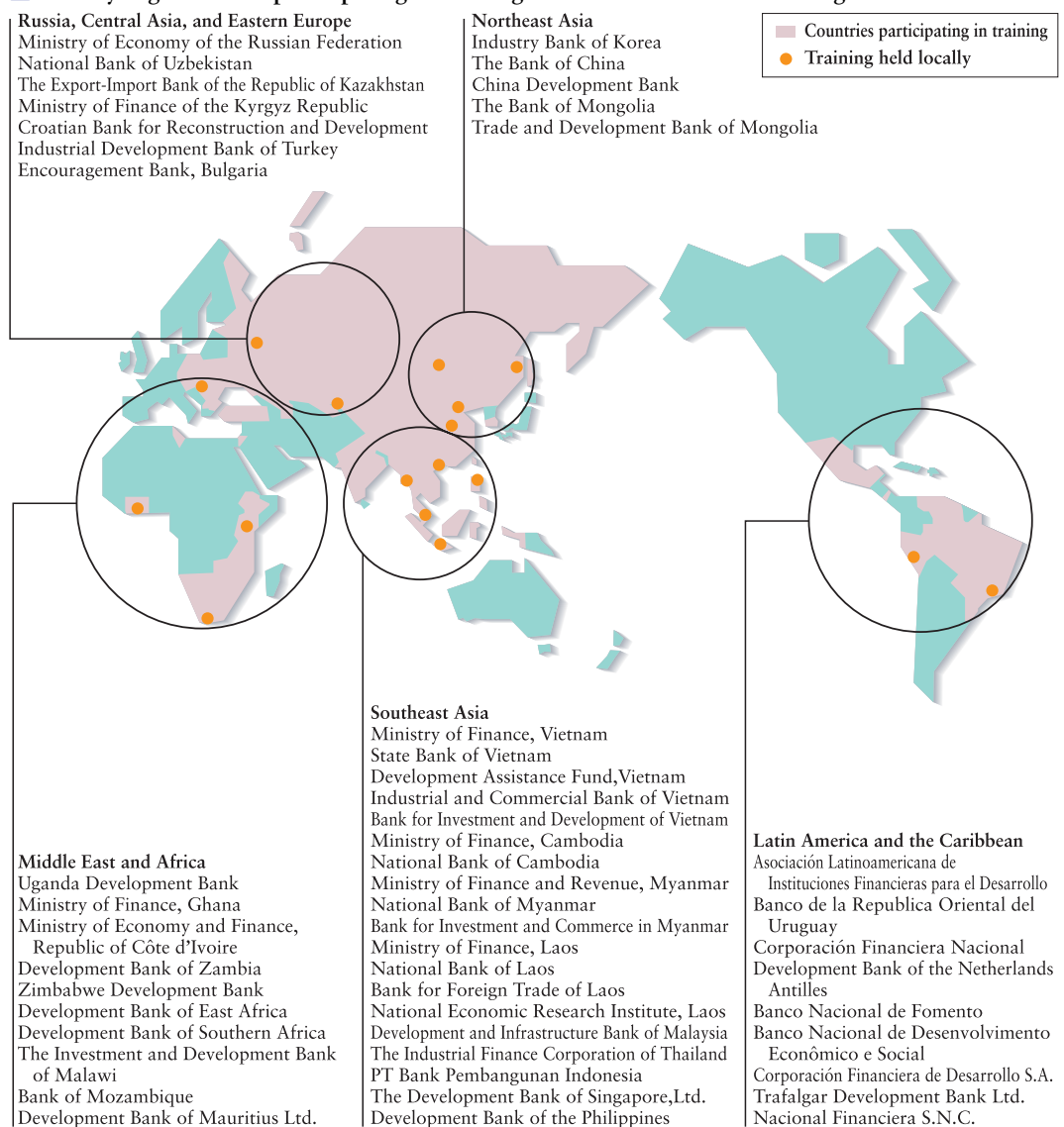
International Cooperation Activities

Significance of international cooperation

The importance of sound policy-based financing and development finance in addressing various economic development challenges that cannot be met adequately by private-sector finance is being emphasized in developing countries, primarily in Asia. Accordingly, official development assistance organizations, related government agencies, and international development finance organizations ask DBJ for intellectual cooperation that draws on the experience, knowledge, and domestic network built up in the process of assisting Japan's postwar economic growth.

In response, DBJ has held the "Developmental Finance Course" in Tokyo every year since 1967, inviting development finance organizations from South Korea, China, the Association of Southeast Asian Nations, Latin America, Africa, and Eastern Europe. As part of its function as a knowledge bank, DBJ aims to provide international cooperation based on high-quality training and surveys, and strives to contribute to enhancing Japan's presence in the international community.

Primary organizations participating in training and locations of local training

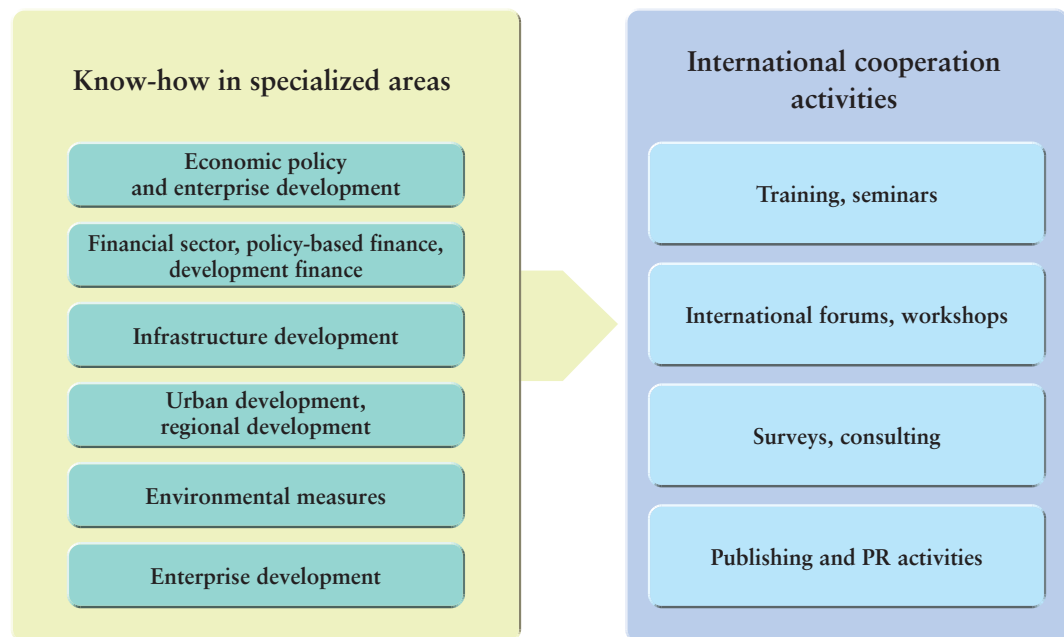


Status of fiscal 2003 activities

Since the 1990s, intellectual technology cooperation for countries around the world that are making the transition to a market economy has been a priority issue for DBJ. The Bank has focused particularly on four countries in Southeast Asia making this shift—Cambodia, Laos, Myanmar, and Vietnam. Independently or through Japan's official development assistance, DBJ has held training sessions in Tokyo and around the world in cooperation with the Ministry of Finance and international cooperation organizations.

At the same time, DBJ also has conducted surveys and held seminars on setting up infrastructure, quality management and regional finance using the private sector—issues that Japan, South Korea, China, and ASEAN member countries have in common—either independently or with the cooperation of the World Bank or Inter-American Development Bank. Also, DBJ has arranged opportunities for dialogue with Kreditanstalt für Wiederaufbau (German development bank) and the China Development Bank on shared policy issues.

■ Specialized areas and areas of activity



Fiscal 2003 training for countries making the transition to a market economy

Finance ministries, central banks, and development finance organizations from Cambodia, Laos, Myanmar, and Vietnam were invited.



Executive Officer Conference with the China Development Bank

Opinions on common policy issues such as establishing transportation infrastructure and developing regional economies were exchanged.