

Overview of Investment and Loan Activities

DBJ meets the needs of the times by focusing on investment and loan activities in three main categories: community development, environmental conservation and sustainable societies, and the creation of new technologies and industries. We will continue taking advanced approaches to provide support for projects that have environmental, and urban and community revitalization and disaster response projects, as well as projects that have economic elements. In this manner, we will continue to support the ongoing growth of society from a financial perspective.

■ DBJ's Investments and Loans

Our Mission as a Comprehensive Policy-Based Financial Institution

As an integrated policy-based financial institution, DBJ complements and encourages lending by ordinary financial institutions. We invest in and provide long-term financing for projects that

- **invigorate and encourage the sustainable development of the Japanese economy and society;**

- **enhance the quality of life for the people of Japan; and**
- **foster the self-sustaining development of local economies.**

DBJ's mission is to contribute to the Japanese economy and society by providing financial support for such projects.

Services

As an integrated policy-based financial institution, DBJ supports projects that are desirable from the standpoint of Japan's economic and social policies through the following functions:

1) Supplying long-term financing (investments, loans, debt guarantees and other services)

DBJ supports the funding provided by private-sector financial institutions by supplying long-term, fixed-rate, high-quality financing for projects closely linked to policy objectives.

2) Providing project support

DBJ applies diverse skills and financing functions to ensure the smooth progress of projects closely linked to policy objectives, providing detailed support from initial conceptualization through the planning and commercialization stages.

3) Supplying information

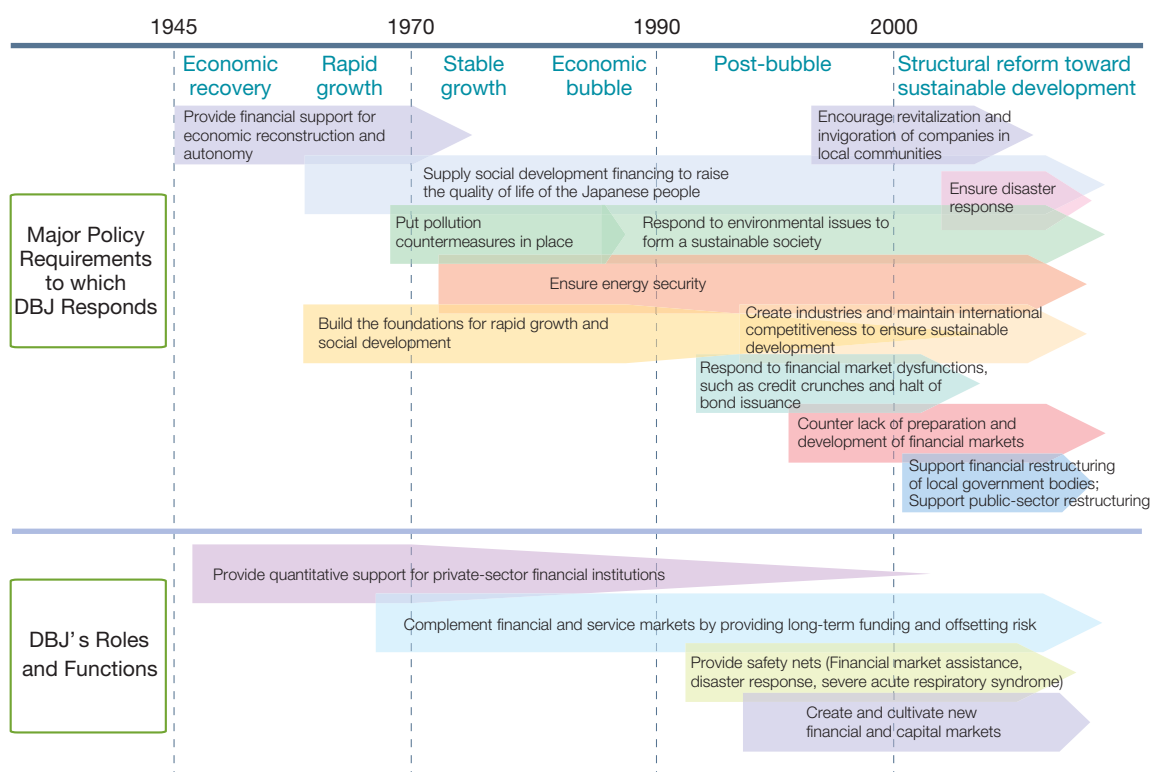
DBJ uses its domestic and overseas networks to research and study important economic, social and industrial themes, supply a host of information on developments overseas and in Japan, including those in local communities.

Changing Roles and Functions to Meet the Needs of the Times

In a variety of fields, DBJ meets the needs of the changing times by fulfilling its role and functions as an integrated policy-based financial institution. In recent years, we have employed leading-edge financing such as setting up funds for business revitalization, venture company development to create markets and project financing. We have introduced new approaches to provide financing for local communities, such as community credit and the

underwriting of private-placement bonds. As part of our changing role, we now provide safety nets to protect communities in the event of natural disasters or outbreaks of terrorism. In short, we support Japan's continued economic and social development in three main areas: community development, environmental conservation and sustainable societies, and the creation of technologies and industries.

Policy Issues and DBJ's Response



Formulation and Publication of Investment and Finance Guidelines Based on Medium-Term Policy Principles

DBJ's Medium-Term Policy Principles for fiscal 2006 through fiscal 2008 call for the Bank to provide long-term financing in line with the following three principles:

(1) Create Economic Vitality

Reform the economic structure and encourage the intellectual foundations to prevent the hollowing out of industry, and help future industries evolve by cultivating new technical development and promoting the smooth restructuring and revitalization of existing industries.

(2) Build Prosperous Lifestyles

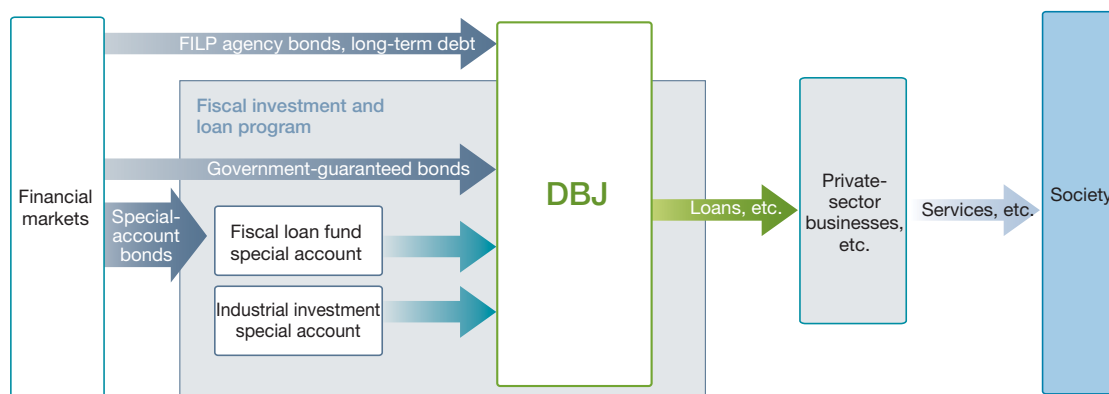
Promote environmentally friendly management, recycling and the realization of a safe society by supporting environmental measures; energy security measures; measures addressing social welfare and the aging of society; and measures to create traffic, distribution and communication networks.

(3) Form Autonomous Local Communities

In local communities, help build social infrastructure, support the development of dynamism, collaboration and self-reliance by emphasizing local communities' distinctive characteristics, encouraging local community reinvigoration and urban renaissance programs, creating social capital and employment opportunities and re-energizing communities. To these ends, deepen relations between regional public-sector entities and regional financial institutions, emphasizing private finance initiatives and similar methods.

DBJ also responds appropriately and effectively to fill the gaps that form when financial and capital markets fail to function adequately, as in times of natural disaster or when policy requirements result from domestic or overseas economic or social emergencies.

Fund-Raising Structure



Investment and Loan Plans, by Fiscal Year

(Billions of yen)

	Fiscal 2006	Fiscal 2007	Investment and Loan Balances as of March 31, 2007
Community Development	624.9	598.2	6,622.0
Revitalization of local economies	239.9	265.3	1,371.4
Development of regional social infrastructure	159.9	120.1	1,877.6
Creation of a widespread network	225.0	212.7	3,372.8
Environmental Conservation and Sustainable Societies	240.2	189.0	3,691.4
Environmental protection; energy, disaster prevention and welfare measures	240.2	189.0	3,691.4
Creation of Technologies and Industries	265.6	397.9	1,918.2
Advanced technology and economic revitalization	102.8	156.9	421.2
Development of a socio-economic base	162.8	241.0	1,497.0
Subtotal	1,130.8	1,185.3	12,231.7
Improvement of social capital	12.6	8.4	433.2
Total	1,143.5	1,193.7	12,665.0
(Capital subscription)	55.8	113.3	405.7
Debt guarantees	70.1	203.1	334.9

- Notes: 1. Investment and loan balances for fiscal 2006 have been reclassified into the segments used for fiscal 2007.
 2. Investment in funds is based on the agreed amount.
 3. In addition to the above-mentioned items, in fiscal 2007 DBJ undertook debt obligations involving default swaps. As of March 31, 2007, these obligations totaled ¥697.9 billion in credit risk acceptance agreements and ¥614.8 billion in delivery contracts.
 4. The fiscal 2007 year-end balance includes ¥40.9 billion in stock from the Tomakomai East Development Corporation, and Mutsu Ogawara Development Corporation.

■ Fiscal 2008 Investment and Loan Plans

Major Characteristics of Fiscal 2008 Investment and Loan Plans

In line with policy finance reforms, in fiscal 2008 DBJ will strive to supplement the private sector by employing new financial methods and providing the financing to promote growth, enhance competitiveness and revitalize urban and

local communities. We will also provide financing to help ensure the safety of Japan's people by supporting fire reduction and disaster relief measures.

Fiscal 2008 Investment and Loan Plans and Sample Projects

(Billions of yen)

	Initially Planned Amount	Chief Loan Targets (Examples)
Community Development	590.0	
Revitalization of regional economies	170.0	Regional revitalization, strengthening of regional competitiveness, encouragement of cold-winter region business activities, employment promotion, support for community renewal based on local character, promotion of tourism
Development of regional social infrastructure	160.0	Urban renaissance program, improvement of social capital using PFI, promotion of the privatization of public enterprises, redevelopment of urban areas
Creation of a widespread network	260.0	Construction of core transportation networks, air-transport systems, and information and telecommunication networks
Environmental Conservation and Sustainable Societies	300.0	
Environmental protection; energy, disaster prevention and welfare measures	300.0	Promotion of environmentally friendly management using environmental ratings, promotion of stronger disaster prevention measures via disaster prevention ratings, promotion of businesses utilizing the Kyoto Protocol mechanisms, energy and security measures, development of new energy sources and urban flood control businesses
Creation of Technologies and Industries	360.0	New technology development, new industry creation and revitalization
Advanced technology and economic revitalization	150.0	Business revitalization and industry revitalization, facilitation of easier access to Japan, support for security measures, promotion of the spread of financing for risk management
Development of a socio-economic base	210.0	
Subtotal	1,250.0	
Promotion of social capital creation	—	
Total	1,250.0	
Fund-Raising		
Fiscal investment and loans	744.0	
(FILP borrowing segment)	364.0	
(Domestic bonds)	190.0	
(Overseas bonds)	190.0	
Self-financing, etc.	506.0	
(FILP bond segment)	290.0	
(Private-sector borrowings)	100.0	

Note: The initial fiscal 2008 plan includes the following business activities—¥128.8 billion for the former Hokkaido-Tohoku Development Finance Public Corporation, ¥10.0 billion for the former lending business of the Japan Regional Development Corporation, and ¥7.5 billion for the former lending business of the Japan Environment Corporation.

Characteristics of the Fiscal 2008 Loan Plan

To promote the smooth transition to a new post-privatization fund-raising structure, in addition to issuing government-guaranteed and FILP agency bonds, DBJ will make anticipatory moves to borrow funds from other

private-sector financial institutions and work to diversify its fund-raising methods. The Bank will also expand the scale of its FILP agency bond issues.