



DBJ

Annual Report & CSR Report 2007



Development Bank of Japan

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日本政策投資銀行

Profile (As of March 31, 2007)

Established:	October 1, 1999 (Former Japan Development Bank: 1951, Former Hokkaido-Tohoku Development Finance Public Corporation: 1956)
Governor:	Takeshi Komura
Number of employees:	1,347 (Fiscal 2008)
Capital:	¥1,272.2 billion (All capital is funded by the government of Japan)
Address:	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan
URL:	http://www.dbj.go.jp/
Number of offices:	Branch offices 10, representative offices 8 and overseas representative offices 6
Total assets:	¥13,073.9 billion
Loans:	¥12,146.4 billion
Net earnings:	¥75.1 billion
Capital adequacy ratio:	19.19%
Ratings on FILP agency bond:	Aaa (Moody's Investors Service, Inc), AA- (Standard & Poor's Corp.), AA (Rating and Investment Information, Inc.), AAA (Japan Credit Rating Agency, Ltd.)

Note: Total assets, loans, net earnings and the capital adequacy ratio are calculated on a non-consolidated basis.

Financial Highlights (Non-consolidated)

For the years ended March 31 or as of March 31

	FY 2007	(Billions of yen) FY 2006	FY 2005	(Millions of U.S.dollars) FY 2007
Total revenue	398.9	411.6	484.5	3,379.7
Net earnings	75.1	92.6	112.5	636.7
Capital	1,272.2	1,272.2	1,215.4	10,777.5
Total net assets	1,981.5	2,010.6	1,875.0	16,785.9
Total assets	13,073.9	13,682.1	14,465.8	110,749.5
Loans	12,146.4	12,873.2	13,860.7	102,892.5
Securities	366.4	429.5	391.1	3,104.3
Capital adequacy ratio (BIS standard) (%)	19.19	16.07	13.90	
Ratio of risk monitored loan (Banking Law base) (%)	1.2	1.6	2.9	
Return on equity (%)	3.91	4.77	6.20	
Return on assets (%)	0.57	0.67	0.77	
Overhead ratio (%)	26.51	26.38	24.94	
Number of employees	1,352	1,357	1,362	

Notes: 1. "Total equity" figures are used for "total net assets" through March 31, 2006.

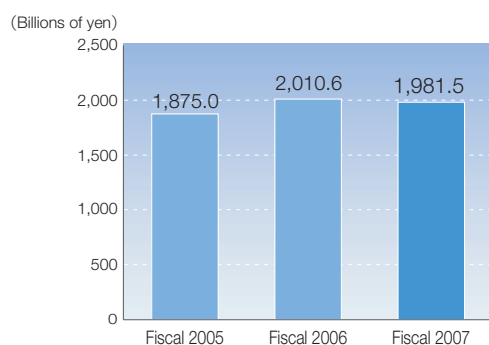
2. The capital adequacy ratios given for March 31, 2005 and 2006 are calculated according to former BIS standards; the March 31, 2007, figure is calculated according to the new BIS standards.

3. Return on equity and return on assets are based on net earnings.

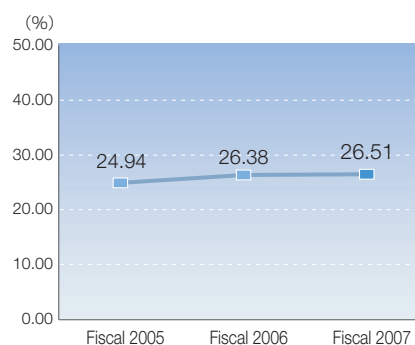
4. Overhead ratio = General and administrative expenses/Gross operating profit

5. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥118.05=\$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in the conversion.

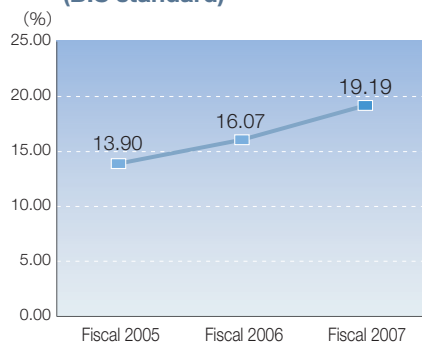
Total Net Assets



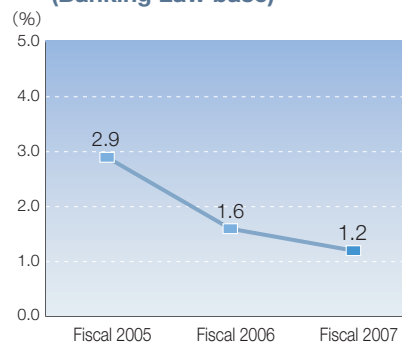
Overhead Ratio



Capital Adequacy Ratio (BIS standard)



Ratio of Risk Monitored Loan (Banking Law base)



Message from the Governor

The Development Bank of Japan (DBJ) is a policy-based financial institution whose mission is to contribute to the development of Japan's society and economy.

Against the backdrop of deliberations on policy finance reform, in May 2006 the Administrative Reform Promotion Law determined the direction for our privatization. On June 2007, the Diet passed the New DBJ Law.

As a result of these proceedings, DBJ will become an incorporated "special" company in October 2008 and then progress to full privatization. We have just begun making preparations for our shift toward independent management.

The new DBJ has established its goal as being "your innovative financial partner." The background of this goal is 50 years of experience in contributing to the growth of the Japanese economy and four corporate values—a long-term perspective, neutrality, public-mindedness and reliability—as well as financial services that employ corporate analysis and industrial research. As a result, rather than focus on short-term profit we take a neutral and long-term perspective. We work with customers, helping them to assess their situation and turn the future they envision into reality. Employing creative financing, DBJ looks beyond the economic value of its investments to the social value they create as the Bank strives to contribute to the future prosperity of local communities as well as that of the nation.

In the future, DBJ will remain unfettered by traditional financing methods, providing a complete range of investment and financing options that include a mixture of senior loans, mezzanine financing and equity investment. We will remain committed to finding appropriate solutions to our customers' issues.

As a member of society, DBJ recognizes that it has social responsibilities and that each and every action it takes must be appropriate. This recognition forms the basis of our corporate social responsibility (CSR) outlook. Stemming from this understanding, DBJ works to integrate CSR activities into its core business, strives to build corporate value and does its utmost to realize a sustainable society.

This report represents the amalgamation of our annual report and our CSR report. This approach is particularly appropriate as it reflects DBJ's efforts to combine social,



environmental and economic elements into each of its activities. We believe that this approach is the best way to fulfill our social responsibilities, so we have adopted "disclosure from a CSR perspective" as a core concept, a springboard from which to introduce our activities.

Looking to the future, as we endeavor to meet the expectations of our stakeholders we will fulfill the mission embedded in our four corporate values—a long-term perspective, neutrality, public-mindedness and reliability. Aiming to imbue all our executives and employees with an ongoing sense of evolution and challenge, we will approach full privatization as a "small financial institution that punches above its weight class." We will put forth our best efforts to build a muscular corporate structure that will support us on the path toward privatization.

In line with our privatization, the efforts we make to address thoroughly the various issues our clients face will grow more flexible and sophisticated as we add to our problem-solving skills. I ask for the continued support of our stakeholders as we take bold new steps forward.

July 2007

Development Bank of Japan
Governor
Takeshi Komura

Takeshi Komura

Privatizing DBJ

Your Innovative Financial Partner

Business Model of the New DBJ

The new DBJ will help clients address the issues they face through three core businesses: loans, investment and consulting/advisory services.

Long-Term Financing/Structured Finance

- Continue to offer medium- to long-term financing
- Provide unique high-value-added financial services (ex., environmentally and socially responsible investing in financing projects to commercialize technologies or promote measures deemed to protect against disasters or enhance safety)
- Respond to diverse needs by offering non-recourse loans; develop and provide financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, and intellectual property rights as collateral, etc.)

Investing/Mezzanine Finance

- Provide mezzanine, equity and other financing that targets business revitalization and restructuring, implementation of growth strategies, enhanced international competitiveness and the development of infrastructure businesses

Resolving Clients' Issues

Consulting/Advisory Services

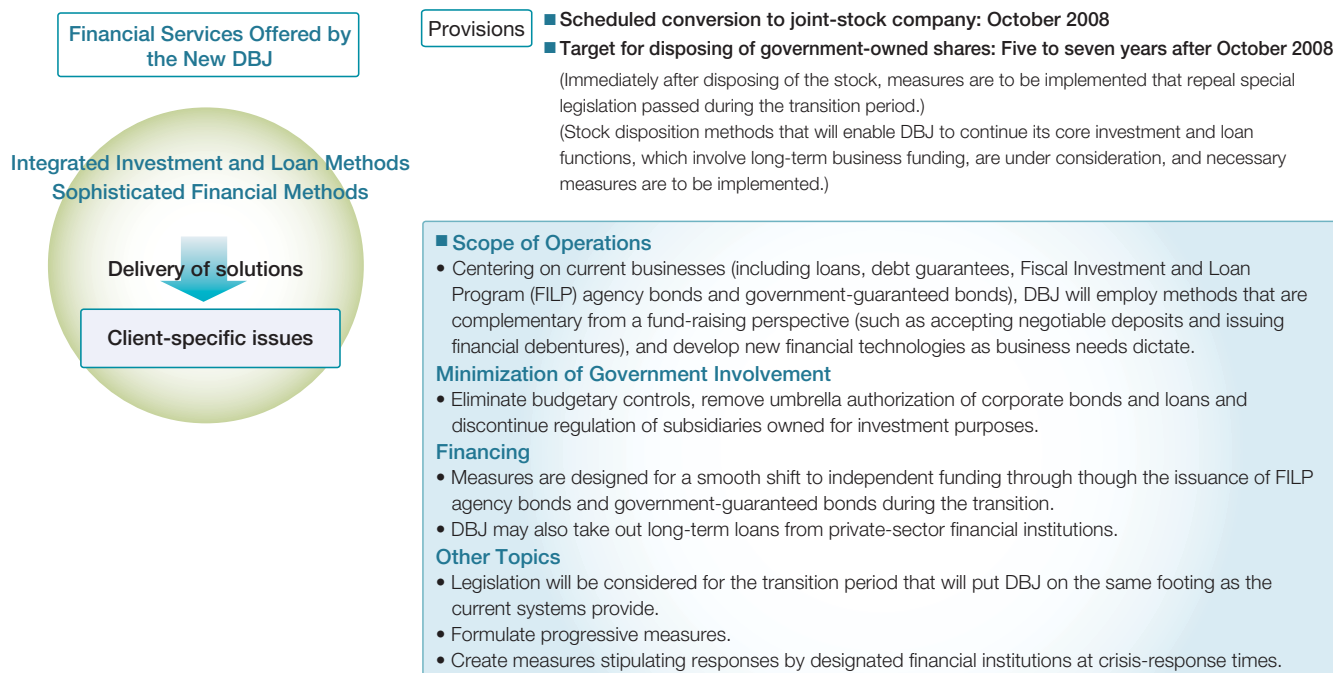
- Propose the use of DBJ's industry research capabilities and expertise in developing new financial technologies
- Deliver structured financing and other financial arrangement services

Formulation of the Development Bank of Japan Inc. Law and the Privatization Process

On June 6, 2007, the Development Bank of Japan Inc. Law (New DBJ Law) was passed by the 166th regular Diet Upper House plenary session and enacted. This law provides for the Development Bank of Japan's

privatization (conversion to a joint-stock company) in October 2008, leading to full privatization five to seven years thereafter, the exact timing to be determined by taking market trends into account.

Overview of the Development Bank of Japan Inc. Law



Note: Please refer to page 139 for details of the New DBJ Law.

The Privatization Process

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013–FY2015	FY2016
	Preparation Period (government-affiliated financial institution)		Transition Period (Five to seven years, with the exact timing determined by taking market trends into account) (Special stock corporation with shares held by the government)					After full privatization	
	June 2007 New DBJ Law goes into effect		October 2008 Privatization (conversion to a joint-stock company)					Full privatization	
Shareholders	100% government		Government					Private sector	
Company form	Government-affiliated financial institution (special public corporation)		Joint-stock company (special stock corporation)					Joint-stock corporation	
Business	Based on current DBJ Law		Based on new DBJ Law					Based on general financial legislation	
Financing	Government-guaranteed bonds, FILP agency bonds, independent financing		Independent funding, government-guaranteed bonds and FILP agency bonds					Independent financing	

Note: Business categories following full privatization will be selected by taking into consideration operations during the transition period.

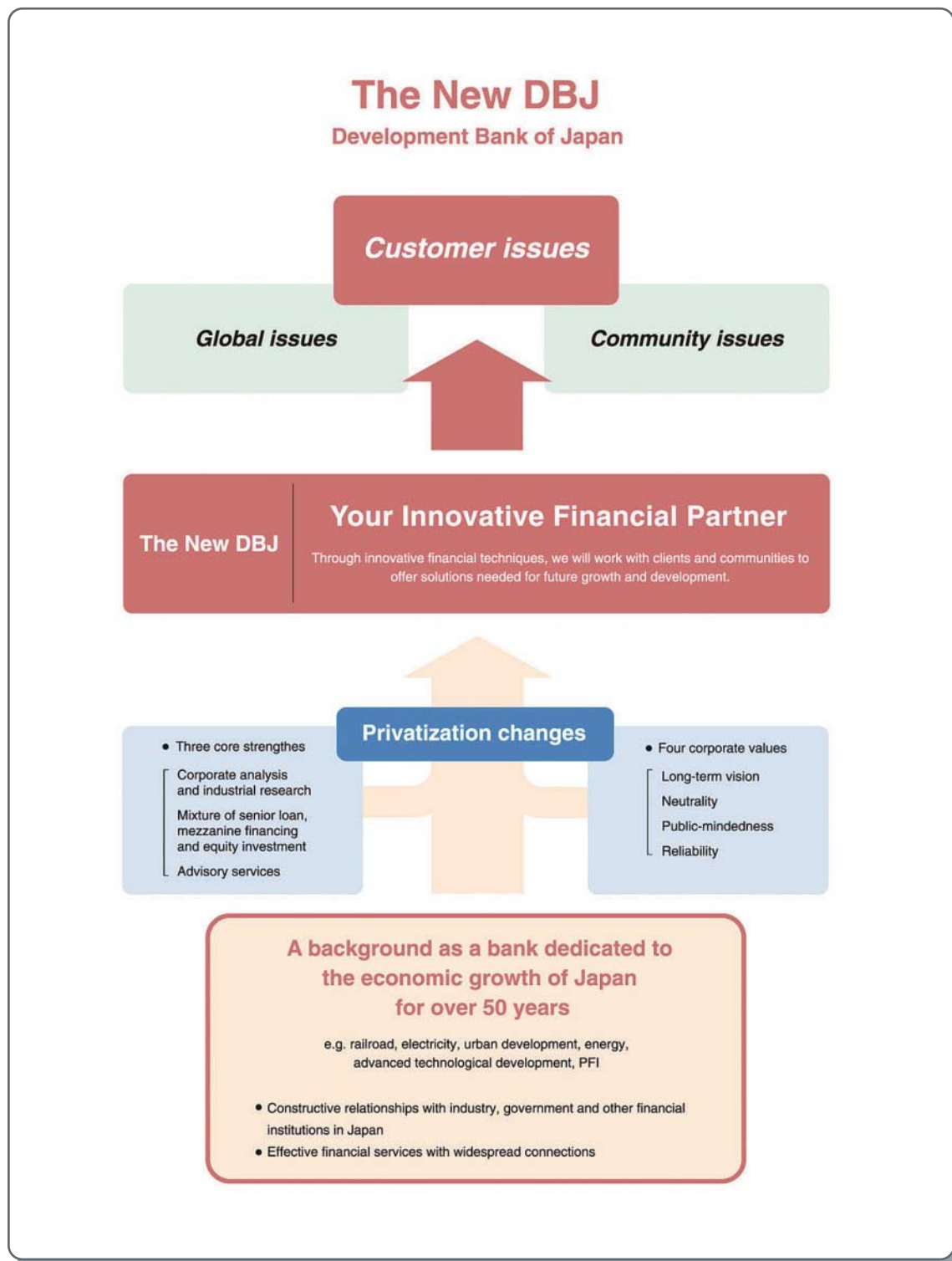
New DBJ Aiming to Be a “Your Innovative Financial Partner”

As it moves toward privatization in October 2008, the new DBJ aspires to be a “your innovative financial partner.”

While applying its financial strength stemming from the expertise and capabilities it has accumulated over the years, DBJ will maintain an unwavering “client-first” orientation. We will march in step with our clients as we

help them consider, and then achieve, the futures they envision. We use the phrase “design the future” to encapsulate this process.

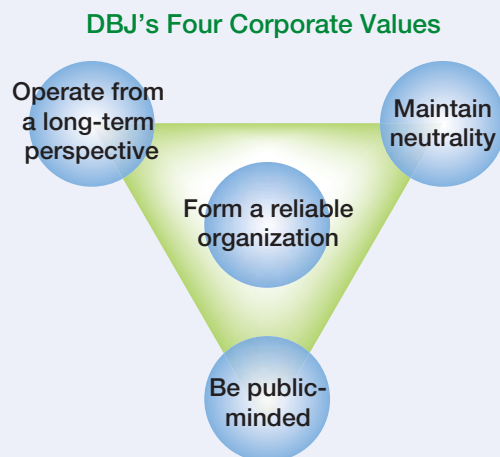
Through creative financing, DBJ will work assiduously to contribute to the future prosperity of local communities as well as that of Japan.



Q What is your corporate philosophy?

A Under the New DBJ Law, we will maintain our core investment and loan functions, which involve long-term business funding. We will become a joint-stock corporation that applies sophisticated financial functions toward the smooth provision of long-term business funding. We aim to be a financial institution that helps resolve client-specific issues.

DBJ's four corporate values are a long-term perspective, neutrality, public mindedness and reliability. Throughout its businesses, DBJ will share these values with its clients.



Q What will be your business categories?

A Initially, we will operate as a special stock corporation conducting business that involves a wide variety of integrated investment and loan activities. In this interval, we will consider how to meet the needs of the broadest range of clients. We will ultimately determine our business categories after due consideration and by taking into account the functional strengths of each Group company.

Q Will you receive policy-based financing?

A The Administrative Reform Promotion Law stipulates that "The functions of policy-based financing are to be performed by a single newly established policy-based financial institution." Accordingly, DBJ will not receive policy-based financing after privatization. Going forward, we will endeavor to meet clients' needs as a private-sector financial institution.

However, it has been stated that "In conditions that the national government deems true necessity, a new institution may be employed, taking into consideration its equal footing with other private-sector financial institutions." Article 67 of the Supplementary Provisions to the New DBJ Law states, "In the event the new DBJ employs investment and loan functions that involve long-term business funding after October 1, 2008, necessary measures may be implemented to enable these investment and loan functions to be otherwise applied, with due attention given to proper competitive relationships with other organizations."

In Japan, certain financial institutions are designated to loan funds in crisis response situations, and DBJ has been so designated. Consequently, in such situations DBJ may include a certain balance of such loans in its risk portfolio and may provide interest subsidies. The financial backing for such activity is stipulated by the Japan Public Finance Corporation Law.

Q Will the Bank conduct business overseas?

A DBJ is not legally restricted from conducting business overseas, and we will explore this possibility.

Percentage of our investment and loan balance
that employs new financial methods

29.7%

(Fiscal 2007)

The DBJ Difference

As a policy-based financial institution, DBJ works to help resolve social issues. We apply a long-term perspective, neutrality, public-mindedness and reliability, as well as the expertise and capabilities we have accumulated, to provide distinctive financial services that help resolve the issues our clients face.

Providing investment and loans in the three areas of
community development, environmental conservation
and sustainable societies, and the creation of new
technologies and industries

¥1.1 trillion

(Fiscal 2007)

Financial institutions with which we have
concluded operating agreements

106

(As of March 31, 2007)

● Providing Distinctive Financial Services

▶ Page 14
and
elsewhere

In addition to providing advice from a long-term perspective and financial services that include investments and loans, we operate in fields that ordinary financial institutions find difficult and we offer highly responsive financial tools.

- Development of new financial methods
- Risk-taking from a sound financial base
- Functioning as a financial platform
- Cooperation among industry, government and financial institutions

● Deploying our accumulated expertise and capabilities to support the sustainable growth of society

▶ Page 61
and
elsewhere

In cooperation with local communities, DBJ applies its personnel and the expertise accumulated through long experience and maximizes its intellectual property in pioneering efforts to address the pressing matters that society faces.

- Working in harmony with regional financial institutions and contributing to regional economies
- Promoting environmentally friendly business and disaster response initiatives
- Contributing in such areas as industry and technical revitalization, infrastructure development and financial market development
- Serving as a safety net during earthquakes and other crises

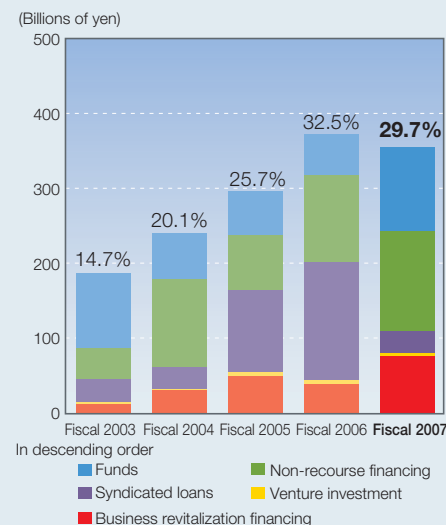
● A Financial Institution that Helps Resolve Social Issues

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elsewhere

DBJ is stepping up its efforts to resolve wide-ranging social issues as it works to create both economic and social value.

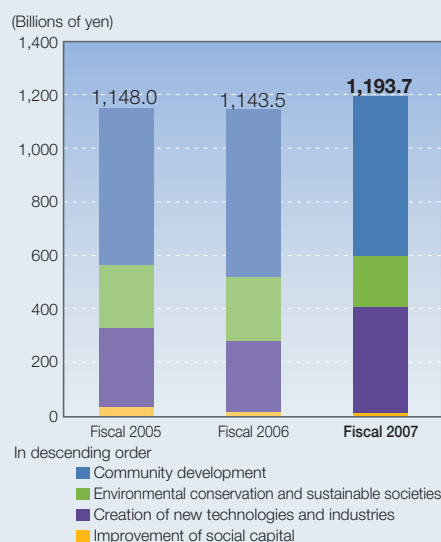
- At the core of our four corporate values are our will to succeed; our wisdom to develop screening expertise and employ new financial methods; and our desire to work with clients, including regional government bodies and the academic community in our quest to be a financial institution that works toward the resolution of the issues society faces.

■ Investments and Loans Employing New Financial Methods

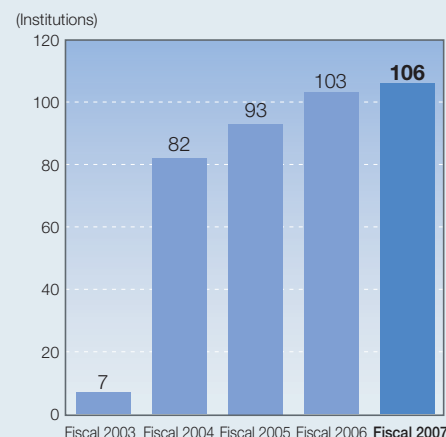


Note: Percentages indicate the ratio of investments and loans that employ new financial methods.

■ Investments and Loans by Category



■ Total Operating Agreements with Financial Institutions



50.1%

Percentage of investments and loans for
community development

(Fiscal 2007)

DBJ's Role

DBJ meets the demands of the times by providing the long-term funding and project support that underpin Japan's sustained economic growth. Our investment and loan operations currently center on three categories: community development, environmental conservation and sustainable societies, and creation of new technologies and industries. We also provide expeditious and appropriate survey, research and informational support of policy planning and project design.

15.8%

Percentage of investments and loans for
environmental conservation and sustainable societies

(Fiscal 2007)

33.3%

Percentage of investment and loans for the
creation of new technologies and industries

(Fiscal 2007)

Investment and Loans in Three Key Areas that Target Socially Sustainable Economic Growth

In its three key investment and loan areas, DBJ provides long-term funding that supports the creation of new industries, abundant lifestyles and autonomous local communities.

Community development

- Application of local community resources
- Sophistication of financial functions in local communities
- Privatization of business of regional government bodies
- Development of attractive urban environments
- Creation and maintenance of local transport infrastructure



Environmental conservation and sustainable societies

- Energy saving
- Environmental impact reduction
- Reduction of gases that cause global warming
- Promotion of waste reduction and recycling



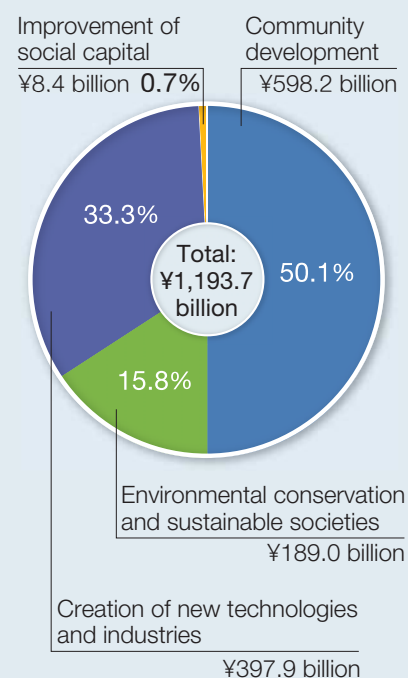
Creation of new technologies and industries

- Realization of new technologies
- Use of intellectual property rights
- Employment and dissemination of new financial methods
- Business and industrial revitalization, emergency response



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and
elsewhere

Investment and Loans by Key Area (Fiscal 2007)



Using Our Broad Network to Deliver Quality Information

Through our extensive network of domestic and overseas contacts, we develop economic, social, industrial and community surveys and research. We use this growing store of information to improve our problem-solving capacity and support planning, recommendation and project design.

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and
elsewhere

Providing Multifaceted Project Support

From an effectiveness standpoint, using leading-edge financial methods to provide investment and loans from a long-term perspective is a given, but our activities go well beyond simply providing funds. DBJ takes a multifaceted approach to deliver meaningful economic and social project support that extends to proposals, recommendations, operational design support and advisory services. The synergy between our investment and loan functions and our information provision function plays a major role in our ability to resolve social issues.

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and
elsewhere

Employment Created

109,000
jobs

(Results of policy-based financing evaluation of investment and loans provided in fiscal 2006)

CSR at DBJ

DBJ's mission is to provide investments and loans, help Japanese people prosper and support the self-sustaining development of local communities. To achieve this mission, DBJ takes CSR into consideration in all its activities.

Clean energy developed through the promotion of wind- and hydro-power generation

230.7 MW

(Results of policy-based financing evaluation of investments and loans provided in fiscal 2006)

Increase in revenues through investment and loan businesses

¥1.7 trillion

(Results of policy-based financing evaluation of investments and loans provided in fiscal 2006)

CSR via Our Core Business

Financial institutions play the role of shaping society in a harmonious manner over generations by assessing and appropriately evaluating risk on projects that are truly meaningful to the economy and society and providing quality funding and financing solutions.

DBJ considers the application of its intellectual assets and financial platforms for investment and loans, as well as the promotion of different activities in a host of fields, the most important components of its CSR activities. This approach provides us with a clear understanding of the issues society faces. By keeping our finger on the pulse of society through our daily operations, we conduct effective operational reviews of the management cycle.



Policy Effectiveness of Investments and Loans (Fiscal 2006)

■ Society ■ Environment ■ Economy

Revenue increase from target operations: ¥1.7 trillion
 Employment created: 109,000 jobs
 Barrier-free construction: 207,000 m²
 Railway crossing removal: 206 locations
 Waste-processing facility construction: 627,000 tons in annual waste-processing capacity
 Promotion of wind- and hydro-power generation: Generation capacity of 2,307 MW

Three Priority Areas for Investments and Loans and the Triple Bottom Line

The triple bottom line is a concept that considers people's livelihoods and corporate activity from the three vital perspectives of society, the environment and the economy, which coincide with DBJ's three priority areas.

(1) Revitalization Assistance for Regional Economies

(Community development)

(2) Environmental Conservation and Building Social Infrastructure

(Environmental conservation and sustainable societies)

(3) Technology: A Creative Force that Drives Economic Growth

(Creation of new technologies and industries)

DBJ provides investments and loans in a balanced manner from the perspectives of society, the environment and the economy and upholds its current mission of working toward a sustainable society.



Relationship among the Three Priority Investment and Loan Areas and the Triple Bottom Line



Responsibilities as a Member of Society

As a policy-based financial institution, DBJ conducts CSR activities through all of its operations. In addition, as a member of society DBJ must be a trustworthy entity.

Each of DBJ's executives and employees must remain aware of social, environmental and economic elements throughout their everyday activities. This focus enables us to remain an entity that society trusts.