Financial Condition

• Compliance with Corporate Accounting Standards

The consolidated financial statements of the preceding consolidated accounting period (April 1, 2006, to March 31, 2007) have been audited and certified by Misuzu Audit Corporation, and those for the current consolidated accounting period (April 1, 2007, to March 31, 2008) have been audited and certified by Deloitte Touche Tohmatsu. The non-consolidated financial statements of the preceding accounting period (April 1, 2006, to March 31, 2007) have been audited and certified by Misuzu Audit Corporation, and those for the current accounting period (April 1, 2007, to March 31, 2008) have been audited and certified by Deloitte Touche Tohmatsu.

Accounts Based on Corporate Accounting Standards

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Governor of
Development Bank of Japan:

We have audited the accompanying consolidated balance sheet of Development Bank of Japan (the "Bank") and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Bank and consolidated subsidiaries for the year ended March 31, 2007, which were included in the accompanying Bank's consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 26, 2007.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Development Bank of Japan and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 25, 2008

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks (Note 2(b) and 25(f))	¥ 182,916	¥ 40,264	$ 1,825,701
Reverse Repurchase Agreements (Note 3(3))	136,925	223,829	1,366,662
Money Held in Trust (Note 25)	74,469	90,805	743,278
Securities (Notes 3, 12 and 25)	549,117	420,860	5,480,763
Loans (Note 4)	11,470,456	12,089,812	114,487,043
Other Assets (Note 5 and 22)	64,054	53,262	639,331
Tangible Fixed Assets (Note 6)	35,723	35,778	356,561
Intangible Fixed Assets	1,429	1	14,266
Customers' Liabilities for Acceptances and Guarantees	126,833	273,965	1,265,935
Allowance for Loan Losses (Note 7)	(111,828)	(146,626)	(1,116,168)
Allowance for Investment Losses	(3,121)	(3,093)	(31,153)
Total Assets	**¥12,526,978**	**¥13,078,861**	**$125,032,220**

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities and Equity			
Liabilities			
Bonds and Notes (Note 8)	¥ 3,157,163	¥ 2,671,644	$ 31,511,761
Borrowings (Note 9)	6,978,546	7,923,935	69,653,126
Other Liabilities (Notes 10 and 22)	156,880	194,093	1,565,829
Reserve for Employee Retirement Benefits (Note 20)	31,432	29,558	313,729
Acceptances and Guarantees (Note 11)	126,833	273,965	1,265,935
Total Liabilities	**¥10,450,856**	**¥11,093,197**	**$104,310,380**
Equity			
Capital	¥ 1,272,286	¥ 1,272,286	$ 12,698,732
Retained Earnings (Note 13)	860,006	809,898	8,583,760
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes (Note 25(3))	12,300	21,539	122,774
Net Deferred Hedge Losses, Net of Taxes	(72,039)	(122,294)	(719,033)
Total	**2,072,553**	**1,981,429**	**20,686,233**
Minority Interests	3,567	4,234	35,607
Total Equity	**¥ 2,076,121**	**¥ 1,985,663**	**$ 20,721,840**
Total Liabilities and Equity	**¥12,526,978**	**¥13,078,861**	**$125,032,220**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Income			
Interest Income	¥313,618	¥329,480	$3,130,238
Interest on Loans	306,462	325,844	3,058,816
Interest and Dividends on Securities	4,578	2,450	45,699
Interest on Reverse Repurchase Agreements	1,577	707	15,749
Interest on Due from banks	995	92	9,934
Other Interest Income	3	385	39
Fees and Commissions (Note 14)	4,995	4,051	49,859
Other Operating Income (Note 15)	534		5,330
Other Ordinary Income (Note 16)	53,505	62,325	534,038
Collection of Written-off Claims	1,982	5,875	19,791
Gains on Sales of Fixed Assets	68	0	687
Total Income	**¥374,705**	**¥401,732**	**$3,739,945**
Expenses			
Interest Expense	¥209,382	¥236,812	$2,089,853
Interest on Bonds and Notes	45,130	33,973	450,454
Interest on Borrowings	148,962	179,674	1,486,800
Other Interest Expense	15,288	23,164	152,600
Fees and Commissions (Note 17)	29	65	292
Other Operating Expenses (Note 18)	21,721	2,038	216,807
General and Administrative Expenses	29,909	25,354	298,526
Other Ordinary Expenses (Note 19)	61,813	61,445	616,959
Losses on Sales of Fixed Assets	13	56	136
Total Expenses	**¥322,869**	**¥325,772**	**$3,222,572**
Income before Income Taxes and Minority Interests	**¥ 51,835**	**¥ 75,960**	**$ 517,373**
Income Taxes (Note 2(o))	**¥ 0**	**¥ 672**	**$ (1)**
Current	13	661	132
Deferred	(13)	10	(133)
Minority Interests in Net Income	**(773)**	**27**	**(7,717)**
Net Income	**¥ 52,608**	**¥ 75,260**	**$ 525,090**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Cash Flows from Operating Activities			
Income before Income Taxes and Minority Interests	¥ 51,835	¥ 75,960	$ 517,373
Depreciation	763	779	7,624
Amortization of Goodwill	91	(20)	916
Equity in gains (losses) of affiliates	15,045		150,167
Increase (Decrease) in Allowance for Loan Losses	(34,797)	(47,168)	(347,312)
Increase (Decrease) in Allowance for Investment Losses	27	(44)	277
Increase (Decrease) in Reserve for Employee Retirement Benefits	1,874	(1,329)	18,709
Interest Income-Accrual Basis	(313,618)	(329,480)	(3,130,238)
Interest Expense-Accrual Basis	209,382	236,713	2,089,853
Losses (Gains) on Securities	(416)	47,077	(4,157)
Losses (Gains) on Money Held in Trust	15,656	(1,349)	156,270
Foreign Exchanges Losses (Gains)	(0)	(0)	(2)
Losses (Gains) on Sale of Fixed Assets	(55)	56	(554)
Compensation for Advance Redemption	(12,648)		(126,246)
Net Decrease (Increase) in Loans	619,356	773,633	6,181,816
Net Increase (Decrease) in Bonds and Notes	485,518	410,555	4,845,978
Net Increase (Decrease) in Borrowings	(945,389)	(1,080,539)	(9,435,963)
Net Decrease (Increase) in Due from banks	(147,600)		(1,473,201)
Net Decrease (Increase) in Reverse Repurchase Agreements	86,903	(73,825)	867,390
Net Decrease (Increase) in Corporate bonds, Equities and Other securities	(129,498)		(1,292,526)
Interest Income—Cash Basis	316,487	334,315	3,158,869
Interest Expense—Cash Basis	(209,417)	(236,130)	(2,090,204)
Other—net	12,276	(80,619)	122,531
Sub-total	21,778	28,583	217,369
Refund of (Payments for) Income Taxes	(1,241)	294	(12,391)
Net Cash provided by (used in) Operating Activities	**20,536**	**28,877**	**204,978**
Cash Flows from Investing Activities			
Payments for Purchases of Securities	(100,577)	(314,948)	(1,003,865)
Proceeds from Sale of Securities	60,901		607,856
Proceeds from Redemption of Securities	20,000	357,050	199,621
Payments for Increase Money Held in Trust	(8,781)	(64,674)	(87,649)
Proceeds from Decrease Money Held in Trust	6,324	3,609	63,121
Payments for Purchases of Tangible Fixed Assets	(773)	(445)	(7,723)
Proceeds from Sale of Tangible Fixed Assets	120	2	1,200
Payments for Purchases of Intangible Fixed Assets	(1,373)		(13,709)
Payments for Purchases of Subsidiaries (affecting the scope of consolidation)		90	
Net Cash (used in) provided by Investing Activities	**(24,160)**	**(19,317)**	**(241,147)**
Cash Flows from Financing Activities			
Payment to National Treasury	(1,320)	(1,179)	(13,181)
Net Cash provided by Financing Activities	**(1,320)**	**(1,179)**	**(13,181)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**0**	**0**	**2**
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,944)**	**8,381**	**(49,349)**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	**36,250**	**27,869**	**361,818**
Cash and Cash Equivalents at the End of the Fiscal Year (Note 2(b))	**¥ 31,306**	**¥ 36,250**	**$ 312,470**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

For the Fiscal Year ended March 31, 2007	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Millions of yen						
Balance at March 31, 2006	**¥1,272,286**	**¥734,637**	**¥3,415**	**¥**	**¥2,010,339**	**¥4,111**	**¥2,014,450**
Net Income		75,260			75,260		75,260
Net Changes in the year			18,124	(122,294)	(104,170)	122	(104,047)
Balance at March 31, 2007	**¥1,272,286**	**¥809,898**	**¥21,539**	**¥(122,294)**	**¥1,981,429**	**¥4,234**	**¥1,985,663**

For the Fiscal Year ended March 31, 2008	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Millions of yen						
Balance at March 31, 2007	**¥1,272,286**	**¥809,898**	**¥21,539**	**¥(122,294)**	**¥1,981,429**	**¥4,234**	**¥1,985,663**
Payment to National Treasury		(2,499)			(2,499)		(2,499)
Net Income		52,608			52,608		52,608
Net Changes in the year			(9,239)	50,254	41,015	(667)	40,348
Balance at March 31, 2008	**¥1,272,286**	**¥860,006**	**¥12,300**	**¥(72,039)**	**¥2,072,553**	**¥3,567**	**¥2,076,121**

For the Fiscal Year ended March 31, 2008	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Thousands of U.S. dollars						
Balance at March 31, 2007	**$12,698,732**	**$8,083,622**	**$214,990**	**$(1,220,629)**	**$19,776,715**	**$42,267**	**$19,818,982**
Payment to National Treasury		(24,952)			(24,952)		(24,952)
Net Income		525,090			525,090		525,090
Net Changes in the year			(92,215)	501,596	409,381	(6,660)	402,720
Balance at March 31, 2008	**$12,698,732**	**$8,583,760**	**$122,774**	**$(719,033)**	**$20,686,233**	**$35,607**	**$20,721,840**

Accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Development Bank of Japan ("DBJ"), its consolidated subsidiaries and an affiliate accounted for by the equity method in accordance with accounting principles generally accepted in Japan, 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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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 Accounting Significant Policies

(a) Principles of Consolidation

(1) Scope of Consolidation

Under the control or influence concept, companies in which DBJ, directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for 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 and other entities with similar characteristics. DBJ applied this task force and consolidated 6 such collective investment vehicles in 2008 (5 in 2007).

(i) consolidated subsidiaries

The number of consolidated subsidiaries as of March 31, 2008 and 2007 is 10 and 9, respectively. The Consolidated subsidiaries as of March 31, 2008 are as follows:

DBJ Business Investment Co., Ltd.
DBJ Corporate Investment Fund (formerly DBJ Business Restructuring Fund prior to March, 2007)
DBJ Technology and New Business Creation Fund
DBJ Value Up Fund
DBJ Structured Investment Fund
DBJ Corporate mezzanine partners Co., Ltd.
DBJ Credit Line, Ltd.
New Business Investment Co., Ltd.
New Business Investment No.1 Investment Limited Liability Partnership (*)
Financial Frontier Fund

* tentative name (no official English name is available)

In the fiscal year ended March 31, 2008, Financial Frontier Fund was newly consolidated due to its foundation.

(ii) non-consolidated subsidiaries

The number of non-consolidated subsidiaries as of March 31, 2008 and 2007 is 21 and 8, respectively. Such subsidiaries as of March 31, 2008 are mainly as follows:

Asuka DBJ Investment LPS
GAD financial Service Limited
CITIC Japan Growth Partners, L.P.
Bridgehead Co., Ltd.
Tomatoh, Inc.

Non-consolidated subsidiaries are excluded from the scope of consolidation because such exclusion has no material impact on the consolidated financial statements in terms of total assets, net income, retained earnings or deferred hedge gains and losses.

(iii) entities not considered to be subsidiaries where DBJ has more than a 50% ownership interest

The number of entities not considered to be subsidiaries where DBJ has more than a 50% ownership interest as of March 31, 2008 and 2007 is 6 and 5, respectively. Such entities as of March 31, 2008 are mainly as follows:

ADS Global Partners Ltd.

Wise Partners Co., Ltd.

These Entities are excluded from the scope of consolidation since DBJ's intent is to nurture the venture business and not to exercise control over their operating and financing policies.

(2) Application of the Equity Method

Under the control or influence concept, non-consolidated subsidiaries and affiliates over which DBJ has the ability to exercise significant influence are accounted for by the equity method.

(i) non-consolidated subsidiaries accounted for by the equity method

There are no non-consolidated subsidiaries accounted for by the equity method as of March 31, 2008 and 2007, respectively.

(ii) affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2008 and 2007 is 1 and 0, respectively. The affiliate accounted for by the equity method as of March 31, 2008 is as follows:

eBANK Corporation

In the fiscal year ended March 31, 2008, eBANK Corporation first became an affiliated company accounted for by the equity method due to the acquisition of its shares.

(iii) non-consolidated subsidiaries not accounted for by the equity method

The number of non-consolidated subsidiaries not accounted for by the equity method as of March 31, 2008 and 2007 is 21 and 8, respectively. Such subsidiaries as of March 31, 2008 are mainly as follows:

Asuka DBJ Investment LPS

GAD financial Service Limited

CITIC Japan Growth Partners, L.P.

Bridgehead Co., Ltd.

Tomatoh, Inc.

(iv) affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2008 and 2007 is 100 and 15, respectively. Such affiliates as of March 31, 2008 are mainly as follows:

Technology Alliance Investment, Ltd.

Asuka DBJ Partners Co., Ltd.

Intellectual Properties Development & Investment

Non-consolidated 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 deferred gains and losses has no material impact on the consolidated financial statements of DBJ.

(v) entities not considered to be affiliates where DBJ has greater than 20% but less than a majority of voting stock

The number of entities not considered to be affiliates where DBJ has greater than 20% but less than a majority of voting stock as of March 31, 2008 and 2007 is 10 and 37, respectively. Such entities as of March 31, 2008 are mainly as follows:

Global Insurance Corporation

Gordon Brothers Japan Co., Ltd.

Green Power Investment Corporation

These entities are not accounted for by the equity method because DBJ's intent is to nurture the venture business and not to exercise significant influence on their operating and financing policies.

(3) Balance sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows;

December 31	1 subsidiary
March 31	9 subsidiaries

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their balance sheet dates.

The necessary adjustments are made in the consolidated financial statements to reflect material transactions that occur between the balance sheet date of the subsidiary and the consolidated balance sheet date.

In this fiscal year, DBJ Corporate mezzanine partners Co., Ltd. changed their balance sheet date from March 31 to December 31.

(4) Valuation of Consolidated Subsidiaries' Assets and Liabilities

Assets and liabilities of newly consolidated subsidiaries are measured at fair value at the date of acquisition of control.

(5) Elimination of Intercompany Balances and Transactions

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit resulting from transactions between DBJ and its consolidated subsidiaries is eliminated.

(6) Amortization of Goodwill

The difference between the fair value of net assets and the cost of the acquired subsidiary is being amortized on a straight-line basis over the estimated beneficial period not exceeding 20 years. Minor differences are charged to income in the year of acquisition.

(b) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statements of cash flows consist of cash on hand 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
At March 31	2008	2007	2008
Cash and Due from Banks	¥ 182,916	¥40,264	$ 1,825,701
Time Deposits with Banks	(151,600)	(4,000)	(1,513,125)
Trust Money to Financial Agencies	(10)	(14)	(106)
Cash and Cash Equivalents	**¥ 31,306**	**¥36,250**	**$ 312,470**

(c) Securities

Held-to-maturity debt securities are stated at amortized cost with amortization computed on a straight-line basis, using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method). Other securities without market quotations are stated at cost or amortized cost computed using the weighted average method.

Investments in limited partnerships and other similar partnerships are accounted for at their original cost plus DBJ's interest in earnings since acquisition and less any dividends received, based on their most recent financial statements.

Unrealized gain and loss on available-for-sale securities are included in equity, net of income taxes.

Securities which are held as trust assets in money held in trust accounts are valued in the same way as other securities.

(d) Valuation Method for Derivative Financial Instruments

All derivative financial instruments are carried at market value. Except for certain derivatives that are designated as hedging instruments as discussed below, gains or losses on derivative transactions are recognized in the statements of income.

(e) Hedge Accounting

(i) Hedge Accounting

DBJ applies the deferral method of hedge accounting. Foreign currency swaps which are used to hedge foreign currency fluctuations are not translated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(ii) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest Rate Swaps
  Hedged Items: Bonds and Notes, Borrowings, and Loans
- Hedging Instruments: Foreign Currency Swaps
  Hedged Items: Foreign currency denominated Loans and Bonds and Notes

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities.

(iv) Evaluation of Hedge Effectiveness

DBJ evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In regards to both interest rate swap contracts which meet the hedging requirements of accrual method*[1] and foreign currency swap contracts which meet the hedging requirements of assignment method*[2], under the Accounting Standards for Financial Instruments at the inception date, DBJ is not required to evaluate their hedge effectiveness periodically.

*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, forward foreign exchange contracts and hedged items are accounted for in the following manner;

1) 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 which includes the inception date, 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.
2) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(f) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis.

The estimated useful lives are principally as follows:

Buildings:	22 years to 50 years
Equipment:	3 years to 20 years

(ii) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method.

(g) Long-lived Assets

DBJ 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. An impairment loss is 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 loss 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.

(h) Bonds and Notes Issuance Costs

“Bonds and Notes Issuance Costs” are charged to income as incurred.

(i) Foreign Currency Translation and Revaluation Method

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year end.

(j) Allowance for Loan Losses

DBJ 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 at the moment, but are likely to become bankrupt, and for which future cash flows cannot reasonably be estimated, 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 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 historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

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 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, have been written-off, and totaled ¥52,170 million ($520,715 thousand) and ¥56,267 million for the years ended March 31, 2008 and 2007, respectively.

(k) Allowance for Investment Losses

“Allowance for Investment Losses” is provided for based on the estimated losses on investments.

(l) Reserve for Employee Retirement Benefits

DBJ has defined benefit pension plans, which consist of a welfare pension fund plan and a lump-sum severance indemnity plan.

The “Reserve for Employee Retirement Benefits” represents future payments for pension and retirement benefits to employees and executive directors and is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. The actuarial gain or loss is recognized during the year it arises.

(m) Lease Transactions

Finance leases of DBJ and consolidated subsidiaries that do not involve transfer of ownership to lessees are accounted for as operating leases.

(n) Consumption taxes

Income and expenses subject to consumption taxes exclude related consumption taxes paid or received.

(o) Income Taxes

DBJ is exempt from taxes based on income, however, DBJ is subject to parity taxes among local taxes. On the other hand, the consolidated subsidiaries are subject to income and local taxes.

Deferred income taxes are recorded based on differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates which will be in effect when the differences are expected to reverse. The asset and liability method is used to determine deferred income taxes.

3. Securities

Securities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Japanese Government Bonds	¥143,530	¥120,705	$1,432,583
Corporate Bonds	102,856	96,374	1,026,619
Equities	183,394	114,865	1,830,469
Other securities	119,335	88,914	1,191,092
	¥549,117	**¥420,860**	**$5,480,763**

Notes: 1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2008 and 2007 are ¥17,594 million ($175,611 thousand) and ¥468 million, respectively. And investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2008 and 2007 are ¥40,912 million ($408,345 thousand) and ¥13,498 million, respectively.

2. DBJ 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 Law) and amount to ¥3,280 million ($32,738 thousand) and ¥130 million as of March 31, 2008 and 2007 respectively.

3. There are no securities repledged as of March 31, 2008 and 2007 respectively, although securities accepted under repurchase agreements, can be sold or repledged. Securities neither sold nor repledged are ¥136,925 million ($1,366,662 thousand) and ¥223,829 million, respectively.

4. Other securities with market value are considered impaired if there is a considerable decline in the market value below the acquisition cost and such decline is not believed to be recoverable. The difference between the acquisition cost and the market value is the loss for the fiscal year.

The criterion for determining "Considerable decline in market value" is as follows.

Market value is 50% and more lower than acquisition cost

Market value is 30% and more lower than acquisition cost, and such decline is not considered as recoverable

4. Non-performing Loans

The amounts of Non-Performing Loans included in "Loans" on the consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Loans to Bankrupt Debtors	¥ 1,329	¥ 7,562	$ 13,273
Delinquent Loans	57,429	64,065	573,209
Loans Past Due Three Months or More	26	28	262
Restructured Loans	60,988	73,624	608,728
	¥119,774	**¥145,280**	**$1,195,472**

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.

2. "Loans to Bankrupt Debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.

3. "Delinquent Loans" represent non-accrual loans other than (i) Loans to Bankrupt Debtors and (ii) Loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.

4. "Loans Past Due Three Months or More" are loans whose principal or interest payment is three months or more past due and do not fall under the category of "Loans to Bankrupt Debtors" or "Delinquent Loans".

5. "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 do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, funds up to a pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount to lend, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2008 and 2007 are ¥327,665 million ($3,270,442 thousand), including ¥153,869 million ($1,535,779 thousand) being financed within one year and ¥331,130 million, including ¥97,695 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Prepaid Expenses	¥ 145	¥ 99	$ 1,451
Accrued Income	41,157	48,068	410,794
Derivatives	20,585	3,316	205,461
Guarantee Deposits	484	426	4,840
Other	1,681	1,350	16,785
	¥64,054	**¥53,262**	**$639,331**

6. Tangible Fixed Assets

Tangible Fixed Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Tangible Fixed Assets			
Land	¥20,340	¥20,386	$203,020
Buildings	15,082	15,095	150,543
Equipment	300	296	2,998
Total	**¥35,723**	**¥35,778**	**$356,561**

Notes: Accumulated Depreciation of Tangible Fixed Assets as of March 31, 2008 and 2007 is ¥ 20,858 million ($208,191 thousand) and ¥20,355 million, respectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
General Allowance for Loan Losses	¥ 86,560	¥ 96,933	$ 863,962
Specific Allowance for Loan Losses	25,268	49,692	252,205
	¥111,828	**¥146,626**	**$1,116,168**

8. Bonds and Notes

Bonds and Notes as of March 31, 2008 and 2007 are as follows:

At March 31 Description of Bonds and Notes	Issue date	Interest rate (%)	Maturity date	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Japanese Government-guaranteed Bonds 1-21	August 2000–February 2008	0.80~2.10	August 2010–December 2022	¥ 802,282	¥ 612,132	$ 8,007,614
Japanese Government-guaranteed Foreign Bond 67*1	September 1998	1.81	September 2028	25,083	25,087	250,358
Japanese Government-guaranteed Foreign Bonds 1-14	November1999–November 2007	1.05~6.875	June 2010–November 2027	1,035,616 ($2,350,000 thousand) (EUR1,450,000 thousand)	846,906 ($2,350,000 thousand) (EUR750,000 thousand)	10,336,524
Japanese Government-underwritten Bonds 196-211*2	May1997–December 1998	1.10~2.60	May 2007–December 2008	39,550 [39,550]	72,766 [33,250]	394,758 [394,758]
FILP Agency Bonds 3-44, 1*3	April 2002–February 2008	0.40~2.74	June 2007–March 2047	1,254,630 [129,997]	1,114,753 [150,000]	12,522,508 [1,297,504]
				¥3,157,163	**¥2,671,644**	**$31,511,761**

Notes: 1. This bond is a government-guaranteed bond issued by the Japan Development Bank prior to the merger with the Hokkaido-Tohoku Development Finance Public Corporation that formed DBJ.
2. These bonds are government-guaranteed bonds and government-underwritten bonds issued by the Hokkaido-Tohoku Development Finance Public Corporation prior to the merger with the Japan Development Bank that formed DBJ.
3. Figures indicated in brackets ( ) indicate the amounts of foreign currency bonds.
4. Figures indicated in brackets [ ] indicate the amounts to be redeemed within one year.
5. Fiscal Investment and Loan Program (FILP) Agency Bonds issued in Japanese domestic markets are not government-guaranteed.

Scheduled redemptions of Bonds and Notes for each of the next five years as of March 31, 2008 are as follows:

Fiscal year ending March 31, 2009	¥169,547 million	$1,692,264 thousand
2010	109,986	1,097,775
2011	369,842	3,691,407
2012	463,348	4,624,697
2013	344,798	3,441,443

9. Borrowings

Borrowings as of March 31, 2008 and 2007 are as follows:

At March 31	Average interest rate (%)	Due date of repayment	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Borrowings					
Long-term Borrowings	1.78	May 2008–November 2027	¥6,978,546	¥7,923,935	$69,653,126
			¥6,978,546	**¥7,923,935**	**$69,653,126**

Borrowings with maturities for each of the next five years as of March 31, 2008 are as follows:

Fiscal year ending March 31, 2009	¥1,108,400 million	$11,062,988 thousand
2010	947,704	9,459,069
2011	840,448	8,388,548
2012	786,430	7,849,388
2013	827,824	8,262,542

10. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued Expenses	¥ 33,365	¥ 34,031	$ 333,023
Unearned Income	997	17,913	9,955
Deposits from Employees	199	153	1,993
Derivatives	115,499	133,847	1,152,805
Reserve for Bonus Payments	1,653	1,617	16,502
Other	5,164	6,529	51,552
	¥156,880	**¥194,093**	**$1,565,829**

11. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Guarantees	¥126,833	¥273,965	$1,265,935
	¥126,833	**¥273,965**	**$1,265,935**

Notes: In the year ended March 31, 2008, Credit Derivatives Transaction measured at fair value is reclassified from “Guarantees” to “Derivatives”, as its rational market value has been confirmed.

12. Assets Pledged as Collateral

Securities Pledged as Collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥123,155 million ($1,229,219 thousand) as of March 31, 2008, and ¥120,705 million as of March 31, 2007.

13. Retained Earnings

A portion of net income of the parent company which has been calculated pursuant to Article 4 of the Development Bank of Japan Law ("DBJ Law") was appropriated to a provision of Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law.

On May 31, 2007, DBJ paid ¥2,499 million ($24,952 thousand), attributable to the year ended March 31, 2007, to the National Treasury.

14. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Commissions	¥4,995	¥4,051	$49,859
	¥4,995	**¥4,051**	**$49,859**

15. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Gains	¥110	¥	$1,105
Other	423		4,225
	¥534	**¥**	**$5,330**

16. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Reversal of allowance for Loan Losses	¥24,307	¥47,133	$242,614
Compensation for Advance Redemption	12,648		126,246
Gains on Sales of Equities and Other Securities	88	1,508	886
Gains on Money Held in Trust	1,281	1,350	12,790
Other	15,178	12,333	151,502
	¥53,505	**¥62,325**	**$534,038**

Notes: 1. In the year ended March 31, 2008, Compensation for Advance Redemption, which was classified in "Unearned Income" and amortized over the term of the loans, is recognized in full as Income.

2. "Other" includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics, attributable to DBJ and its subsidiaries as the equity participants, ¥13,569 million ($135,435 thousand) for the fiscal year ended March 31, 2008.

17. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Wire Transfer Service Charges	¥ 6	¥ 5	$ 62
Commissions	23	59	230
	¥29	**¥65**	**$292**

18. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Foreign Exchange Losses	¥	¥ 129	$
Bonds and Notes Issuance Costs	1,827	1,521	18,239
Losses on Derivative Instruments	14,167	30	141,411
Other	5,726	356	57,157
	¥21,721	**¥2,038**	**$216,807**

19. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Provision for Investment Losses	¥ 1,392	¥ 112	$ 13,903
Write-off of Loans	7,913	2,982	78,988
Losses on Sales of Equities and Other Securities	706	1	7,053
Write-off of Equities	723	47,713	7,225
Losses on Money Held in Trust	16,938	0	169,060
Other	34,137	10,635	340,730
	¥61,813	**¥61,445**	**$616,959**

Notes: Losses on sale of loans included in "Other" are ¥198 million ($1,978 thousand) and ¥890 million for the fiscal years ended March 31, 2008 and 2007, respectively. Investment Losses on Affiliates accounted by the equity method and Costs on Derivative transactions included in "Other" are ¥15,045 million ($150,167 thousand) and ¥8,602 million ($85,856 thousand) for the fiscal years ended March 31, 2008, respectively

20. Employee Retirement Benefits

Employees whose service with DBJ 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.

Reserve for Employee Retirement Benefits as of March 31, 2008 and 2007 consisted of the following.

(a) The Funded Status of the Pension Plans

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Projected Benefit Obligation	¥(45,019)	¥(44,460)	$(449,337)
Fair Value of Plan Assets	13,586	14,902	135,608
Unfunded Pension Obligation	(31,432)	(29,558)	(313,729)
Net Amount Recognized on the Balance Sheet	(31,432)	(29,558)	(313,729)
Reserve for Employee Retirement Benefits	**¥(31,432)**	**¥(29,558)**	**$(313,729)**

Notes: 1. The above Projected Benefit Obligations include a portion in which the pension fund manages on behalf of the Japanese Government welfare program.
2. Reserve for Employee Retirement Benefits includes the one for executive directors.

(b) Components of Pension Cost

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Service Cost	¥1,389	¥1,400	$13,866
Interest Cost	887	897	8,858
Expected Return on Plan Assets	(74)	(493)	(744)
Amortization of Prior Service Cost			
Amortization of Net Actuarial Gains/Losses	1,841	(861)	18,379
Net Pension Cost	**¥4,043**	**¥ 942**	**$40,360**

(c) Principal Assumptions Used

At March 31	2008	2007
Discount Rate	2.0%	2.0%
Expected Rate of Return on Plan Assets	0.5%	3.5%
Method of Attributing the Projected Benefits to Periods of Services	Straight-line basis	Straight-line basis
Amortization Period of Actuarial Gains/Losses	Gains/losses are charged to income immediately	Gains/losses are charged to income immediately

21. Lease Transactions

(a) Finance Lease Transactions

(Excluding leases where the ownership of the property is substantially transferred to the lessee)

	Millions of yen					
	2008			2007		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥1,111	¥ 484	¥1,596	¥ 724	¥ 277	¥1,002
Less- Accumulated Depreciation Equivalents	(479)	(181)	(661)	(430)	(151)	(582)
Book Value Equivalents	**¥ 631**	**¥ 302**	**¥ 934**	**¥ 294**	**¥ 125**	**¥ 419**

	Thousands of U.S. dollars		
	2008		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$11,097	$ 4,834	$15,930
Less- Accumulated Depreciation Equivalents	(4,791)	(1,815)	(6,606)
Book Value Equivalents	**$ 6,306**	**$ 3,019**	**$ 9,325**

Future lease payments subsequent to the end of the fiscal years for finance leases (including the interest portion thereon) are summarized below:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Due in One Year or Less	¥304	¥215	$3,043
Due after One Year	634	210	6,337
	¥939	**¥426**	**$9,380**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2008 amount to ¥292 million ($2,921 thousand), ¥282 million ($2,817 thousand) and ¥9 million ($96 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2007 are ¥246 million, ¥237 million and ¥8 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and that the residual value at the end of the lease term is zero.

2. Interest expense equivalents are defined as the difference between total lease payments and acquisition equivalents, and are allocated over the lease term using the effective interest method.

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2008 and 2007.

22. Deferred Tax Assets and Liabilities

Consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Deferred Tax Assets:			
Net Losses Carryforwards	¥ 541	¥	$ 5,407
Enterprise Tax Payable	0	57	0
Allowance for Investment Losses	270	259	2,705
Losses on Available-for-sale Securities	604	406	6,031
Other	3	51	36
Sub Total	1,420	774	14,179
Less—Valuation Allowance	(1,420)	(767)	(14,174)
Total Deferred Tax Assets	¥ 0	¥ 7	$ 5
Deferred Tax Liabilities:			
Net Unrealized Gain on Available-for-sale Securities	(105)	(66)	(1,050)
Other	(17)	0	(176)
Total Deferred Tax Liabilities	(122)	(66)	(1,225)
Net Deferred Tax Assets (Liabilities)	**¥ (122)**	**¥ (59)**	**$ (1,220)**

Notes: A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2008 and 2007 and the actual effective tax rates reflected in the accompanying consolidated statement of income is not required under Japanese accounting standards due to such differences being immaterial.

23. Segment Information

(a) Segment Information by Type of Business

DBJ and its consolidated subsidiaries are engaged in business such as private equity investment and fund management and other activities as well as banking business. Such segment information, however, is not presented, as the percentages of those activities are insignificant.

(b) Segment Information by Geographic Area

Segment information classified by geographic area is not presented, as there are no consolidated subsidiaries and offices located in countries or areas other than Japan.

(c) Ordinary Income from Overseas Entities

Ordinary income from overseas entities is omitted because the amount is below 10 percent of the consolidated ordinary income.

24. Derivative Transactions

1. Details Related to Transactions

(a) Details of Transactions

DBJ utilizes derivative financial instruments, which comprise interest rate swaps, currency swaps, forward foreign exchange contract and credit default swaps.

(b) Policy for Derivative Transactions

DBJ utilizes interest rate swaps, currency swaps and forward foreign exchange contract to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates, and to respond to the customers' financial needs. DBJ does not hold or issue derivative financial instruments for trading purposes.

DBJ also utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business within the limit of a certain definite amount of risk.

(c) Risks Involved in Derivatives Transactions

Derivatives involve the following risks:

(i) Market Risk

Potential loss from changes in the market value of financial products due to fluctuations in interest rates or exchange rates.

(ii) Credit Risk

Potential loss from the failure of a counterparty to perform its obligations in accordance with the terms and conditions of the contract governing the transaction due to the counterparty's bankruptcy or deteriorating business conditions.

With regards to derivative transactions for hedging purpose, the market risk on derivatives is offset against the hedged transactions. As for credit risk, DBJ limits the counterparty to financial institutions highly rated by the credit rating agencies, and constantly monitors the cost of restructuring its transactions and creditworthiness of each counterparty. In addition, DBJ transacts with multiple counterparties to reduce credit risk. With regards to credit derivative transactions, DBJ holds credit risk of target debt itself in the transaction.

(d) Risk Management Policies for Derivatives

The Treasury Department enters into and the ALM and Risk Management Department monitors derivative transactions in accordance with the internal management policy, which defines the authorization procedures, including pre-approval by authorized personnel, and limits on derivative transactions. Also, total contract amount, total amount of risk, market value, and total amount of counterparties' credit risk in the derivative transactions are reported to the directors in charge periodically.

(e) Supplementary explanation on Market Value of Derivatives

It should be noted that 'Contract Value' represents nominal contract value or notional principal amount used in determining the value of receipts or payments of interest, but this does not necessarily reflect the risks of derivative transactions themselves.

2. Information on Market Value of Derivatives

The market values of derivatives as of March 31, 2008 and 2007 are as follows:

(a) Interest Rate-related Transactions

	Millions of yen			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	¥2,285,344	¥2,155,344	¥ 36,658	¥ 36,658
Receive Float/ Pay Fixed	2,285,303	2,155,303	(36,755)	(36,755)
			¥ (96)	**¥ (96)**

	Millions of yen			
	2007			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	¥1,863,361	¥1,813,361	¥(13,458)	¥(13,458)
Receive Float/ Pay Fixed	1,863,361	1,813,361	4,219	4,219
			¥ (9,239)	**¥ (9,239)**

	Thousands of U.S. dollars			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	$22,810,101	$21,512,566	$ 365,890	$ 365,890
Receive Float/ Pay Fixed	22,809,700	21,512,165	(366,854)	(366,854)
			$ (964)	**$ (964)**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Income. Derivative transactions qualifying for hedge accounting are excluded from the tables above.
2. Market values for the over-the-counter transactions are based primarily on discounted present values.

(b) Currency-related Transactions

	Millions of yen			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps	¥	¥	¥	¥
Forwards				
Sold	¥15,337	¥	¥402	¥402
Bought	100		(0)	(0)
			¥402	**¥402**

	Millions of yen			
	2007			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps	¥	¥	¥	¥
Forwards				
Sold	¥	¥	¥	¥
Bought	2,410		53	53
			¥ 53	**¥ 53**

	Thousands of U.S. dollars			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps	$	$	$	$
Forwards				
Sold	$153,089	$	$4,021	$4,021
Bought	1,004		(0)	(0)
			$4,021	**$4,021**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statement of Income. Derivative transactions qualifying for hedge accounting are excluded from the tables above.
2. Market values for the over-the-counter transactions are based primarily on discounted present values.

(c) Equity-related Transactions

Not applicable

(d) Bond-related Transactions

Not applicable

(e) Commodity-related Transactions

Not applicable

(f) Credit Derivatives Transactions

	Millions of yen			
	2008			
	Contract Value			
At March 31	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Credit Default Swap				
Sold	¥1,107,506	¥1,107,506	¥(15,705)	¥(15,705)
Bought	602,416	602,416	868	868
			¥(14,836)	**¥(14,836)**

	Millions of yen			
	2007			
	Contract Value			
At March 31	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Credit Default Swap				
Sold	¥697,877	¥697,877	¥130	¥130
Bought	579,827	579,827	130	130
			¥261	**¥261**

	Thousands of U.S. dollars			
	2008			
	Contract Value			
At March 31	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Credit Default Swap				
Sold	$11,054,066	$11,054,066	$(156,754)	$(156,754)
Bought	6,012,744	6,012,744	8,668	8,668
			$(148,086)	**$(148,086)**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statement of Income.
2. Market values are based on the counterparties' tendered price.
3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

25. Market Value of Securities and Money Held in Trust

Market value of Securities, Money held in Trust and Negotiable Certificate of Deposit classified as "Cash and Due from banks" as of March 31, 2008 and 2007 are summarized below. The information about investments in subsidiaries and affiliates with market value is reported in the notes to the non-consolidated financial statements.

1. Securities

(a) Trading Securities

Not applicable

(b) Held-to-maturity Debt Securities with market values

	Millions of yen				
	2008				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	¥	¥	¥	¥	¥
Japanese Local Government Bonds					
Short-term Corporate Bonds					
Corporate Bonds	46,501	46,663	162	522	(360)
Other					
	¥46,501	**¥46,663**	**¥162**	**¥522**	**¥(360)**

	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	¥	¥	¥	¥	¥
Japanese Local Government Bonds					
Short-term Corporate Bonds					
Corporate Bonds	44,280	44,458	178	282	(103)
Other					
	¥44,280	**¥44,458**	**¥178**	**¥282**	**¥(103)**

	Thousands of U.S. dollars				
	2008				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	$	$	$	$	$
Japanese Local Government Bonds					
Short-term Corporate Bonds					
Corporate Bonds	464,136	465,754	1,618	5,214	(3,597)
Other					
	$464,136	**$465,754**	**$1,618**	**$5,214**	**$(3,597)**

Notes: Market value is based on the closing price at the respective fiscal year ends.

(c) Available-for-sale Securities with market values

At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
	Millions of yen				
	2008				
			Unrealized Gain (Loss)		
Equities	¥ 34,617	¥ 41,355	¥6,738	¥13,412	¥(6,674)
Bonds	162,181	164,639	2,457	2,881	(423)
Japanese Government Bonds	140,661	143,530	2,869	2,881	(11)
Japanese Local Government Bonds					
Short-term Corporate Bonds	16,000	15,834	(165)		(165)
Corporate Bonds	5,520	5,274	(245)		(245)
Other	5,852	5,943	91	191	(100)
	¥202,651	**¥211,938**	**¥9,287**	**¥16,485**	**¥(7,197)**

At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
Equities	¥ 18,375	¥ 31,936	¥13,561	¥13,617	¥ (55)
Bonds	128,902	128,682	(219)	282	(502)
Japanese Government Bonds	120,902	120,705	(196)	282	(479)
Japanese Local Government Bonds					
Short-term Corporate Bonds					
Corporate Bonds	8,000	7,977	(22)		(22)
Other					
	¥147,277	**¥160,619**	**¥13,341**	**¥13,899**	**¥(558)**

At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
	Thousands of U.S. dollars				
	2008				
			Unrealized Gain (Loss)		
Equities	$ 345,519	$ 412,774	$67,255	$133,875	$(66,619)
Bonds	1,618,738	1,643,269	24,531	28,756	(4,226)
Japanese Government Bonds	1,403,946	1,432,583	28,637	28,756	(119)
Japanese Local Government Bonds					
Short-term Corporate Bonds	159,697	158,043	(1,654)		(1,654)
Corporate Bonds	55,095	52,643	(2,452)		(2,452)
Other	58,413	59,321	908	1,906	(998)
	$2,022,670	**$2,115,364**	**$92,694**	**$164,537**	**$(71,843)**

Notes: Book value above represents the market values determined based on the closing price at the respective fiscal year ends.

(d) Held-to-maturity Debt Securities sold

Not applicable

(e) Available-for-sale Securities sold

For the Fiscal Year ended March 31	Millions of yen 2008 Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	¥307	¥105	¥3,049
	¥307	**¥105**	**¥3,049**

For the Fiscal Year ended March 31	Millions of yen 2007 Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	¥4,372	¥1,543	¥34
	¥4,372	**¥1,543**	**¥34**

For the Fiscal Year ended March 31	Thousands of U.S. dollars 2008 Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	$3,070	$1,052	$30,440
	$3,070	**$1,052**	**$30,440**

(f) Held-to-maturity Debt Securities and Available-for-sale Securities whose market values are not readily determinable

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Held-to-maturity Debt Securities			
Unlisted Corporate Bonds	¥ 35,246	¥ 15,620	$ 351,797
Available-for-sale Securities			
Unlisted Equities	142,038	91,430	1,417,694
Unlisted Corporate Bonds	0	21,496	1
Negotiable Certificate of Deposit	149,000		1,487,174
Other	113,392	98,344	1,131,771
	¥439,677	**¥226,890**	**$4,388,437**

(g) Change in Classification of Securities

Not applicable

(h) Redemption Schedule of Available-for-sale Securities with maturities and Held-to-maturity Debt Securities

	Millions of yen			
	2008			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	¥ 36,240	¥129,873	¥76,519	¥3,754
Japanese Government Bonds	20,089	71,182	52,259	
Japanese Local Government Bonds				
Short-term Corporate Bonds	15,834			
Corporate Bonds	317	58,691	24,260	3,754
Other	149,000		125	
	¥185,240	**¥129,873**	**¥76,645**	**¥3,754**

	Millions of yen			
	2007			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	¥43,181	¥93,062	¥69,859	¥4,000
Japanese Government Bonds	19,995	50,575	50,134	
Japanese Local Government Bonds				
Short-term Corporate Bonds	2,996			
Corporate Bonds	20,189	42,486	19,724	4,000
Other				
	¥43,181	**¥93,062**	**¥69,859**	**¥4,000**

	Thousands of U.S. dollars			
	2008			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	$ 361,718	$1,296,268	$763,745	$37,472
Japanese Government Bonds	200,509	710,470	521,604	
Japanese Local Government Bonds				
Short-term Corporate Bonds	158,043			
Corporate Bonds	3,166	585,798	242,141	37,472
Other	1,487,174		1,255	
	$1,848,892	**$1,296,268**	**$764,999**	**$37,472**

2. Money Held in Trust

There is no Money Held in Trust held for the purpose of investment or held to maturity. Market value of Other Money Held in Trust (Money Held in Trust other than that stated above) is summarized below:

	Millions of yen				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	¥74,417	¥74,454	¥410	¥674	¥(263)

	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	¥90,836	¥90,805	¥(31)	¥58	¥(90)

	Thousands of U.S. dollars				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	$742,767	$743,129	$4,099	$6,732	$(2,633)

3. Net Unrealized Gain on Available-for-sale Securities

The breakdown of net unrealized gain on Available-for-sale Securities is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Net Unrealized Gain			
Available-for-sale Securities	¥13,095	¥21,696	$130,704
Other Money Held in Trust	(263)	(62)	(2,633)
Add: Deferred Tax Assets			
(Less: Deferred Tax Liabilities)	(105)	(66)	(1,050)
	¥12,726	¥21,566	$127,021
Amount corresponding to Minority Interests	11	(26)	110
DBJ's interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	¥ (436)	¥	$ (4,356)
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes	**¥12,300**	**¥21,539**	**$122,774**

Notes: Net unrealized gain included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

26. Subsequent Event

On May 14, 2008, the board meeting resolved to pay out of retained earnings ¥1,026 million ($10,246 thousand), attributable to the year ended March 31, 2008, to the National Treasury and DBJ paid it on May 30, 2008.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Governor of
Development Bank of Japan:

We have audited the accompanying non-consolidated balance sheet of Development Bank of Japan (the "Bank") as of March 31, 2008, and the related non-consolidated statements of income and changes in equity for the year then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. The non-consolidated financial statements of the Bank for the year ended March 31, 2007, which were included in the accompanying Bank's non-consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 26, 2007.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Development Bank of Japan as of March 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 25, 2008

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks	¥ 161,741	¥ 34,110	$ 1,614,346
Reverse Repurchase Agreements (Note 3(3))	136,925	223,829	1,366,662
Money Held in Trust	25,720	27,836	256,715
Securities (Notes 3 and 10)	532,137	366,469	5,311,281
Loans (Note 4)	11,512,906	12,146,462	114,910,738
Other Assets (Note 5)	64,894	53,740	647,709
Tangible Fixed Assets (Note 6)	35,709	35,763	356,420
Intangible Fixed Assets	1,371	0	13,692
Customers' Liabilities for Acceptances and Guarantees	172,833	334,965	1,725,062
Allowance for Loan Losses (Note 7)	(112,030)	(146,742)	(1,118,182)
Allowance for Investment Losses	(7,329)	(2,456)	(73,159)
Total Assets	**¥12,524,880**	**¥13,073,980**	**$125,011,284**

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities and Equity			
Liabilities			
Bonds and Notes	¥ 3,157,163	¥ 2,671,644	$ 31,511,761
Borrowings	6,932,546	7,862,935	69,193,998
Other Liabilities (Note 8)	156,728	193,300	1,564,318
Reserve for Employee Retirement Benefits	31,432	29,558	313,729
Acceptances and Guarantees (Note 9)	172,833	334,965	1,725,062
Total Liabilities	**¥10,450,705**	**¥11,092,404**	**$104,308,868**
Equity			
Capital	¥ 1,272,286	¥ 1,272,286	$ 12,698,732
Retained Earnings (Note 11)	861,584	810,163	8,599,509
Other Retained Earnings	861,584	810,163	8,599,509
Statutory Reserve	1,113,186	1,076,594	11,110,756
Accumulated Deficit	(251,601)	(266,430)	(2,511,246)
Net Unrealized Gain on Available-for-sale Securities	13,084	21,493	130,601
Net Deferred Hedge Losses	(72,780)	(122,367)	(726,427)
Total Equity	**¥ 2,074,175**	**¥ 1,981,575**	**$ 20,702,416**
Total Liabilities and Equity	**¥12,524,880**	**¥13,073,980**	**$125,011,284**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Income			
Interest Income	¥314,084	¥329,710	$3,134,885
Interest on Loans	307,725	326,472	3,071,420
Interest and Dividends on Securities	3,815	2,449	38,080
Interest on Reverse Repurchase Agreements	1,577	707	15,749
Interest on Due from banks	961	80	9,597
Other Interest Income	3	0	39
Fees and Commissions (Note 12)	4,836	3,405	48,274
Other Operating Income (Note 13)	589		5,883
Other Ordinary Income (Note 14)	53,251	59,989	531,505
Collection of Written-off Claims	1,982	5,875	19,791
Gains on Sales of Fixed Assets	68	0	688
Total Income	**¥374,813**	**¥398,982**	**$3,741,027**
Expenses			
Interest Expense	¥208,866	¥236,720	$2,084,703
Interest on Bonds and Notes	45,130	33,973	450,454
Interest on Borrowings	148,446	179,674	1,481,650
Interest on Swaps (net)	15,273	23,067	152,443
Other Interest Expense	15	4	155
Fees and Commissions (Note 15)	23	65	234
Other Operating Expenses (Note 16)	18,811	2,025	187,754
General and Administrative Expenses	29,316	25,015	292,608
Other Ordinary Expenses (Note 17)	63,861	59,933	637,401
Losses on Sales of Fixed Assets	13	56	135
Total Expenses	**¥320,891**	**¥323,815**	**$3,202,834**
Net Income	**¥ 53,921**	**¥ 75,166**	**$ 538,193**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Changes in Equity

	Millions of yen					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2007	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2006	**¥1,272,286**	**¥1,068,918**	**¥(333,921)**	**¥ 3,401**	**¥**	**¥2,010,684**
Transfer from net income accounted under the DBJ Law to Statutory Reserve (Note 11)		7,675	(7,675)			
Net Income			75,166			75,166
Net Changes in the year				18,092	(122,367)	(104,274)
Balance at March 31, 2007	**¥1,272,286**	**¥1,076,594**	**¥(266,430)**	**¥21,493**	**¥(122,367)**	**¥1,981,575**

	Millions of yen					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2008	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2007	**¥1,272,286**	**¥1,076,594**	**¥(266,430)**	**¥21,493**	**¥(122,367)**	**¥1,981,575**
Transfer from net income accounted under the DBJ Law to Statutory Reserve (Note 11)		36,592	(36,592)			
Payment to National Treasury			(2,499)			(2,499)
Net Income			53,921			53,921
Net Changes in the year				(8,408)	49,586	41,177
Balance at March 31, 2008	**¥1,272,286**	**¥1,113,186**	**¥(251,601)**	**¥13,084**	**¥(72,780)**	**¥2,074,175**

	Thousands of U.S. dollars					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2008	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2007	**$12,698,732**	**$10,745,526**	**$(2,659,257)**	**$214,529**	**$(1,221,350)**	**$19,778,180**
Transfer from net income accounted under the DBJ Law to Statutory Reserve (Note 11)		365,229	(365,229)			
Payment to National Treasury			(24,952)			(24,952)
Net Income			538,193			538,193
Net Changes in the year				(83,927)	494,923	410,996
Balance at March 31, 2008	**$12,698,732**	**$11,110,756**	**$(2,511,246)**	**$130,601**	**$(726,427)**	**$20,702,416**

Accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Development Bank of Japan ("DBJ") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of DBJ, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to DBJ's 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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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) 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 subsidiaries and affiliates are stated at cost computed using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method). Other securities without market quotations are stated at cost or amortized cost computed using the weighted average method.

Investments in limited partnerships and other similar partnerships are accounted for at their original cost plus DBJ's interest in earnings since acquisition and less any dividends received, based on their most recent financial statements. However, regarding certain investments in limited partnerships, assets and liabilities are recorded in proportion to DBJ's underlying interests based on their most recent financial statements.

Unrealized gains and losses on available-for-sale securities are included in equity.

Securities which are held as trust assets in Money Held in Trust accounts are valued in the same way as other securities.

(b) Valuation Method for Derivative Financial Instruments

All derivative financial instruments are carried at market value. Except for certain derivatives that are designated as hedging instruments as discussed below, gains or losses on derivative transactions are recognized in the statements of income.

(c) Hedge Accounting

(i) Hedge Accounting

DBJ applies the deferral method of hedge accounting. Foreign currency swaps which are used to hedge the foreign currency fluctuations are not translated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(ii) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest Rate Swaps
  Hedged Items: Bonds and Notes, Borrowings, and Loans
- Hedging Instruments: Foreign Currency Swaps
  Hedged Items: Foreign currency denominated Loans and Bonds and Notes

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities within the outstanding asset and liability amounts.

(iv) Evaluation of Hedge Effectiveness

DBJ evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In regards to both interest rate swap contracts which meet the hedging requirements of accrual method (*1) and foreign currency swap contracts which meet the hedging requirements of assignment method (*2) under the Accounting Standards for Financial Instruments at the inception date, DBJ is not required to evaluate their hedge effectiveness periodically.

*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, forward foreign exchange contracts and hedged items are accounted for in the following manner;

1) 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 which includes the inception date, 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.
2) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(d) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis.

The estimated useful lives are principally as follows:

Buildings:	22 years to 50 years
Equipment:	3 years to 20 years

(ii) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method.

(e) Long-lived assets

DBJ 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. An impairment loss is 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 loss 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.

(f) Bonds and Notes Issuance Costs

"Bonds and Notes Issuance Costs" are charged to income as incurred.

(g) Foreign currency translation and revaluation method

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year end.

(h) Allowance for Loan Losses

DBJ 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 at the moment, but are likely to become bankrupt for which future cash flows cannot reasonably be estimated, 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 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 historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

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 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, have been written-off, and totaled ¥52,170 million ($520,715 thousand) and ¥56,267 million for the years ended March 31, 2008 and 2007, respectively.

(i) Allowance for Investment Losses

“Allowance for Investment Losses” is provided for based on the estimated losses on investments.

(j) Reserve for Employee Retirement Benefits

DBJ has defined benefit pension plans, which consist of a welfare pension fund plan and a lump-sum severance indemnity plan.

The “Reserve for Employee Retirement Benefits” represents future payments for pension and retirement benefits to employees and executive directors and is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. The actuarial gain or loss is recognized during the year it arises.

(k) Lease Transactions

Finance leases that do not involve transfer of ownership to lessees are accounted for as operating leases.

(l) Consumption taxes

Income and expenses subject to consumption taxes exclude related consumption taxes paid or received.

(m) Income taxes

DBJ is exempt from taxes based on income, however, DBJ is subject to parity taxes among local taxes.

3. Securities

Securities as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Japanese Government Bonds	¥143,530	¥120,705	$1,432,583
Corporate Bonds	87,022	61,753	868,576
Equities	185,767	97,804	1,854,148
Other securities	115,816	86,206	1,155,974
	¥532,137	**¥366,469**	**$5,311,281**

Notes: 1. Investments in subsidiaries and affiliates included in "Equities" as of March 31, 2008 and 2007 are ¥86,808 million ($866,436 thousand) and ¥23,809 million, respectively.

2. DBJ has contingent liabilities for guarantees of corporate bonds among Securities which were issued by private placement (Article 2 Paragraph 3 of the Financial Instruments and Exchange Law) and amount to ¥3,280 million ($32,738 thousand) and ¥130 million as of March 31, 2008 and 2007 respectively.

3. There are no securities repledged as of March 31, 2008 and 2007 respectively, although securities accepted under repurchase agreements can be sold or repledged, securities neither sold nor repledged are ¥136,925 million ($1,366,662 thousand) and ¥223,829 million, respectively.

4. Other securities with market value are considered impaired if there is a considerable decline in the market value below the acquisition cost and such decline is not believed to be recoverable. The difference between the acquisition cost and the market value is the loss for the fiscal year.

The criterion for determining "Considerable decline in market value" is as follows.

Market value is 50% and more lower than acquisition cost

Market value is 30% and more lower than acquisition cost, and such decline is not considered as recoverable

4. Non-performing Loans

The amounts of Non-Performing Loans included in "Loans" on the non-consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Loans to Bankrupt Debtors	¥ 1,329	¥ 7,562	$ 13,273
Delinquent Loans	57,429	64,065	573,209
Loans Past Due Three Months or More	26	28	262
Restructured Loans	60,988	73,624	608,728
	¥119,774	**¥145,280**	**$1,195,472**

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.

2. "Loans to Bankrupt Debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.

3. "Delinquent Loans" represent non-accrual loans other than (i) Loans to Bankrupt Debtors and (ii) loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.

4. "Loans Past Due Three Months or More" are loans whose principal or interest payment is three months or more past due, and do not fall under the category of "Loans to Bankrupt Debtors" or "Delinquent Loans".

5. "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 do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, funds up to a pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2008 and 2007 are ¥268,665 million ($2,681,561 thousand), including ¥153,869 million ($1,535,779 thousand) being financed within one year and ¥331,113 million, including ¥97,695 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Prepaid Expenses	¥ 135	¥ 92	$ 1,356
Accrued Income	42,766	48,610	426,853
Derivatives	20,510	3,316	204,716
Guarantee Deposits	441	382	4,403
Other	1,040	1,338	10,382
	¥64,894	**¥53,740**	**¥647,709**

6. Tangible Fixed Assets

Tangible Fixed Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Tangible Fixed Assets			
Land	¥20,340	¥20,386	$203,020
Buildings	15,075	15,089	150,471
Equipment	293	287	2,929
Total	**¥35,709**	**¥35,763**	**$356,420**

Notes: The Accumulated Depreciation of Tangible Fixed Assets as of March 2008 and 2007 is ¥20,845 million ($208,056 thousand) and ¥20,347 million, respectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
General Allowance for Loan Losses	¥ 86,762	¥ 97,049	$ 865,977
Specific Allowance for Loan Losses	25,268	49,692	252,205
	¥112,030	**¥146,742**	**$1,118,182**

8. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Accrued Expenses	¥ 33,346	¥ 33,346	$ 332,835
Unearned Income	997	17,913	9,955
Deposits from Employees	199	153	1,993
Derivatives	115,499	133,847	1,152,805
Reserve for Bonus Payments	1,653	1,617	16,502
Other	5,032	6,421	50,227
	¥156,728	**¥193,300**	**$1,564,318**

9. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Guarantees	¥172,833	¥334,965	$1,725,062
	¥172,833	**¥334,965**	**$1,725,062**

Notes: In the year ended March 31, 2008, Credit Derivatives Transaction measured at fair value is reclassified from “Guarantees” to “Derivatives”, as its rational market value has been confirmed.

10. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥123,155 million ($1,229,219 thousand) as of March 31, 2008 and ¥120,705 million as of March 31, 2007, respectively.

11. Retained Earnings

A portion of net income which has been calculated pursuant to Article 4 of the Development Bank of Japan Law (“DBJ Law”) was appropriated to a provision of Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law.

On May 31, 2007, DBJ paid ¥2,499 million ($24,952 thousand), attributable to the year ended March 31, 2007, to the National Treasury.

12. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Commissions	¥4,836	¥3,405	$48,274
	¥4,836	**¥3,405**	**$48,274**

13. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Gains	¥166	¥	$1,665
Other	422		4,217
	¥589	**¥**	**$5,883**

14. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Reversal of Allowance for Loan Losses	¥24,221	¥47,017	$241,757
Reversal of Allowance for Investment Losses		330	
Compensation for Advance Redemption	12,648		126,246
Gains on Sales of Equities and Other Securities	66	776	666
Gains on Money Held in Trust	1,281	1,350	12,790
Other	15,033	10,515	150,045
	¥53,251	**¥59,989**	**$531,505**

Notes: 1. In the year ended March 31, 2008, Compensation for Advance Redemption, which was classified in "Unearned Income" and amortized over the term of the loans, is recognized in full as Income.

2. "Other" includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics, attributable to DBJ and its subsidiaries as the equity participants, ¥13,427 million ($134,016 thousand) for the fiscal year ended March 31, 2008.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Wire Transfer Service Charges	¥ 6	¥ 5	$ 62
Commissions	17	59	172
	¥23	**¥65**	**$234**

16. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Losses	¥	¥ 116	$
Bonds and Notes Issuance Costs	1,827	1,521	18,239
Losses on derivative instruments	14,167	30	141,411
Other	2,815	356	28,104
	¥18,811	**¥2,025**	**$187,754**

17. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Provision for Investment Losses	¥ 5,820	¥	$ 58,090
Write-off of Loans	7,913	2,982	78,988
Losses on Sales of Equities and Other Securities	85	1	857
Write-off of Equities	31,200	47,713	311,418
Losses on Money Held in Trust	383	0	3,831
Other	18,456	9,235	184,216
	¥63,861	**¥59,933**	**$637,401**

Notes: The cost on Derivative transactions included in "Other" are ¥8,602 million ($85,859 thousand) for the fiscal years ended March 31, 2008

18. Lease Transactions

(a) Finance Lease Transactions

(Excluding leases where the ownership of the property is substantially transferred to the lessee)

	Millions of yen					
	2008			2007		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥1,098	¥ 480	¥1,579	¥ 716	¥ 273	¥ 990
Less—Accumulated Depreciation Equivalents	(474)	(179)	(654)	(427)	(149)	(576)
Book Value Equivalents	**¥ 623**	**¥ 301**	**¥ 925**	**¥ 289**	**¥ 124**	**¥ 413**

	Thousands of U.S. dollars		
	2008		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$10,965	$ 4,798	$15,763
Less—Accumulated Depreciation Equivalents	(4,741)	(1,787)	(6,528)
Book Value Equivalents	**$ 6,224**	**$ 3,010**	**$ 9,235**

Future lease payments subsequent to the end of the fiscal year for finance leases (including the interest portion thereon) are summarized below:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Due in One Year or Less	¥301	¥212	$3,006
Due after One Year	629	206	6,283
	¥930	**¥419**	**$9,289**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2008 amount to ¥289 million ($2,893 thousand), ¥279 million ($2,790 thousand) and ¥9 million ($95 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2007 are ¥243 million, ¥235 million and ¥8 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and that the residual value at the end of the lease term is zero.
2. Interest expenses equivalents are defined as the difference between total lease payments and acquisition equivalents, and are allocated over the lease term using the effective interest method.

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2008 and 2007.

19. Market Value of Securities

Market value of Securities, excluding investments in subsidiaries and affiliates, are reported in the notes to consolidated financial statements. DBJ holds no investments in subsidiaries with market value as of March 31, 2008 and 2007.

20. Subsequent Event

On May 14, 2008, the board meeting resolved to pay out of retained earnings ¥1,026 million ($10,246 thousand), attributable to the year ended March 31, 2008, to the National Treasury and DBJ paid it on May 30, 2008.

V. Capital Adequacy Status

Capital adequacy ratios were calculated in accordance with the guidelines stipulated by Article 14-2 of the Banking Law of Japan (March 27, 2006, Financial Services Agency Notification No. 19, hereinafter, the “Capital Adequacy Ratio Notification”). Capital adequacy ratios have been calculated on both a consolidated and non-consolidated basis, and both to uniform international standards.

As of this disclosure (July 2007), DBJ has not yet applied Article 14-2 of the Banking Law of Japan, but for reference the capital adequacy ratio has been disclosed in accordance with the Capital Adequacy Ratio Notification.

With regard to the measuring the capital adequacy ratio, credit risk was calculated using the standardized approach, and operational risk was calculated using the basic indicator approach. Also, as the Bank does not conduct trading (specific transactions) operations, and as Article 4 and Article 16 of the Capital Adequacy Ratio Notification apply, the market risk equivalent amount was not calculated.

[1] Capital Adequacy Ratio Status (Consolidated)

Settlement of the consolidated accounts for the 9th business term.

Qualitative Disclosure

1. Scope of Consolidation	The DBJ’s consolidated capital adequacy ratio is calculated for the corporate group, as stipulated in Article 3 and Article 26 of the Capital Adequacy Ratio Notification (hereinafter, the “Consolidated Group”). For companies that belong to the Consolidated Group, no differences exist in the wording of the consolidated financial statements or regulations pertaining to shares and preparation methods (Ministry of Finance Directive No. 28 of 1976 (hereinafter, the “Consolidated Financial Statement Regulations”) of companies included in the scope of consolidation. The Consolidated Group has nine consolidated subsidiaries, including New Business Investment Co., Ltd., (invests in unlisted venture companies) and DBJ Credit Line Ltd. (acquires beneficial interests in trust, operates and directs trusts on a commissioned basis, etc.). No affiliated companies conduct financial business to which Article 9 or Article 32 of the Capital Adequacy Ratio Notification applies; no companies are subject to exclusion items under Item 2 (a) to (c), Paragraph 1, Article 8, of this Notification; and no companies conduct business in accordance with Item 11, Paragraph 1, Article 16-2 of the Banking Law of Japan (Law No. 59 of 1981, hereinafter, the “Law”) or in accordance with Item 12 of this Paragraph that do not belong to the Consolidated Group. No companies in the Consolidated Group are undercapitalized, and at the present no particular restrictions are in place to limit the movement of assets or capital.
2. Overview of Fund-Raising Methods	All capital is funded by the government of Japan.
3. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Consolidated Group	Regarding the degree of capital adequacy, the Consolidate Group quantifies credit risk, interest rate risk and operational risk, compares the total risk amount with total capital and measures the capital surplus. This surplus enables the Consolidated Group to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions.
4. Credit Risk	(a) Overview of Risk Management Policies and Procedures Credit risk refers to the risk of loss to the Bank resulting from the decline in or disappearance of the value of credit assets, owing to the worsening credit standing of clients for loans or debt guarantees. These risks include expected losses (UL), or losses that on average can be expected to occur within a certain measurement period; and unexpected losses (UL), which go extend beyond the boundaries of losses that, on average, are expected within a period of time. The Bank periodically compares UL and capital to measure the amount of capital in surplus. (b) Rating Agencies Eligible to Weight Risks The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the 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	In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation. In principal, 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 the Bank 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	The Bank 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 Procedures 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. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically. The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. (b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations. (c) Method of Accounting for Securitization Transactions Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds. (d) Rating Agencies Eligible to Weight Risks by Type of Securitization 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 investment type. 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	In accordance with Article 4 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable.
9. Operational risk	(a) Overview of Risk Management Policies and Procedures DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing. The Bank establishes its management structure and basic risk management policy pertaining to management methods after considering the wide range of operational risks that it potentially faces, such as operational risk, systems risk, legal risk, human risk and tangible asset risk. The Bank designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, remaining aware of risks and creating risk databases. In line with the increasing level of sophistication and complexity of the financial business, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks. (b) Method Used to Calculate Operational Risk Equivalent Amount The Bank uses the basic indicator approach to calculate these risks.
10. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book	The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or financial conditions or to fluctuations in the market environment. For newly acquired exposure, DBJ considers the balance between investment risk and potential return in each field of investment. Thereafter, the Bank regularly conducts performance evaluations on its exposure.

11. Interest Rate Risk on the Banking Book

(a) Overview of Risk Management Policies and Procedures

Long-term, fixed-rate funding makes up the majority of the DBJ's borrowings, and the Bank seeks to minimize its interest rate risk by raising funds featuring similarly long-term, fixed rates. We measure interest rate risk by simulating future profit-and-loss distributions due to potential interest rate fluctuations on earnings at risk (EaR). We also employ the value at risk (VaR) and the Basel II standardized interest rate shock* method to compute various risks from the standpoint of their economic value.

* Measurement methods are described in (ii) and (iii) of (b).

We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital.

(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book

The Bank calculates interest rate risk based on the following viewpoints.

<Economic Value Viewpoints>

(i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.9% confidence level

(ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon

(iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value

((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.)

<Profit and Loss Viewpoint>

EaR: After setting such parameters as the future asset and liability composition, measure profits and losses over a specific period assuming future interest rate fluctuations

Quantitative Disclosure

1. Of companies covered under the deductions from capital provided by Article 8, Paragraph 1, Item 2 (a) to (c) or by Article 31, Paragraph 1, Item 2 (a) to (c) of the Capital Adequacy Ratio Notification, names of companies that fall below legislatively required capital adequacy and the total amount by which they fail to meet the required capital adequacy.

Not applicable

2. Items Constituting Capital Adequacy

(Millions of yen)

	March 31, 2008	March 31, 2007
Minority interests	3,563	4,208
Capital	1,272,286	1,272,286
Retained earnings	860,006	809,898
Other	(1,026)	(2,563)
Total Tier I capital	2,134,829	2,083,829
Total of Tier II stipulated in Article 6 and Article 30 of the Capital Adequacy Ratio Notification, and Tier III stipulated in Article 7 and Article 30 of this same Notification	92,152	106,668
Total of deductions from capital stipulated in Article 8 and Article 30 of the Capital Adequacy Ratio Notification	133,012	18,897

3. Items Related to Capital Adequacy Level

(Millions of yen)

		March 31, 2008	March 31, 2007
(a) Capital requirement to total credit risk		797,007	904,459
(1) Exposure by portfolio to which standardized approach applied		753,718	859,455
(i) Japanese government and regional municipal entities		0	0
(ii) Exposure to financial institutions		7,120	11,872
(iii) Exposure to corporations		602,231	712,046
(iv) Equity exposure		141,195	130,619
(v) Other exposure		3,170	4,917
(2) Securitization risk exposure		43,288	45,003
(b) Capital requirement to market risk		—	—
(c) Capital requirement to operational risk		14,228	14,975
(d) Consolidated total capital requirement ((a) + (b) + (c))		811,235	919,434
(e) Consolidated capital ratio and consolidated Tier I ratio	Capital ratio	20.65%	18.90%
	Tier I ratio	21.05%	18.13%

4. Items Related to Credit Risk (Excluding Securitization Exposure)

(a) Fiscal year-end credit risk exposure and breakdown by principal categories

(Millions of yen)

	March 31, 2008	March 31, 2007
Loans	11,180,486	11,884,802
Equities	348,996	238,364
Commitments and customers' liabilities for acceptances and guarantees	347,057	560,065
Bonds (JGBs and publicly offered bonds)	261,233	225,676
Other	480,828	417,196
Total	12,618,602	13,326,104

(b) Fiscal year-end credit risk exposure, broken down as follows

(1) By region

(Millions of yen)

	March 31, 2008	March 31, 2007
Domestic total	12,618,602	13,326,104
Overseas total	—	—

Note: The DBJ Group has no overseas sales locations or overseas consolidated subsidiaries.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2008	March 31, 2007
Manufacturing	2,306,846	2,430,120
Forestry and fisheries	1,210	1,570
Mining	24,593	29,079
Construction	15,437	18,672
Wholesale and retail	580,550	614,060
Finance and insurance	942,904	753,473
Real estate	1,072,486	1,084,019
Transportation and communications	4,184,234	4,544,855
Electrical, gas and water	2,212,515	2,515,177
Services	923,857	1,009,150
Other	353,966	325,924

(3) Breakdown by period to maturity (Millions of yen)

	March 31, 2008	March 31, 2007
Five years or less	3,275,639	2,913,063
More than five years, up to 10	4,725,787	4,962,861
More than 10 years, up to 15	3,195,201	3,431,991
More than 15 years	1,124,221	1,395,425
No maturity date	297,752	622,763

(c) Breakdown of exposure by risk weight (after accounting for credit risk mitigations) (Millions of yen)

	March 31, 2008	March 31, 2007
Risk weight 0%	146,290	122,473
Risk weight 20%	3,368,620	3,062,781
Risk weight 50%	1,717,763	1,966,766
Risk weight 100%	6,552,762	7,255,393
Risk weight 150%	307,837	503,809
Risk weight, other	525,328	418,879
Capital deductions	133,012	18,897

5. Items Related to the Effect of Credit Risk Mitigations

Exposure to Items to Which Effect of Credit Risk Mitigations Applied (Millions of yen)

	March 31, 2008	March 31, 2007
Eligible financial collaterals	136,924	218,389
Guarantees or credit derivatives	2,096,290	1,908,266

6. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods (Millions of yen)

	March 31, 2008	March 31, 2007
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	115,103	85,697
Reducing credit equivalent amounts through netting	51,428	28,435
Net restructuring cost	63,674	57,262
Gross add-on, by transaction type	49,163	40,275
Interest rate transactions	29,683	23,006
Foreign exchange transactions	19,480	17,269
Net equivalent credit	112,838	97,537
Amounts of hypothetical holdings of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision		
Credit default swaps	941,810	697,777
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	702,606	732,777

Notes: 1. Collateral is not used to reduce credit risk on derivative product transactions.
2. Credit derivatives used to compute the credit equivalent amount are included in securitization exposure; there is some data overlap with securitization exposure indicated elsewhere

7. Securitization Exposure

(a) Securitization exposure in which the Consolidated Group is the originator

Not applicable.

(b) Securitization exposure in which the Consolidated Group is an investor

(1) Retained securitization exposure amount and breakdown by major underlying asset type (Millions of yen)

	March 31, 2008	March 31, 2007
Project finance	127,008	114,568
Loans for commercial real estate	132,577	164,092
Other (loans, etc.)	932,160	727,604

Note: 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. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

(2) Balance of retained securitization exposure by risk weight and required capital amounts (Millions of yen)

		March 31, 2008	March 31, 2007
Risk weight 20% or less	Balance	916,006	706,777
	Capital requirement	14,657	11,308
Risk weight 20% up to 100%	Balance	252,211	268,510
	Capital requirement	19,735	20,531
Risk weight of more than 100%	Balance	23,528	30,975
	Capital requirement	8,896	13,164

Note: When applying to securitization exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification, risk weight was calculated for each exposure item as stipulated by the transitional measures.

(3) Breakdown of securitization exposure amounts and underlying asset categories deducted from capital in accordance with Article 247 of the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2008	March 31, 2007
Project finance	6,471	4,770
Loans for commercial real estate	108,188	14,127

(4) Amount of credit risk assets calculated with application of Article 15 of the Supplementary Measure (Interim Measure for Securitization Exposure) to the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2008	March 31, 2007
Credit risks and assets	66,756	88,083

8. Items Related to Market Risk

The Bank falls into the category indicated in Article 4 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount indicated in Article 2 was not performed, and this item does not apply.

9. Items Related to Shares and Other Equity Investments and Capital Injections into the Banking Book

(Millions of yen)

	March 31, 2008	March 31, 2007
(a) Market value of below-listed items as included within categories in the consolidated balance sheets.		
(1) Exposure to listed shares	43,661	28,670
Exposure to other equity investments and capital injections	344,146	317,486
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	136,929	89,383
(b) Gains or losses on the sale of equity investments or shares	(617)	1,509
Gain or loss on amortization of exposure on equity investments or shares	723	47,713
(c) Gains or losses from valuation recognized on the consolidated balance sheets but not recognized on the consolidated statements of income statements	12,300	21,539

Notes: 1. The Group has no overseas sales locations.
2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification applies.

10. Exposure Applied for the Deemed Calculation of Credit Risk Assets

As the Bank employs the standardised approach for calculating credit risk, this item does not apply.

11. Interest Rate Risk in the Banking Book

	March 31, 2008	March 31, 2007
Decrease in economic value resulting from interest rate shock	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥49.6 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥89.4 billion

[2] Capital Adequacy Ratio Status (Non-Consolidated)

Settlement of the non-consolidated accounts for the 9th business term.

Qualitative Disclosure

1. Overview of Fund-Raising Methods	All capital is funded by the government of Japan.
2. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Bank	Regarding the degree of capital adequacy, the Bank quantifies credit risk, interest rate risk and operational risk, compares the total risk amount with total capital and measures the capital surplus. This surplus enables the Bank to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions.
3. Credit Risk	(a) Overview of Risk Management Policies and Procedures Credit risk refers to the risk of loss to the Bank resulting from the decline in or disappearance of the value of credit assets, owing to the worsening credit standing of clients for loans or debt guarantees. These risks include expected losses (UL), or losses that on average can be expected to occur within a certain measurement period; and unexpected losses (UL), which go extend beyond the boundaries of losses that, on average, are expected within a period of time. The Bank periodically compares UL and capital to measure the amount of capital in surplus. (b) Rating Agencies Eligible to Weight Risks The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the 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).
4. Overview of Risk Management Policies and Procedures for Reducing Credit Risk	In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation. In principal, 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 the Bank is aware of the current status of its collateral property.
5. Overview of Risk Management Policies and Procedures Related to Risk Involving Counter-parties in Derivative Product Transactions and Transactions with Long Settlement Periods	The Bank 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.
6. Securitization Exposure	(a) Overview of Risk Management Policies and Procedures Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialised 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 specialised lending. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically. The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. (b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations. (c) Method of Accounting for Securitization Transactions Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds. (d) Rating Agencies Eligible to Weight Risks by Type of Securitization 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 investment type. 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).

7. Market Risk

In accordance with Article 16 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable.

8. Operational risk

(a) Overview of Risk Management Policies and Procedures

DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing.

The Bank establishes its management structure and basic risk management policy pertaining to management methods after considering the wide range of operational risks that it potentially faces, such as operational risk, systems risk, legal risk, human risk and tangible asset risk.

The Bank designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, remaining aware of risks and creating risk databases.

In line with the increasing level of sophistication and complexity of the financial business, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks.

(b) Method Used to Calculate Operational Risk Equivalent Amount

The Bank uses the basic indicator approach to calculate these risks.

9. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book

The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or financial conditions or to fluctuations in the market environment. For newly acquired exposure, DBJ considers the balance between investment risk and potential return in each field of investment. Thereafter, the Bank regularly conducts performance evaluations on its exposure.

10. Interest Rate Risk on the Banking Book

(a) Overview of Risk Management Policies and Procedures

Long-term, fixed-rate funding makes up the majority of the DBJ's borrowings, and the Bank seeks to minimize its interest rate risk by raising funds featuring similarly long-term, fixed rates. We measure interest rate risk by simulating future profit-and-loss distributions due to potential interest rate fluctuations on earnings at risk (EaR). We also employ the value at risk (VaR) and the Basel II standardized interest rate shock* method to compute various risks from the standpoint of their economic value.

* Measurement methods are described in (ii) and (iii) of (b).

We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital.

(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book

The Bank calculates interest rate risk based on the following viewpoints.

<Economic Value Viewpoints>

(i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.9% confidence level

(ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon

(iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value

((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.)

<Profit and Loss Viewpoint>

EaR: After setting such parameters as the future asset and liability composition, measure profits and losses over a specific period assuming future interest rate fluctuations

Quantitative Disclosure

1. Items Constituting Capital Adequacy

(Millions of yen)

	March 31, 2008	March 31, 2007
Capital	1,272,286	1,272,286
Other retained earnings	861,584	810,163
Other	(1,026)	(2,563)
Total Tier I capital	2,132,844	2,079,886
Total of Tier I stipulated in Article 18 and Article 41 of the Capital Adequacy Ratio Notification, and Tier II stipulated in Article 19 and Article 42 of this same Notification	92,650	106,721
Total of deduction from capital stipulated in Article 20 and Article 43 of the Capital Adequacy Ratio Notification	133,012	18,897

2. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2008	March 31, 2007
(a) Capital requirement to total credit risk	794,005	888,847
(1) Exposure by portfolio to which standardized method applied	754,940	851,004
(i) Japanese government and regional municipal bodies	0	0
(ii) Exposure to financial institutions	5,248	10,866
(iii) Exposure to corporations	603,096	724,898
(iv) Equity exposure	143,498	110,728
(v) Other exposure	3,097	4,510
(2) Securitization risk exposure	39,065	37,843
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	14,268	14,970
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	808,273	903,817
(e) Non-consolidated capital ratio and non-consolidated Tier I ratio		
Capital ratio	20.71%	19.19%
Tier I ratio	21.11%	18.41%

3. Items Related to Credit Risk (Excluding Securitization Exposure)

(a) Fiscal year-end credit risk exposure and breakdown by principal categories

(Millions of yen)

	March 31, 2008	March 31, 2007
Loans	11,224,105	11,927,864
Equities	347,197	215,591
Commitments and customers' liabilities for acceptances and guarantees	334,826	573,002
Bonds (JGBs and publicly offered bonds)	202,184	176,676
Other	465,828	392,896
Total	12,574,143	13,286,031

(b) Fiscal year-end credit risk exposure, broken down as follows

(1) By region

(Millions of yen)

	March 31, 2008	March 31, 2007
Domestic total	12,574,143	13,286,031
Overseas total	—	—

Note: DBJ has no overseas sales locations.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2008	March 31, 2007
Manufacturing	2,306,846	2,430,120
Forestry and fisheries	1,210	1,570
Mining	24,593	29,079
Construction	15,437	18,672
Wholesale and retail	580,550	614,060
Finance and insurance	972,697	791,993
Real estate	1,072,486	1,084,019
Transportation and communications	4,184,234	4,544,855
Electrical, gas and water	2,212,515	2,515,177
Services	923,857	1,009,150
Other	279,713	247,330

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2008	March 31, 2007
Five years or less	3,306,258	2,928,063
More than five years, up to 10	4,740,893	4,969,460
More than 10 years, up to 15	3,197,762	3,443,391
More than 15 years	1,124,221	1,395,425
No maturity date	205,006	549,690

(c) Breakdown of exposure by risk weight (after accounting for credit risk mitigations)

(Millions of yen)

	March 31, 2008	March 31, 2007
Risk weight 0%	146,290	122,473
Risk weight 20%	3,297,974	3,062,781
Risk weight 50%	1,717,763	1,966,766
Risk weight 100%	6,552,762	7,281,455
Risk weight 150%	307,837	503,809
Risk weight, other	551,514	348,743
Capital deductions	133,012	18,897

4. Items Related to the Effect of Credit Risk Mitigations

Exposure to Items to Which Effect of Credit Risk Mitigations Applied

(Millions of yen)

	March 31, 2008	March 31, 2007
Eligible financial collaterals	136,924	218,389
Guarantees or credit derivatives	2,096,290	1,908,266

5. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods (Millions of yen)

	March 31, 2008	March 31, 2007
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	115,103	85,697
Reducing credit equivalent amounts through netting	51,428	28,435
Net restructuring cost	63,674	57,262
Gross add-on, by transaction type	49,163	40,275
Interest rate transactions	29,683	23,006
Foreign exchange transactions	19,480	17,269
Net equivalent credit	112,838	97,537
Amounts of hypothetical holdings of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision		
Credit default swaps	941,810	697,777
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	702,606	732,777

Notes: 1. Collateral is not used to reduce credit risk on derivative product transactions.
2. Credit derivatives used to compute the credit equivalent amount are included in securitization exposure; there is some data overlap with securitization exposure indicated elsewhere

6. Securitization Exposure

(a) Securitization exposure in which the Bank is the originator

Not applicable.

(b) Securitization exposure in which the Bank is an investor

(1) Retained securitization exposure amount and breakdown by major underlying asset type (Millions of yen)

	March 31, 2008	March 31, 2007
Project finance	127,008	114,568
Loans for commercial real estate	132,577	164,092
Other (loans, etc.)	916,006	697,777

Note: 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. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

(2) Balance of retained securitization exposure by risk weight and required capital amounts (Millions of yen)

		March 31, 2008	March 31, 2007
Risk weight 20% or less	Balance	916,006	706,777
	Capital requirement	14,657	11,308
Risk weight 20% up to 100%	Balance	239,713	244,900
	Capital requirement	19,167	19,587
Risk weight of more than 100%	Balance	19,872	24,759
	Capital requirement	5,240	6,947

Note: When applying to securitization exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification, risk weight was calculated for each exposure item as stipulated by the transitional measures.

(3) Breakdown of securitization exposure amounts and underlying asset categories deducted from capital in accordance with Article 247 of the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2008	March 31, 2007
Project finance	6,471	4,770
Loans for commercial real estate	108,188	14,127

(4) Amount of credit risk assets calculated with application of Article 15 of the Supplementary Measure (Interim Measure for Securitization Exposure) to the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2008	March 31, 2007
Credit risks and assets	66,756	88,083

7. Items Related to Market Risk

The Bank falls into the category indicated in Article 4 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount indicated in Article 2 was not performed, and this item does not apply.

8. Items Related to Shares and Other Equity Investments and Capital Injections into the Banking Book (Millions of yen)

	March 31, 2008	March 31, 2007
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets.		
(1) Exposure to listed shares		
Exposure to other equity investments and capital injections	43,558	28,670
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	369,838	293,654
(b) Gains or losses on the sale of equity investments or shares	(19)	777
Gain or loss on amortization of exposure on equity investments or shares	31,200	47,713
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statements of income statements	13,084	21,493

Notes: 1. The Group has no overseas sales locations.
2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification Applies

9. Exposure Applied for the Deemed Calculation of Credit Risk Assets

As the Bank employs the standardised approach for calculating credit risk, this item does not apply.

10. Interest Rate Risk in the Banking Book

	March 31, 2008	March 31, 2007
Decrease in economic value resulting from interest rate shock	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥49.6 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥89.4 billion

Accounts Based on Accounting Standards for Special Agencies, etc.

REPORT OF AUDITORS

Mr. Minoru Murofushi, Governor
Development Bank of Japan
9-1, Otemachi 1-chome
Chiyoda-ku, Tokyo

We have audited the balance sheets of the Development Bank of Japan ("DBJ") as of March 31, 2007 and 2008 and the related statements of income for the two fiscal years ended March 31, 2008. Our audit was made in accordance with the Development Bank of Japan Law and the regulations thereunder.

The accounting principles and procedures followed by DBJ are those generally followed by special public corporations in Japan, and the aforesaid balance sheets and statements of income have been prepared in conformity with such accounting principles and procedures applied on a consistent basis in all material respects.

The accompanying balance sheets of DBJ as of March 31, 2007 and 2008 and statements of income for the two fiscal years ended March 31, 2008 have been prepared by reclassifying the aforesaid financial statements. We have reviewed the reclassifications made in preparing such financial statements and, in our opinion, such statements, as reclassified, fairly present on a consistent basis the financial position of DBJ as of March 31, 2007 and 2008 and the results of its operations for the two fiscal years ended March 31, 2008.

Tsuyoshi Inoue
Auditor
Development Bank of Japan

Ryo Ishimori
Auditor
Development Bank of Japan

Tokyo, June 25, 2008

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks (Note 3)	¥ 159,906	¥ 33,979	$ 1,596,028
Securities (Note 4)	367,346	406,533	3,666,496
Loans (Note 5)	11,576,662	12,197,441	115,547,085
Less—Allowance for Loan Losses	(34,729)	(36,592)	(346,641)
	11,541,932	12,160,849	115,200,444
Equity Investments	415,653	291,470	4,148,652
Premises and Equipment (Note 6)	56,830	56,357	567,226
Less—Accumulated depreciation	(20,936)	(20,436)	(208,965)
	35,894	35,920	358,261
Accrued Income Receivable (Note 7)	43,468	49,162	433,861
Other Assets (Note 8)	1,511	1,679	15,086
Discounts on Bonds and Notes	4,582	3,951	45,734
Customers' Liabilities for Acceptances and Guarantees	173,456	334,993	1,731,276
Total Assets	**¥12,743,750**	**¥13,318,541**	**$127,195,838**

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities, Capital and Statutory Reserve			
Liabilities			
Bonds and Notes	¥ 3,160,003	¥ 2,673,964	$ 31,540,106
Long-term Borrowings (Note 9)	6,932,546	7,862,935	69,193,998
Accrued Expenses Payable (Note 10)	36,247	37,456	361,784
Other Liabilities (Note 11)	20,268	21,219	202,299
Acceptances and Guarantees	173,456	334,993	1,731,276
Total Liabilities	**10,322,521**	**10,930,569**	**103,029,463**
Capital and Statutory Reserve			
Capital (Note 12)	1,272,286	1,272,286	12,698,732
Statutory Reserve (Note 2 (j))	1,148,943	1,115,686	11,467,643
Total Capital and Statutory Reserve	**2,421,229**	**2,387,972**	**24,166,375**
Total Liabilities, Capital and Statutory Reserve	**¥12,743,750**	**¥13,318,541**	**$127,195,838**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Interest Income			
Interest on Loans	¥304,101	¥327,345	$3,035,250
Interest on Securities	4,597	2,752	45,888
Other Interest Income	1,276	335	12,738
	309,975	330,434	3,093,876
Interest Expenses			
Interest on Bonds and Notes	54,999	43,441	548,951
Interest on Borrowings	162,662	192,697	1,623,540
	217,661	236,138	2,172,491
Net Interest Income	**92,313**	**94,295**	**921,385**
Other Income			
Fees and Commissions (Note 13)	4,997	3,526	49,882
Other (Note 14)	18,211	15,692	181,765
	23,208	19,218	231,647
Administrative and Other Expenses			
Salaries and related expenses	16,681	16,351	166,504
Other administrative expenses	12,057	9,789	120,347
Depreciation	773	789	7,719
Fees and Commissions (Note 15)	6	14	63
Write-off of Claims (Note 16)	35,481	45,543	354,137
Other (Note 17)	16,627	4,245	165,963
	81,628	76,733	814,733
Income before Allowance for Loan Losses	33,894	36,780	338,299
Reversal of Allowance for Loan Losses	1,862	2,311	18,588
Net Income (Note 2(i))	**¥ 35,756**	**¥ 39,092**	**$ 356,887**
Appropriation of Net Income (Note 2(j))			
Statutory reserve	34,729	36,592	346,641
Payment to National Treasury	1,026	2,499	10,246
Total Appropriation of Net Income	**¥ 35,756**	**¥ 39,092**	**$ 356,887**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated List of Assets

March 31, 2008	Millions of yen	Thousands of U.S. dollars	Remarks (Millions of yen/ Thousands of U.S. dollars)
Cash and Due from banks	**¥ 159,906**	**$ 1,596,028**	
Cash	1	16	
Due from banks	159,904	1,596,012	Current deposits: 24 banks, including Bank of Japan ¥8,904 $88,875 Ordinary deposits: 2 banks, including Sumitomo Mitsui Banking Corporation ¥11,000 $109,792 Certificate of Deposit: 4 banks, including Aozora Bank, Ltd. ¥140,000 $1,397,345
Securities	**367,346**	**3,666,496**	
Japanese Government Bonds	277,587	2,770,608	Issues / Face value / Book value Financing bills: 2 holdings ¥137,100 ¥136,925; $1,368,400 $1,366,662 Coupon-bearing government bonds (2,5,10 years): 28 holdings ¥140,000 ¥140,661; $1,397,345 $1,403,946
Corporate Bonds	81,748	815,933	42 holdings
Other securities	8,010	79,955	Book value Secured debt obligations: 2 holdings ¥8,000 $79,848 Equity acquired by excising of warrants, etc.: 2 holdings ¥10 $107
Loans	**11,576,662**	**115,547,085**	13,236 holdings
Yen loans	11,517,183	114,953,426	13,194 holdings
Direct loans	11,516,398	114,945,586	13,189 holdings
Agency loans	785	7,840	5 holdings
Foreign currency loans	59,478	593,659	42 holdings
Allowance for Loan Losses	**(34,729)**	**(346,641)**	
Equity Investments	**415,653**	**4,148,652**	1,069 holdings
Premises and Equipment	**35,894**	**358,261**	
Premises and Equipment for Business	35,894	358,261	Book value (1) Land: 87 properties/ 65% of 44,098m², and 128,282m² ¥20,368 $203,299 (2) Buildings: 204 buildings/ 95% of 2,242m², 65% of 846m², and 105,735m² (Gross floor area) 15,218 151,893 (3) Equipment: 1,891 items 303 3,024 (4) Petty sum depreciable assets: 149 items (depreciated over three years as prescribed by tax code) 4 41 (5) Key money and other: 1 holding 0 4 * Accumulated depreciation amounted to ¥20,936 million ($208,965 thousand).
Accrued Income Receivable	**43,468**	**433,861**	
Accrued Interest on Loans	42,663	425,822	Interest accrued on loans but not yet received at the end of the fiscal year
Accrued Interest on Securities	703	7,017	Interest accrued on securities but not yet received at the end of the fiscal year
Accrued Guarantee Fees	102	1,022	Fees accrued on guarantees but not yet received at the end of the fiscal year
Other Assets	**1,511**	**15,086**	
Suspense payments	1,033	10,317	23 holdings
Guarantee deposits	441	4,403	73 holdings Deposits and guarantees relating to land and buildings leased for business use
Estimated prepayments	0	0	Estimated payment to the National Treasury
Other	36	366	94 holdings
Discounts on Bonds and Notes	**4,582**	**45,734**	Difference between face value and proceeds from bonds
Customers' Liabilities for Acceptances and Guarantees	**173,456**	**1,731,276**	63 cases
Total Assets	**¥12,743,750**	**$127,195,838**	

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, has been used in 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.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

Development Bank of Japan ("DBJ") maintains its records and prepares its statutory financial statements in accordance with Development Bank of Japan Law ("DBJ Law") and the regulations thereunder and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from the International Financial Reporting Standards. The financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and procedures generally accepted in countries and jurisdictions other than Japan.

Consolidated financial statements are not prepared because DBJ has no subsidiaries under the DBJ Law.

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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, has been used in 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) Securities

Securities are stated at cost, which is determined by the moving average method.

Under the DBJ Law, DBJ cannot invest surplus funds except in Japanese Government Bonds or other bonds permitted by the DBJ Law, or in deposits at the Fiscal Loan Fund, Bank of Japan or the financial institutions specified by the Ministry of Finance.

(b) Derivatives

Derivative transactions are not recorded on the non-consolidated balance sheets. Income and expenses from derivative transactions are recognized in the non-consolidated statements of income on a cash basis.

(c) Translation of accounts denominated in foreign currencies

DBJ holds foreign currency swaps to hedge exchange rate risks on its loans, bonds and notes that are denominated in foreign currencies. These foreign currency swaps are not recognized in the non-consolidated balance sheets. The foreign currency denominated loans, bonds and notes that are being hedged are measured at the contract rates of the respective foreign currency swaps designated as hedging instruments.

(d) Depreciation method for Premises and Equipment

In accordance with certain provisions set forth in the Corporation Tax Law, depreciation is provided based on the declining balance method for all Premises and Equipment except for buildings and key money, which are depreciated based on the straight-line method.

(e) Discounts on Bonds and Notes

Discounts on bonds and notes are amortized using the straight-line method over the average period of redemption in accordance with an ordinance defined by the Ministry of Finance.

(f) Bonds and Notes issuance costs

Bonds and Notes issuance costs are recorded as expenses in the period they are incurred in accordance with a provision defined by the Ministry of Finance.

(g) Allowance for Loan Losses

A provision for loan losses is established in accordance with the requirements set forth by the Ministry of Finance pursuant to the DBJ Law. Under the provision, the allowance for loan losses is limited to 0.3% of loans outstanding at the end of each fiscal year.

(h) Employee retirement benefits

In accordance with the DBJ Law and regulations thereunder, employee retirement benefits to employees (including payment to employees reaching retirement age) are included in DBJ's budget of revenues and expenditures on the basis of anticipated payments to be made during the relevant year and are included in "Salaries and related expenses" in the non-consolidated statements of income when paid.

(i) Income taxes

DBJ is exempt from taxes based on income, however DBJ is subject to parity taxes of the inhabitants' taxes among local taxes.

(j) Appropriation of Net Income

In accordance with provisions of the DBJ Law and a related law, DBJ is required to set aside out of net income as a statutory reserve, the larger of (i) an amount equivalent to 20% of net income or (ii) an amount equivalent to 0.3% of loans outstanding at the end of each fiscal year (if this amount is in excess of the amount of net income for the year, then the amount of such net income). The reserve provided may only be used to cover net losses. The balance of net income remaining each year, after providing for this reserve, is to be paid to the National Treasury by May 31 of the following fiscal year. Interim payments are provided for under the Cabinet Order.

As for the fiscal year ended March 31, 2008, the payment to the National Treasury was made, because the amount of net income was in excess of such required amounts.

(k) Consumption tax

Income and expense subject to consumption tax include related consumption taxes paid or received.

3. Cash and Due from banks

Cash and Due from banks as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Cash	¥ 1	¥ 3	$ 16
Due from banks	159,904	33,975	1,596,012
	¥159,906	**¥33,979**	**$1,596,028**

4. Securities

Securities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Japanese Government Bonds	¥277,587	¥344,731	$2,770,608
Corporate Bonds	81,748	53,776	815,933
Other Securities	8,010	8,025	79,955
	¥367,346	**¥406,533**	**$3,666,496**

5. Loans

Loans as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Yen loans	¥11,517,183	¥12,130,302	$114,953,426
Direct loans	11,516,398	12,129,386	114,945,586
Agency loans	785	915	7,840
Foreign currency loans	59,478	67,138	593,659
	¥11,576,662	**¥12,197,441**	**$115,547,085**

Pursuant to the DBJ Law and regulations thereunder, loans in arrears are defined as the loans for which the principal payments are overdue by six months or more. This categorization is different from the categorization of non-performing loans as defined under the Banking Law and the Financial Revitalization Law. The amounts of the loans in arrears included in “Loans” on the non-consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Loan past-due for six months or more as to principal payments	¥6,590	¥17,841	$65,781
	¥6,590	**¥17,841**	**$65,781**

6. Premises and Equipment

Premises and Equipment as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Premises and Equipment for Business	¥ 56,830	¥ 56,357	$ 567,226
	¥ 56,830	¥ 56,357	$ 567,226
Less—Accumulated Depreciation	(20,936)	(20,436)	(208,965)
Net Book Value	**¥ 35,894**	**¥ 35,920**	**$ 358,261**

7. Accrued Income Receivable

Accrued Income Receivable as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Accrued Interest on Loans	¥42,663	¥48,569	$425,822
Accrued Interest on Securities	703	517	7,017
Accrued Guarantee Fees	102	75	1,022
	¥43,468	**¥49,162**	**$433,861**

8. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Suspense payments	¥1,033	¥ 100	$10,317
Guarantee deposits	441	382	4,403
Estimated Payments		1,179	
Other	36	17	366
	¥1,511	**¥1,679**	**$15,086**

9. Long-term Borrowings

DBJ borrows funds from the Japanese Government in order to meet funding requirements for the conduct of operations specified in the DBJ Law. DBJ also accepts other funds received from government sources in order to apply them to the sources of funds necessary to financially contribute to a particular government policy with respect to the operations provided in the DBJ Law, as provided in the Cabinet Order.

Long-term Borrowings as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Fiscal Loan Fund	¥6,559,584	¥7,519,403	$65,471,450
Reserve Funds of the Postal Life Insurance Special Account	29,792	58,900	297,355
Industrial Investment Special Account	231,067	269,342	2,306,295
Borrowings from private financial institutions	100,000		998,104
Funds entrusted	12,102	15,289	120,794
	¥6,932,546	**¥7,862,935**	**$69,193,998**

10. Accrued Expenses Payable

Accrued Expenses Payable as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued interest on Bonds and Notes	¥ 7,930	¥ 6,456	$ 79,150
Accrued interest on Long-term Borrowings	28,315	30,997	282,619
Other accrued expenses	1	1	15
	¥36,247	**¥37,456**	**$361,784**

11. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Loan Redemption	¥ 434	¥ 517	$ 4,334
Suspense receipts	492	1,118	4,916
Unearned income	19,220	19,546	191,838
Other	121	37	1,211
	¥20,268	**¥21,219**	**$202,299**

12. Capital

The Japanese Government is the sole owner of the equity interest, which is not evidenced by documents such as stock certificates, but is evidenced at the Registration Office of the Legal Affairs Bureau of Japan.

13. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Commissions received	¥4,322	¥2,713	$43,148
Guarantee Fees	674	812	6,734
	¥4,997	**¥3,526**	**$49,882**

14. Other (Income)

Other (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2008	2007	2008
Miscellaneous Interest received	¥ 1,548	¥ 484	$ 15,460
Collection of written-off claims	17	62	170
Income from Equity Investments	12		127
Other	16,632	15,145	166,008
	¥18,211	**¥15,692**	**$181,765**

* "Other" in above table includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristic, which amounts to ¥15,414 million ($153,852 thousand) and ¥14,662 million for the fiscal year ended March 31, 2008 and 2007, respectively.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2008	2007	2008
Commissions paid	¥6	¥14	$63
	¥6	**¥14**	**$63**

16. Write-off of Claims

DBJ writes-off loans past-due, equity investments and securities which have declined in value drastically, only after exhausting all available remedies including realization on any collateral and disposal by sale of claims. Write-offs are recorded at fiscal year end only with the approval of the Ministry of Finance. The amounts of Loans, Equity Investments and Securities written off for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2008	2007	2008
Securities written off	¥ 6	¥	$ 61
Loans written off	19,814	43,331	197,766
Equity Investments written off	15,660	2,212	156,310
	¥35,481	**¥45,543**	**$354,137**

17. Other (Expenses)

Other (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2008	2007	2008
Miscellaneous Interest paid	¥ 509	¥ 279	$ 5,089
Amortization of Discount on Bonds and Notes	586	456	5,851
Bonds and Notes issuance cost	1,827	1,521	18,239
Other	13,704	1,987	136,784
	¥16,627	**¥4,245**	**$165,963**

* "Miscellaneous Interest paid" is mainly composed of payment for credit derivative transactions.

18. Credit Derivative Transactions

DBJ utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business within the limit of a certain definite amount of risk. Contract values as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Sold	¥1,107,506	¥697,877	$11,054,066
Bought	602,416	614,827	6,012,744