Financial Condition

Consolidated Balance Sheet

Development Bank of Japan Inc. and Consolidated Subsidiaries

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Assets			
Cash and due from banks (Notes 11, 15 and 29)	¥ 461,312	¥ 317,772	$ 4,094,005
Call loans and bills bought (Note 29)	—	335,000	—
Reverse repurchase agreements (Notes 3 and 29)	—	5,299	—
Money held in trust (Notes 29 and 31)	17,786	54,853	157,846
Securities (Notes 3, 15, 29 and 31)	1,803,087	1,887,906	16,001,842
Loans (Notes 4, 5, 15 and 29)	12,952,567	13,261,343	114,950,016
Other assets (Notes 6 and 15)	175,076	140,943	1,553,753
Tangible fixed assets (Notes 7, 11 and 15)	368,846	266,196	3,273,402
Intangible fixed assets	7,668	6,180	68,054
Asset for retirement benefits (Note 24)	2,458	2,508	21,817
Deferred tax assets (Note 25)	374	363	3,327
Customers' liabilities for acceptances and guarantees (Note 14)	180,124	167,482	1,598,553
Allowance for loan losses (Notes 8 and 29)	(61,529)	(84,717)	(546,052)
Allowance for investment losses	(594)	(525)	(5,279)
Total assets	¥15,907,180	¥16,360,608	$141,171,283
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 15 and 29)	¥ 3,221,870	¥ 3,220,206	$ 28,593,101
Borrowed money (Notes 10, 11, 15 and 29)	7,892,171	8,598,219	70,040,569
Corporate bonds (Notes 9, 11 and 29)	1,506,038	1,349,102	13,365,621
Other liabilities (Notes 12 and 13)	181,043	225,816	1,606,706
Accrued bonuses to employees	4,731	4,658	41,995
Accrued bonuses to directors	11	11	105
Liability for retirement benefits (Note 24)	7,997	7,959	70,971
Reserve for directors' retirement benefits	63	72	563
Reserve for contingent losses	16	12	143
Deferred tax liabilities (Note 25)	28,910	39,793	256,576
Acceptances and guarantees (Note 14)	180,124	167,482	1,598,553
Total liabilities	13,022,979	13,613,334	115,574,902
Equity:			
Common stock authorized, 160,000 thousand shares in 2016 and 2015; issued, 43,632 thousand shares in 2016 and 2015 (Note 16)	1,000,424	1,206,953	8,878,452
Crisis response reserve (Note 17)	206,529	—	1,832,881
Special investment reserve (Note 18)	130,000	—	1,153,710
Special investment surplus (Note 18)	618	—	5,491
Capital surplus (Note 16)	995,466	1,060,466	8,834,455
Retained earnings (Note 16)	456,591	344,728	4,052,106
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 31)	55,074	85,865	488,771
Deferred gain on derivatives under hedge accounting	34,561	33,311	306,721
Foreign currency translation adjustments	429	1,617	3,812
Accumulated adjustments for retirement benefits (Note 24)	(83)	(12)	(740)
Total	2,879,611	2,732,929	25,555,659
Non-controlling interests	4,588	14,344	40,722
Total equity	2,884,200	2,747,274	25,596,381
Total liabilities and equity	¥15,907,180	¥16,360,608	$141,171,283

See notes to consolidated financial statements.

Consolidated Statement of Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the year ended March 31,	2016	2015	2016
Income			
Interest income:	¥215,315	¥235,689	$1,910,855
Interest on loans	185,136	204,905	1,643,033
Interest and dividends on securities	22,123	22,463	196,337
Interest on call loans and bills bought	82	149	735
Interest on reverse repurchase agreements	226	231	2,008
Interest on due from banks	54	51	486
Interest on swaps	7,549	7,720	66,997
Other interest income	141	167	1,259
Fees and commissions	11,326	8,696	100,518
Other operating income (Note 20)	9,526	13,084	84,545
Other income (Note 21)	126,509	82,445	1,122,732
Total income	**362,677**	**339,915**	**3,218,650**
Expenses			
Interest expense:	106,932	117,849	948,992
Interest on debentures	35,056	36,488	311,119
Interest on call money and bills sold	0	0	1
Interest on borrowed money	66,981	76,788	594,437
Interest on short-term corporate bonds	202	12	1,799
Interest on corporate bonds	4,623	4,497	41,030
Other interest expense	68	62	606
Fees and commissions	798	713	7,089
Other operating expenses (Note 22)	7,479	10,751	66,378
General and administrative expenses	46,041	43,562	408,602
Other expenses (Note 23)	14,692	13,376	130,390
Total expenses	**175,944**	**186,252**	**1,561,450**
Income before income taxes	**186,733**	**153,662**	**1,657,199**
Income taxes (Note 25):			
Current	51,795	51,593	459,671
Deferred	5,867	7,381	52,071
Total income taxes	**57,663**	**58,974**	**511,743**
Net income	**129,070**	**94,687**	**1,145,457**
Net income attributable to non-controlling interests	**117**	**1,928**	**1,045**
Net income attributable to owners of the parent	**¥128,952**	**¥ 92,758**	**$1,144,412**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 19)			
Basic net income	¥2,948.33	¥2,125.91	$ 26.17
Cash dividend applicable to the year	671	516	5.95

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the year ended March 31,	2016	2015	2016
Net income	**¥129,070**	**¥ 94,687**	**$1,145,457**
Other comprehensive (loss) income (Note 27):			
Unrealized (loss) gain on available-for-sale securities	(35,774)	51,094	(317,492)
Deferred gain on derivatives under hedge accounting	1,533	3,538	13,605
Foreign currency translation adjustments	(592)	692	(5,257)
Adjustments for retirement benefits	(62)	922	(559)
Share of other comprehensive income (loss) in affiliates accounted for by the equity method	4,086	(93)	36,267
Total other comprehensive (loss) income	**(30,810)**	**56,155**	**(273,436)**
Comprehensive income	**¥ 98,259**	**¥150,843**	**$ 872,021**
Total comprehensive income attributable to:			
Owners of the parent	¥ 98,152	¥146,002	$ 871,070
Non-controlling interests	107	4,841	951

See notes to consolidated financial statements.

Consolidated Statement of Change in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen					
For the year ended March 31, 2016	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,206,953	¥ —	¥ —	¥ —	¥1,060,466	¥344,728
Investment from government			65,000			
Transfer from common stock to crisis response reserve	(206,529)	206,529				
Transfer from capital surplus to special investment reserve			65,000		(65,000)	
Cash dividends						(22,514)
Net income attributable to owners of the parent						128,952
Transfer from retained earnings to special investment surplus				618		(618)
Change in scope of equity method investments						6,043
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥130,000	¥618	¥ 995,466	¥456,591

	Millions of Yen						
	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
For the year ended March 31, 2016	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits			
Balance at beginning of year	¥ 85,865	¥33,311	¥ 1,617	¥(12)	¥2,732,929	¥14,344	¥2,747,274
Investment from government					65,000		65,000
Transfer from common stock to crisis response reserve							
Transfer from capital surplus to special investment reserve							
Cash dividends					(22,514)		(22,514)
Net income attributable to owners of the parent					128,952		128,952
Transfer from retained earnings to special investment surplus							
Change in scope of equity method investments					6,043		6,043
Net change during the year	(30,790)	1,249	(1,188)	(70)	(30,799)	(9,755)	(40,555)
Balance at end of year	¥ 55,074	¥34,561	¥ 429	¥(83)	¥2,879,611	¥ 4,588	¥2,884,200

	Millions of Yen					
For the year ended March 31, 2015	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466	¥282,733
Cumulative effects of changes in accounting policies						41
Restated balance	1,206,953	—	—	—	1,060,466	282,774
Cash dividends						(30,804)
Net income attributable to owners of the parent						92,758
Net change during the year						
Balance at end of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466	¥344,728

	Millions of Yen						
	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
For the year ended March 31, 2015	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits			
Balance at beginning of year	¥37,767	¥30,006	¥ 709	¥(944)	¥2,617,691	¥10,022	¥2,627,714
Cumulative effects of changes in accounting policies					41		41
Restated balance	37,767	30,006	709	(944)	2,617,732	10,022	2,627,755
Cash dividends					(30,804)		(30,804)
Net income attributable to owners of the parent					92,758		92,758
Net change during the year	48,098	3,305	907	932	53,243	4,321	57,564
Balance at end of year	¥85,865	¥33,311	¥1,617	¥ (12)	¥2,732,929	¥14,344	¥2,747,274

For the year ended March 31, 2016	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
	Thousands of U.S. Dollars (Note 1)					
Balance at beginning of year	$10,711,333	$ —	$ —	$ —	$9,411,310	$3,059,359
Investment from government			576,855			
Transfer from common stock to crisis response reserve	(1,832,881)	1,832,881				
Transfer from capital surplus to special investment reserve			576,855		(576,855)	
Cash dividends						(199,807)
Net income attributable to owners of the parent						1,144,412
Transfer from retained earnings to special investment surplus				5,491		(5,491)
Change in scope of equity method investments						53,634
Net change during the year						
Balance at end of year	$ 8,878,452	$1,832,881	$1,153,710	$5,491	$8,834,455	$4,052,106

For the year ended March 31, 2016	Accumulated other comprehensive income: Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling interests	Total equity
	Thousands of U.S. Dollars (Note 1)						
Balance at beginning of year	$ 762,029	$295,631	$ 14,356	$(114)	$24,253,904	$127,303	$24,381,207
Investment from government					576,855		576,855
Transfer from common stock to crisis response reserve							
Transfer from capital surplus to special investment reserve							
Cash dividends					(199,807)		(199,807)
Net income attributable to owners of the parent					1,144,412		1,144,412
Transfer from retained earnings to special investment surplus							
Change in scope of equity method investments					53,634		53,634
Net change during the year	(273,258)	11,090	(10,544)	(626)	(273,338)	(86,581)	(359,919)
Balance at end of year	$ 488,771	$306,721	$ 3,812	$(740)	$25,555,659	$ 40,722	$25,596,381

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Cash flows from operating activities:			
Income before income taxes	¥ 186,733	¥ 153,662	$ 1,657,199
Adjustments for:			
Depreciation	5,245	5,012	46,553
Amortization of goodwill	107	111	955
Gain on bargain purchase	(4,000)	(223)	(35,500)
Loss on step acquisitions	2,047	—	18,171
Losses on impairment of long-lived assets	347	120	3,081
Equity in gains of affiliates	(6,140)	(2,299)	(54,496)
Interest income	(215,315)	(235,689)	(1,910,855)
Interest expense	106,932	117,849	948,992
Gain on securities—net	(72,107)	(37,324)	(639,927)
Gain on money held in trust—net	(251)	(36)	(2,230)
Foreign exchange losses (gains)	41,524	(21,006)	368,521
Loss (Gain) on sales of fixed assets—net	28	(519)	256
Changes in operating assets and liabilities:			
Allowance for loan losses	(23,188)	(28,279)	(205,788)
Allowance for investment losses	69	65	619
Accrued bonuses to employees	74	(23)	659
Accrued bonuses to directors	0	(0)	2
Asset for retirement benefits	50	(2,808)	444
Liability for retirement benefits	37	(426)	335
Reserve for contingent losses	3	5	33
Loans	308,775	577,066	2,740,290
Debentures	1,664	134,532	14,771
Borrowed money	(718,579)	(584,383)	(6,377,173)
Corporate bonds	156,686	197,355	1,390,540
Due from banks	40,100	(38,120)	355,875
Call loans and bills bought	335,000	(248,000)	2,973,021
Reverse repurchase agreements	5,299	(5,299)	47,035
Interest received	233,286	247,410	2,070,348
Interest paid	(108,335)	(118,959)	(961,447)
Other—net	(73,119)	35,399	(648,911)
Sub-total	202,978	145,191	1,801,371
Payments for income taxes	(63,023)	(23,112)	(559,316)
Net cash provided by operating activities	**139,954**	**122,078**	**1,242,055**
Cash flows from investing activities:			
Payments for purchases of securities	(458,912)	(755,432)	(4,072,705)
Proceeds from sales of securities	183,113	64,716	1,625,072
Proceeds from redemption of securities	328,233	575,039	2,912,970
Payments for increase of money held in trust	(85,110)	(1)	(755,325)
Proceeds from decrease of money held in trust	123,065	79,580	1,092,167
Payments for purchases of tangible fixed assets	(87,124)	(33,682)	(773,201)
Proceeds from sales of tangible fixed assets, etc.	945	1,793	8,390
Payments for purchases of intangible fixed assets	(3,805)	(1,715)	(33,772)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	1,660	23	14,733
Net cash provided by (used in) investing activities	**2,065**	**(69,676)**	**18,329**
Cash flows from financing activities:			
Proceeds from investment from government	65,000	—	576,855
Payments for cash dividends	(22,514)	(30,804)	(199,807)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	296	1,034	2,636
Dividends paid to non-controlling shareholders of subsidiaries	(216)	(3,632)	(1,925)
Net cash provided by (used in) financing activities	**42,565**	**(33,402)**	**377,758**
Foreign currency translation adjustments on cash and cash equivalents	**(316)**	**467**	**(2,807)**
Net change in cash and cash equivalents	**184,269**	**19,466**	**1,635,336**
Cash and cash equivalents at beginning of year	**239,272**	**219,805**	**2,123,465**
Decrease in cash and cash equivalents due to exclusion from consolidation	**(509)**	**—**	**(4,520)**
Cash and cash equivalents at end of year	**¥ 423,032**	**¥ 239,272**	**$ 3,754,281**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Development Bank of Japan Inc. and Consolidated Subsidiaries

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and Ministerial Ordinance for Accounting of the Development Bank of Japan Inc. ("DBJ Inc.") and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to 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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, 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) Principles of Consolidation

(1) Scope of Consolidation

Under the control concept, those companies in which DBJ Inc., directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for the period and the 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.

(i) Consolidated Subsidiaries

The number of consolidated subsidiaries as of March 31, 2016 is 25. The major consolidated subsidiaries as of March 31, 2016 are as follows:

- DBJ Singapore Limited
- Japan Economic Research Institute Inc.
- DBJ Europe Limited
- DBJ Real Estate Co., Ltd.
- DBJ Investment Advisory Co., Ltd.
- DBJ Capital Co., Ltd.
- DBJ Securities Co., Ltd.
- DBJ Asset Management Co., Ltd.
- Value Management Institute, Inc.
- DBJ Investment Consulting (Beijing) Co., Ltd.

In the year ended March 31, 2016, Hiratsuka Holding TMK and Core Investment Japan TMK were newly consolidated due to acquisition of control and new establishment, respectively. DBJ Business Investment Co., Ltd. and Asuka DBJ Investment LPS were excluded from the scope of consolidation due to liquidation and a substantial loss of control, respectively.

(ii) Unconsolidated Subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2016 is 33. The major unconsolidated subsidiary as of March 31, 2016 was UDS II Corporate Mezzanine Limited Partnership.

Unconsolidated 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, income, net income, retained earnings and accumulated other comprehensive income.

(2) Application of the Equity Method

Under the influence concept, unconsolidated subsidiaries and affiliates over which DBJ Inc. has the ability to exercise significant influence are accounted for by the equity method.

(i) Unconsolidated subsidiaries not accounted for by the equity method

The number of unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2016 was 33. The major unconsolidated subsidiary not accounted for by the equity method was UDS II Corporate Mezzanine Limited Partnership.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2016 was 25. One of the major affiliates accounted for by the equity method as of March 31, 2016 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:

Solaseed Air Inc. (former Skynet Asia Airways Co., Ltd.) and three companies including Skymark Airlines Inc. were newly accounted for by the equity method due to an increase in its materiality and new investment, respectively, from the year ended March 31, 2016. Asuka DBJ Investment LPS was excluded from the scope of consolidation due to a substantial loss of control and newly accounted for by the equity method from the year ended March 31, 2016.

Hiratsuka Holding TMK was newly accounted for by the equity method due to an increase in its materiality in the year ended March 31, 2016, but ceased to be accounted for by the equity method as of March 31, 2016 due to acquisition of control.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2016 was 94. One of the major affiliates as of March 31, 2016 was New Perspective One LLC.

Unconsolidated 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 accumulated other comprehensive income has no material impact on the consolidated financial statements of DBJ Inc.

(iv) Entities not classified as affiliates where DBJ Inc. holds voting rights of between 20% and 50%

The following companies of which DBJ Inc. holding voting rights of between 20% and 50% are not affiliates accounted for by the equity method, since DBJ Inc.'s intent is to develop the venture business and not to exercise significant influence on their operating and financing policies:

As of March 31, 2016

Shinwa Seiko Corporation
Nihon Shoryoku Kikai Co., Ltd.
PRISM Pharma Corporation
Izumi Products Company
TES HOLDINGS LIMITED
Grace A Co., Ltd.
Socionext Inc.
Sartorius Mechatronics T&H GmbH
KANTO-UNYU Co., Ltd.
SII Semiconductor Corporation
Daisho-gun Co., Ltd.

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries
	2016
December 31	17
February 28 or 29	1
March 31	7

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their year-end balance sheet date.

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

(4) Elimination of Intercompany Balances and Transactions

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

(5) Amortization of Goodwill

The difference between the fair value of net assets and the cost of the acquired subsidiary is amortized on a straight-line basis over the estimated useful lives not exceeding 20 years. Minor differences are charged to expense in the year of acquisition. The excess of the fair value over the cost of acquired subsidiaries (negative goodwill) is recognized as income immediately as incurred.

(b) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.”

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (i) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (ii) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

(1) Transactions with noncontrolling interests—A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent’s ownership interests in its subsidiary while the parent retains its controlling interests in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet—In the consolidated balance sheet, “minority interests” under the previous accounting standard is changed to “non-controlling interests” under the revised accounting standard.

(3) Presentation of the consolidated statement of income—In the consolidated statement of income, “income before minority interests” under the previous accounting standard is changed to “net income” under the revised accounting standard, and “net income” under the previous accounting standard is changed to “net income attributable to owners of the parent” under the revised accounting standard.

(4) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the effect of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interests, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of fiscal years beginning on or after April 1, 2015. Earlier application is permitted from the beginning of fiscal years beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interests and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interests and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of fiscal years beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of fiscal years beginning on or after April 1, 2014.

DBJ Inc. applied the revised accounting standards and guidance for (1), (2), (3) and (5) above, from April 1, 2015, and (4) above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (1) and (5) were applied retrospectively for all applicable transactions which occurred in the past.

(c) Cash and Cash Equivalents

“Cash and Cash Equivalents” in the consolidated statement 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
	2016	2015	2016
Cash and due from banks	¥461,312	¥317,772	$4,094,005
Time deposits with banks	(38,280)	(78,500)	(339,723)
Cash and cash equivalents	¥423,032	¥239,272	$3,754,281

(d) 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). Financial instruments whose fair value cannot be reliably determined are stated at cost using the weighted average method.

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

Unrealized gains and losses on available-for-sale securities are included in equity, net of income taxes, except for the amounts reflected in profit or loss by application of fair value hedge accounting.

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

(e) 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 statement of income.

(f) Hedge Accounting

(1) Hedge Accounting

DBJ Inc. applies the deferral method of hedge accounting or the accrual method (*1). The portfolio hedge is accounted for by the method stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA Industry Audit Committee Report No. 24" February 13, 2002). In addition, foreign currency swaps which are used to hedge foreign currency fluctuations are not stated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

In addition, DBJ Inc. applies deferral hedge accounting and fair value hedge accounting as portfolio hedges of the foreign currency fluctuations associated with foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than foreign currency denominated bonds).

(2) Hedging Instruments and Hedged Items

- Hedging Instruments : Interest rate swaps
  Hedged Items : Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments : Foreign currency swaps
  Hedged Items : Foreign currency denominated loans, Securities, Debentures, Borrowed money and Corporate bonds
- Hedging Instruments : Forward liability denominated in foreign currency
  Hedged Items : Foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-or-sale securities (other than foreign currency denominated bonds)

(3) Hedging Policy

DBJ Inc. utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities. Individual or certain groups contracts are drawn for each hedged item.

(4) Evaluation of Hedge Effectiveness

According to the risk management policy, DBJ Inc. evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In addition, with respect to portfolio hedging activities, for interest rate swaps used to hedge market interest rate fluctuations, hedge effectiveness is assessed on a specifically identifiable group of hedged items and a corresponding group of hedging instruments, and for interest rate swaps used to hedge variability in cash flows, hedge effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flows and the hedging instrument.

With respect to hedging activities against foreign exchange risk of foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than foreign currency denominated bonds), the effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

With respect to an individual hedge, for both interest rate swap contracts which meet the hedging requirements of the accrual method (*1) and foreign currency swap contracts which meet the hedging requirements of the assignment method (*2), DBJ Inc. is not required to periodically evaluate hedge effectiveness.

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

(i) 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 since inception, 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.

(ii) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction is recorded using the contracted forward rate, and no gains or losses on the foreign exchange forward contract are recognized.

(g) Fixed Assets

(1) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation. Tangible Fixed Assets of DBJ Inc. are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis, and depreciation of tangible fixed assets of consolidated subsidiaries is computed principally using the straight-line method, based on the estimated useful lives of the assets.

The estimated useful lives are principally as follows:

Buildings : 3 years to 50 years
Others : 4 years to 20 years

(2) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (mainly 5 years).

(3) Lease Assets

Depreciation for lease assets is computed by the straight-line method with zero residual value over the lease term.

(h) Long-lived Assets

DBJ Inc. 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. Impairment losses are 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 losses 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.

(i) Debenture and Corporate Bond Issuance Costs

“Debenture and Corporate Bond Issuance Costs” are charged to expense as incurred.

(j) Foreign Currency Translation and Revaluation Method

Assets and liabilities denominated in foreign currencies held by DBJ Inc. have been translated at the exchange rates prevailing as of the balance sheet date. Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiaries at the respective year-end exchange rates. The foreign exchange gains and losses from transactions are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign Currency Transaction Adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the exchange rate prevailing as of the balance sheet date.

(k) Allowance for Loan Losses

DBJ Inc. 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, but are likely to become bankrupt, and for which future cash flows cannot reasonably be estimated (possibly bankrupt), 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. 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 for 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 were written-off, and totaled ¥22,791 million ($202,271 thousand) and ¥34,371 million for the years ended March 31, 2016 and 2015, respectively. The consolidated subsidiaries calculate the general reserve for "normal" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "effectively bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

(l) Allowance for Investment Losses

"Allowance for Investment Losses" is provided for based on the estimated losses on certain investments based on an assessment of the issuers' financial condition.

(m) Accrued Bonuses to Employees and Directors

"Accrued Bonuses to Employees and Directors" are provided for in the amount of the estimated bonuses which are attributable to the years ended March 31, 2016 and 2015.

(n) Employees' Retirement Benefits

DBJ Inc. has defined benefit pension plans, which consist of a defined benefit corporate pension plan and a lump-sum severance indemnity plan, as well as a defined contribution pension plan. Some domestic consolidated subsidiaries have a lump-sum severance indemnity plan and defined contribution plans, and some overseas consolidated subsidiaries have retirement benefit plans which are typically defined contribution plans. The projected benefit obligations are attributed to periods on a straight-line basis. Net actuarial gains and losses are amortized using the straight-line method over the period of ten years within the employees' average remaining service period commencing from the following fiscal year after incurrence. Prior service cost is amortized using the straight-line method over the period of ten years within the employees' average remaining service period at incurrence.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 27).

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of fiscal years beginning on or after April 1, 2013, and for (3) above are effective for the beginning of fiscal years beginning on or after April 1, 2014, or for the beginning of fiscal years beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

DBJ Inc. applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014, and for (3) above, effective April 1, 2014.

With respect to (3) above, DBJ Inc. changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (3) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits decreased by ¥41 million and retained earnings increased by ¥41 million at the beginning of the year ended March 31, 2015. In addition, income before income taxes decreased by ¥27 million.

(o) Reserve for Directors' Retirement Benefits

"Reserve for Directors' Retirement Benefits" is accrued based on the amount that would be required if all directors retired at the balance sheet date.

(p) Reserve for Contingent Losses

Reserve for contingent losses is provided for possible contingent losses on loan commitment limits based on individually estimated losses.

(q) Asset Retirement Obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently charged to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(r) Lease Transactions

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

DBJ Inc. applied the revised accounting standard on October 1, 2008.

(s) Consumption Taxes

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

(t) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(u) Capitalization of Interest Costs on Real Estate Development Business

Interest costs arising in the normal course of development related to real estate development business of certain domestic consolidated subsidiaries are capitalized and included in the acquisition cost of assets.

(v) Per Share Information

Basic net income per share is computed by dividing net income available to owners of the parent related to common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share for the years ended March 31, 2016 and 2015 is not disclosed because there are no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the year including dividends to be paid after the end of the year.

(w) New Accounting Pronouncement

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

DBJ Inc. expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

(x) Additional Information

Special investment operations are statutory operations newly introduced to strengthen the supply of growth capital by DBJ Inc. pursuant to the Act for partial amendment of the DBJ Inc. Act which was promulgated and enforced on May 20, 2015.

The operation is a new investment scheme utilizing the industrial investment special account of the government and DBJ Inc. discloses the related accounts separately from common stock and capital surplus within equity on the consolidated balance sheet. The details are stated in Notes 17 and 18.

3. Securities

Securities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Japanese government bonds	¥ 227,655	¥ 253,498	$ 2,020,373
Corporate bonds	639,421	592,797	5,674,664
Equities	412,370	436,112	3,659,665
Other securities	523,639	605,496	4,647,140
Total	¥1,803,087	¥1,887,906	$16,001,842

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2016 and 2015, are ¥33,638 million ($298,535 thousand) and ¥30,307 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2016 and 2015, are ¥80,835 million ($717,388 thousand) and ¥44,846 million, respectively.

*2. DBJ Inc. 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 Act), which amount to ¥3,032 million ($26,908 thousand) and ¥2,616 million as of March 31, 2016 and 2015, respectively.

*3. There are no securities repledged as of March 31, 2016 and 2015. Securities accepted under repurchase agreements can be sold or repledged. Securities neither sold nor repledged are nil and ¥5,299 as of March 31, 2016 and 2015, respectively.

*4. Marketable securities available-for-sale 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 impairment loss for the fiscal year.
The criterion for determining "Considerable decline in market value" is as follows:
Market value declined by 50% or more of the acquisition cost.
Market value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses on marketable securities available-for-sale for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Equities	¥—	¥ —	$ —
Bonds	—	—	—
Other	14	108	132
Total	¥14	¥108	$132

4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans to bankrupt debtors	¥ 786	¥ —	$ 6,982
Delinquent loans	53,893	80,537	478,287
Loans past due three months or more	—	—	—
Restructured loans	27,792	21,741	246,652
Total	¥82,472	¥102,278	$731,921

*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."

5. Commitments

Loan commitment limits are contracts under which DBJ Inc. lends to customers up to the prescribed limits in response to customers' applications for loans as long as there is no violation of any terms and conditions in the contracts. As of March 31, 2016 and 2015, the amounts of unused commitments are ¥841,229 million ($7,465,647 thousand) and ¥598,519 million, respectively. As of March 31, 2016 and 2015, the amounts of unused commitments with remaining contract term within one year are ¥394,333 million ($3,499,588 thousand) and ¥157,423 million, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have terms and conditions whereby DBJ Inc. and its subsidiaries can reject customers' applications for loans or decrease the contract limits with proper reason (e.g., changes in financial situation, deterioration in customers' credit worthiness). At the inception of contracts, DBJ Inc. and its consolidated subsidiaries obtain real estate, securities or other assets as collateral as deemed necessary. Subsequently, DBJ Inc. and its consolidated subsidiaries perform periodic reviews of the customers' business results based on internal rules, and take necessary measures to reconsider the terms and conditions of contracts and/or require additional collateral and guarantees.

6. Other Assets

Other assets as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prepaid expenses	¥ 3,986	¥ 4,199	$ 35,382
Accrued income	29,925	31,647	265,576
Derivatives	67,987	60,840	603,369
Other	73,177	44,257	649,426
Total	¥175,076	¥140,943	$1,553,753

7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings	¥ 19,221	¥ 20,362	$ 170,583
Land	91,578	91,788	812,730
Leased assets	4	9	42
Construction in progress	4,491	2,353	39,863
Other	253,550	151,681	2,250,184
Total	¥368,846	¥266,196	$3,273,402

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2015, is ¥13,406 million ($118,983 thousand) and ¥10,513 million, respectively.

8. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
General allowance for loan losses	¥38,493	¥46,580	$341,616
Specific allowance for loan losses	23,035	38,137	204,436
Total	¥61,529	¥84,717	$546,052

9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2016 and 2015 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
(Issuer: DBJ Inc.)						
Debentures						
Japanese government-guaranteed bonds 10-23*1, 7	Aug. 2005– Aug. 2008	1.4– 2.2	Aug. 2015– Jun. 2023	¥ 459,953 [99,987]	¥ 502,901	$ 4,081,944 [887,354]
Japanese government-guaranteed bonds 1-33	Nov. 2008– Mar. 2016	0.001– 2.1	Jul. 2016– Mar. 2026	1,199,121 [29,997]	998,847	10,641,832 [266,214]
Japanese government-guaranteed foreign bond 67*2, 7	Sep. 1998	1.81	Sep. 2028	25,050	25,054	222,316
Japanese government-guaranteed foreign bonds 5-7, 9-14*1, 7	Dec. 2002– Nov. 2007	1.05– 5.125	Jun. 2015– Nov. 2027	552,700 [183,679]	628,362	4,905,047 [1,630,098]
Japanese government-guaranteed Euro MTN bonds 2-12*3	Apr. 2010– Sep. 2015	0.8611– 2.875	Apr. 2015– Sep. 2025	693,100 [153,268]	733,109	6,151,049 [1,360,214]
FILP agency domestic bonds 11, 20, 24, 27, 29-31, 33-36, 39, 41, 42, 44, 46, 49, 51*4, 7	Dec. 2003– Jul. 2008	1.63– 2.74	Sep. 2015– Mar. 2047	289,944 [64,997]	329,929	2,573,164 [576,828]
Euro MTN FILP agency bonds 2*4, 5, 7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	17,749
Corporate bonds						
Corporate bonds through public placement 5, 9, 11, 13, 16, 17, 19, 21, 23-63	Apr. 2009– Feb. 2016	0.04543– 1.745	Jun. 2015– Jan. 2031	1,165,000 [280,600]	1,095,000	10,339,013 [2,490,238]
Corporate bonds through private placement 2-15	May 2011– Mar. 2016	0.02343– 0.481	Jun. 2015– Mar. 2031	61,000	25,000	541,356
Corporate bonds Euro MTN 24-43, 45-59*6	May 2011– Feb. 2016	0.014– 2.868	Apr. 2015– Nov. 2025	275,288 [25,164]	221,602	2,443,097 [223,330]
(Issuer: Green Asset Investment TMK)						
Specified corporate bonds 1	Dec. 2012	5.53	Nov. 2017	4,500	7,500	39,936
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bonds 4	Sep. 2014	0.24091	Sep. 2019	250	—	2,219
Total				¥4,727,908	¥4,569,308	$41,958,722

*1. These bonds are government-guaranteed bonds issued by the Development Bank of Japan.
*2. This bond is a government-guaranteed bond issued by the Japan Development Bank.
*3. These bonds are unsecured guaranteed bonds issued based on Medium Term Note program ("MTN program").
*4. Fiscal Investment and Loan Program (FILP) agency bonds ("FILP bonds") are not government-guaranteed. These bonds are issued by the Development Bank of Japan.
*5. These bonds are FILP bonds issued based on MTN program.
*6. These bonds are unsecured corporate bonds issued based on MTN program.
*7 General mortgage under the DBJ Inc. Act (17 of the Supplementary Provisions) and the DBJ Act (Article 43)
*8 Figures indicated in brackets [ ] indicate the amounts to be redeemed within one year.

Scheduled redemptions of above debentures and corporate bonds for the following 5 years subsequent to March 31, 2016 are as follows:

The fiscal year ending March 31, 2017	¥837,694 million	$7,434,277 thousand
2018	734,325	6,516,906
2019	654,752	5,810,722
2020	500,311	4,440,109
2021	308,438	2,737,295

10. Borrowed Money

Borrowed money as of March 31, 2016 and 2015 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2016	2015	2016
Borrowings	0.78	Apr. 2015–Oct. 2035	¥7,892,171	¥8,598,219	$70,040,569

Scheduled repayments of borrowings for the following 5 years subsequent to March 31, 2016 are as follows:

The fiscal year ending March 31, 2017	¥1,242,393 million	$11,025,856 thousand
2018	1,073,980	9,531,247
2019	1,078,599	9,572,240
2020	863,182	7,660,480
2021	775,369	6,881,168

11. Non-Recourse Debts

Non-recourse debts in consolidated special purpose companies as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-recourse debts:			
Borrowed money	¥51,451	¥32,000	$456,614
Corporate bonds	4,750	7,500	42,155
Assets corresponding to non-recourse debts:			
Cash and due from banks	4,689	6,586	41,622
Tangible fixed assets	73,518	48,640	652,452

12. Other Liabilities

Other liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Accrued expenses	¥ 21,914	¥ 24,164	$ 194,487
Unearned income	1,036	635	9,199
Accrued income taxes	27,496	39,444	244,020
Derivatives	44,799	31,939	397,582
Lease obligations	5	11	48
Asset retirement obligations (Note 13)	1,469	1,470	13,038
Other	84,322	128,150	748,332
Total	¥181,043	¥225,816	$1,606,706

13. Asset Retirement Obligations

DBJ Inc. recognizes asset retirement obligations associated with the recovery obligations provided in the real estate rental agreements. In addition, asset retirement obligations related to the obligations of demolishing the previous head office buildings and removing the toxic substances were recognized in connection with the head office relocation due to the Otemachi redevelopment project.

The asset retirement obligation is calculated based on the sum of the discounted cash flows using discount rates from 0.1% to 1.1% with the estimated useful lives of 4 to 8 years.

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥1,470	¥1,722	$13,051
Increase due to acquisition of tangible fixed assets	22	1	202
Reconciliation associated with passage of time	0	0	8
Decrease due to settlement of asset retirement obligations	(56)	(347)	(499)
Increase due to a change in estimates	30	94	269
Other	0	(0)	7
Balance at end of year	¥1,469	¥1,470	$13,038

14. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Guarantees	¥180,124	¥167,482	$1,598,553

15. Assets Pledged as Collateral

Cash and due from banks of ¥4,689 million ($41,622 thousand) and ¥3,110 million and tangible fixed assets of ¥73,518 million ($652,452 thousand) and ¥48,640 million are pledged as collateral for borrowed money of ¥51,451 million ($456,614 thousand) and ¥32,000 million as of March 31, 2016 and 2015, respectively.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥461,856 million ($4,098,836 thousand) and ¥115,563 million ($1,025,588 thousand), respectively, as of March 31, 2016, which are deposited as replacement of margin money for future trading, cash collateral paid for financial instruments, etc. and collateral for transactions, including exchange settlements as of March 31, 2016. On behalf of the investees who borrow from third parties, ¥7,400 million ($65,673 thousand) of securities are deposited as security as of March 31, 2016. Additionally, ¥937 million ($8,321 thousand) of margin deposits for futures transactions, ¥12,936 million ($114,804 thousand) of cash collateral paid for financial instruments, etc., ¥21,662 million ($192,246 thousand) of margin deposits with the central clearing house and ¥73 million ($653 thousand) of guarantee deposits are included in other assets as of March 31, 2016. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥1,330,054 million ($11,803,816 thousand) as of March 31, 2016.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥562,189 million and ¥113,580 million, respectively, as of March 31, 2015, which are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2015. Additionally, ¥937 million of margin deposits for futures transactions, ¥10,255 million of margin deposits with the central clearing house and ¥63 million of guarantee deposits are included in other assets as of March 31, 2015. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥1,488,822 million as of March 31, 2015.

16. Equity

Japanese companies including DBJ Inc. are regulated by the Companies Act. In addition, DBJ Inc. is regulated by the DBJ Inc. Act. The significant provisions in the Companies Act and the DBJ Inc. Act that affect financial and accounting matters are summarized as follows:

(a) Dividends

Under the Companies Act, companies can distribute dividends at any time during the fiscal year, in addition to the year-end dividend, upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term in its articles of incorporation. With respect to the third condition above, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year, if the Board of Directors can declare dividends as prescribed in the company's articles of incorporation. DBJ Inc., however, shall not distribute such dividends based on resolution of the Board of Directors, since its articles of incorporation do not prescribe that the Board of Directors can take such action. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. Article 20 of the DBJ Inc. Act provides that the timing and amounts for dividends shall be authorized by the Finance Minister.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be set aside as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged for dividends, until the total aggregate amount of legal reserve and additional paid-in capital equal 25% of Common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be reclassified among the accounts under certain conditions and upon resolution by the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of the treasury stock based on resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the distributable amount to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. The treasury stock acquisition rights are presented as a separate component of equity or deduction of stock acquisition rights.

(d) Solicitation and Delivery of Shares or Stock Acquisition Rights

Article 12 of the DBJ Inc. Act regulates that, if DBJ Inc. intends to solicit those who will subscribe for shares or stock acquisition rights offered, or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, DBJ Inc. shall obtain an authorization from the Finance Minister.

17. Crisis Response Reserve

DBJ Inc. recorded the accumulated amounts of the government's contribution to implement the crisis response operations in accordance with the provision of Article 2-22 of the supplementary provision of the DBJ Inc. Act (hereinafter the "Act") as "Crisis response reserve."

The reserve is characterized as follows:

(a) For the purpose of calculating the amount of surplus, the amount of crisis response reserve is included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.

(b) In case of compensation for deficit, the amount of crisis response reserve may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amount of crisis response reserve, the amount of crisis response reserve shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.

(c) In case that DBJ Inc. determined that sufficient financial base required for the proper implementation of crisis response operations has been secured, DBJ Inc. shall pay the full or partial amount of crisis response reserve to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.

(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amount of crisis response reserve to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

18. Special Investment Reserve and Special Investment Surplus

DBJ Inc. recorded the amounts transferred from the government's investment and capital surplus to implement the special investment operations in accordance with the provision of Article 2-23 of the supplementary provision of the Act as "Special investment reserve." In addition, profit or loss arising from special investment operations is transferred from retained earnings to "Special investment surplus."

Special Investment Reserve and Special Investment Surplus are characterized as follows:

(a) For the purpose of calculating the amount of surplus, the amounts of special investment reserve and special investment surplus are included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.

(b) In case of compensation for deficit, the amounts of special investment reserve or special investment surplus may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amounts of special investment reserve or special investment surplus, the amounts of special investment reserve or special investment surplus shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.

(c) In case that DBJ Inc. determined that these amounts became unnecessary to implement special investment operations properly, DBJ Inc. may pay the full or partial amount of special investment reserve or special investment surplus to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.

(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amounts of special investment reserve and special investment surplus corresponding to the amount attributable to the National Treasury to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

19. Per Share Information

Basic net income per common share ("EPS") for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2016	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income attributable to owners of the parent	¥128,952			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	309			
Net income attributable to owners of the parent relating to common stock	¥128,642	43,632	¥2,948.33	$26.17
Year ended March 31, 2015				
Basic EPS				
Net income attributable to owners of the parent relating to common stock	¥ 92,758	43,632	¥2,125.91	

Note: Diluted net income per share for the years ended March 31, 2016 and 2015 is not disclosed because there are no dilutive securities.

As noted in Note 2 (b), DBJ Inc. applied the Accounting Standard for Business Combinations, etc. and followed the transitional treatment set forth in Paragraph 58-2 (4) of the Business Combination Accounting Standard, Paragraph 44-5 (4) of the Consolidation Accounting Standard and Paragraph 57-4 (4) of the Business Divestiture Accounting Standard. As a result, there was no effect on net income per share for the year ended March 31, 2016.

20. Other Operating Income

Other operating income for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Foreign exchange gains	¥ —	¥ 6,930	$ —
Gains on sales of bonds	3,519	94	31,232
Gains on redemption of bonds	—	5,047	—
Gains on derivatives	5,107	—	45,331
Other	899	1,011	7,982
Total	¥9,526	¥13,084	$84,545

21. Other Income

Other income for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Reversal of allowance for loan losses	¥ 17,488	¥25,601	$ 155,202
Gains on sales of equities and other securities	46,163	21,189	409,685
Gains on money held in trust	261	36	2,324
Equity in net income of affiliates	6,140	2,299	54,496
Gains on sales of fixed assets	70	649	630
Collection of written-off claims	8,274	3,009	73,429
Gains on investments in limited partnerships and other similar partnerships	34,057	22,301	302,247
Gain on bargain purchase	4,000	223	35,500
Rental income on land and buildings	5,126	3,468	45,492
Other	4,926	3,668	43,725
Total	¥126,509	¥82,445	$1,122,732

22. Other Operating Expenses

Other operating expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Losses on sales of bonds	¥2,616	¥ 1	$23,222
Foreign exchange losses	3,219	—	28,576
Debenture issuance costs	867	708	7,697
Corporate bond issuance costs	769	758	6,831
Losses on derivatives	—	9,280	—
Other	5	1	52
Total	¥7,479	¥10,751	$66,378

23. Other Expenses

Other expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Write-off of loans	¥ 1,198	¥ 327	$ 10,639
Losses on sales of equities and other securities	1	1	17
Write-off of equities	1,925	4,871	17,087
Losses on money held in trust	10	—	95
Losses on sales of fixed assets	99	130	886
Impairment losses	347	120	3,081
Losses on investments in limited partnerships and other similar partnerships	7,588	6,432	67,341
Losses on step acquisitions	2,047	—	18,171
Other	1,473	1,492	13,073
Total	¥14,692	¥13,376	$130,390

24. Employees' Retirement Benefits

Employees whose service with DBJ Inc. 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.

(a) Defined Benefit Pension Plan

(1) The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥32,243	¥31,888	$286,151
Cumulative effects of changes in accounting policies	—	(41)	—
Restated balance	—	31,847	—
Service cost	1,518	1,524	13,480
Interest cost	351	347	3,122
Actuarial losses	873	282	7,754
Benefits paid	(1,574)	(1,759)	(13,973)
Balance at end of year	¥33,413	¥32,243	$296,534

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥26,792	¥23,161	$237,776
Expected return on plan assets	133	115	1,189
Actuarial gains	679	1,493	6,030
Contributions from the employer	961	2,795	8,530
Benefits paid	(692)	(773)	(6,146)
Balance at end of year	¥27,874	¥26,792	$247,379

(3) Reconciliation between the liability for retirement benefits recorded in the consolidated balance sheet and the balances of retirement benefit obligations and plan assets for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 25,416	¥ 24,284	$ 225,563
Plan assets	(27,874)	(26,792)	(247,379)
	(2,458)	(2,508)	(21,817)
Unfunded retirement benefit obligations	7,997	7,959	70,971
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,538	¥ 5,450	$ 49,154
Liability for retirement benefits	¥ 7,997	¥ 7,959	$ 70,971
Asset for retirement benefits	(2,458)	(2,508)	(21,817)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,538	¥ 5,450	$ 49,154

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥1,518	¥1,524	$13,480
Interest cost	351	347	3,122
Expected return on plan assets	(133)	(115)	(1,189)
Amortization of net actuarial losses	91	212	811
Amortization of prior service cost	12	12	112
Net periodic benefit costs	¥1,840	¥1,981	$16,336

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2016 and 2015, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ 12	¥ 12	$ 112
Actuarial gains (losses)	(102)	1,422	(913)
Total	¥ (90)	¥1,435	$(800)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2016 and 2015, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (57)	¥(69)	$ (507)
Unrecognized actuarial gains (losses)	(57)	45	(512)
Total	¥(114)	¥(24)	$(1,018)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debentures	86%	85%
Equity	11%	12%
Others	3%	3%
Total	100%	100%

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	1.1%	1.1%
Expected salary increase rate	1.8%-5.3%	2.0%-5.5%
Expected rate of return on plan assets	0.5%	0.5%

(b) Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of DBJ Inc. and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 are ¥218 million ($1,936 thousand) and ¥206 million, respectively.

25. Income Taxes

DBJ Inc. and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 32.34% and 35.64% for the years ended March 31, 2016 and 2015, respectively.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the year ended March 31, 2016 is omitted since the difference is less than 5% of the statutory tax rate.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rate	35.64 %
Increase (decrease) in taxes resulting from:	
Change in valuation allowance	4.09 %
Other	(1.35)%
Actual effective tax rate	38.38 %

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for loan losses	¥ 22,190	¥ 35,282	$ 196,938
Losses from revaluation of securities	12,504	14,511	110,971
Excess of fair value over assets of consolidated subsidiaries	5,439	4,200	48,276
Liability for retirement benefits	2,034	2,166	18,053
Tax loss carryforwards	4,967	1,367	44,086
Other	11,527	9,055	102,304
Sub-total	58,664	66,584	520,627
Less-valuation allowance	(47,050)	(46,834)	(417,562)
Total	11,613	19,749	103,066
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(21,767)	(39,093)	(193,184)
Deferred gain on derivatives under hedge accounting	(15,519)	(16,068)	(137,732)
Other	(2,861)	(4,018)	(25,398)
Total	(40,149)	(59,179)	(356,314)
Net deferred tax assets (liabilities)	¥(28,536)	¥(39,430)	$(253,248)

New tax reform laws enacted in 2016 in Japan changed the income tax rate for the fiscal year beginning on or after April 1, 2016. Due to this change, the normal effective statutory tax rate to be used to calculate deferred tax assets and deferred tax liabilities has been changed from 32.34% to 30.86% for the temporary differences expected to be settled in the fiscal years beginning on April 1, 2016 and 2017, and to 30.62% for the temporary differences expected to be settled in the fiscal years beginning on and after April 1, 2018. The effect of this change was to decrease deferred tax assets and deferred tax liabilities in the consolidated balance sheet as of March 31, 2016 by ¥5 million ($45 thousand) and ¥1,513 million ($13,431 thousand), respectively, and to increase unrealized gain on available-for-sale securities, deferred gain on derivatives under hedge accounting, accumulated adjustments for retirement benefits and deferred income taxes by ¥1,170 million ($10,384 thousand), ¥818 million ($7,260 thousand), ¥0 million ($4 thousand) and ¥477 million ($4,241 thousand), respectively.

In addition, as the tax loss carryforwards which are available to be offset against taxable income will be limited to 60% of the taxable income before deducting tax losses from the fiscal year beginning on or after April 1, 2016 and 55% of the taxable income before deducting tax losses from the fiscal years beginning on or after April 1, 2017, deferred tax assets decreased by ¥14 million ($126 thousand) and deferred income taxes increased by ¥14 million ($126 thousand) compared to March 31, 2015.

26. Lease Transactions

(a) Finance leases

DBJ Inc. and its domestic consolidated subsidiaries lease certain equipment and other fixed tangible assets.

(b) Operating leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within 1 year	¥ 421	¥365	$3,741
Due after 1 year	581	176	5,160
Total	¥1,003	¥542	$8,902

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within 1 year	¥ 5,213	¥ 3,811	$ 46,266
Due after 1 year	11,097	13,169	98,487
Total	¥16,310	¥16,980	$144,753

27. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ 363	¥ 90,884	$ 3,229
Reclassification adjustments to profit or loss	(54,885)	(18,751)	(487,090)
Amount before income tax effect	(54,521)	72,133	(483,860)
Income tax effect	18,746	(21,038)	166,369
Total	(35,774)	51,094	(317,492)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	7,618	11,336	67,608
Reclassification adjustments to profit or loss	(6,184)	(8,291)	(54,883)
Amount before income tax effect	1,433	3,044	12,725
Income tax effect	99	494	881
Total	1,533	3,538	13,605
Foreign currency translation adjustments:			
Adjustments arising during the year	(592)	692	(5,257)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(592)	692	(5,257)
Income tax effect	—	—	—
Total	(592)	692	(5,257)
Adjustments for retirement benefits			
Adjustments arising during the year	(194)	1,210	(1,723)
Reclassification adjustments to profit or loss	104	225	923
Amount before income tax effect	(90)	1,435	(800)
Income tax effect	27	(512)	241
Total	(62)	922	(559)
Share of other comprehensive (loss) income in affiliates:			
Gains (losses) arising during the year	3,760	(146)	33,375
Reclassification adjustments to profit or loss	325	53	2,892
Amount before income tax effect	4,086	(93)	36,267
Income tax effect	—	—	—
Total	4,086	(93)	36,267
Total other comprehensive (loss) income	¥(30,810)	¥ 56,155	$(273,436)

28. Segment Information

DBJ Inc. consists of only one business segment of long-term financing and accordingly, the disclosure of the reportable segment information is omitted.

Related information:

Segment information by service for the years ended March 31, 2016 and 2015 is following:

	Millions of Yen			
Year ended March 31, 2016	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥210,899	¥106,362	¥41,344	¥358,606

	Millions of Yen			
Year ended March 31, 2015	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥233,516	¥71,095	¥34,430	¥339,043

	Thousands of U.S. Dollars			
Year ended March 31, 2016	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,871,664	$943,932	$366,924	$3,182,520

29. Financial Instruments and Related Disclosures

(a) Financial Instruments

(1) Policy for Financial Instruments

DBJ Inc. provides investment and loan services that are aimed to provide long-term stable funding. As main methods of acquiring funds, in addition to issuing corporate bonds and long-term borrowings, DBJ Inc. relies on the stable procurement of long-term funds from the government's Fiscal Investment and Loan Program (FILP). Since the majority of its assets are long-term with fixed rate, DBJ Inc. raises its funds mainly with long-term, fixed rate liabilities.

From both funding and investment aspects, DBJ Inc. implements comprehensive asset/liability management in order to mitigate the risk of capital shortfall and losses from fluctuations of interest rate and exchange rate. DBJ Inc. utilizes derivative financial instruments in order to hedge or manage the risks related to interest and currency.

(2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets of DBJ Inc. are mainly investments and loans in domestic customers, which are exposed to credit risk that stems from customers' default of contracts or decline of their creditworthiness. Main categories of industries of debtors are electricity, gas, thermal supply, water supply, manufacturing and others as of March 31, 2016. The changes of economic circumstances surrounding these industries may influence the fulfillment of their obligations. DBJ Inc. holds securities such as bonds, equities and investments in limited partnerships and other similar partnerships, which are exposed to issuer's credit risk, interest rate risk, price volatility risk and other risks. DBJ Inc. does not have any trading-related risk because it does not engage in trading (specified transactions).

Although corporate bonds and borrowings are exposed to cash liquidity risk and interest rate risk, these risks are hedged or controlled by matching of financing and investing activities, interest-rate swap agreements and other transactions.

Foreign currency denominated loans, debentures and corporate bonds are exposed to exchange rate risk. DBJ Inc. mitigates this risk by matching foreign currency investments and loans with foreign currency corporate bonds and currency-related transactions.

DBJ Inc. utilizes derivative financial transactions such as interest-rate swap agreements and currency swap agreements in order to hedge or manage the risks related to interest and currency. DBJ Inc. applies hedge accounting as necessary. Details for hedging instruments, hedged items, hedging policy and assessment of effectiveness of the hedges are described in Note 2 (f) "Hedge Accounting."

(3) Risk Management for Financial Instruments

(i) Credit Risk Management

In accordance with the internal guidelines, DBJ Inc. utilizes credit exposure management and portfolio management for investments and loans. When making an investment or loan, DBJ Inc. examines the entity's viability and the entity's project's profitability. After that, DBJ Inc. sets ratings along with an internal rating system, grants credit amount, sets collateral and guarantee. The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual loans and each department keeps the operations of the other in check. The Committee on Investment and Loan Decisions meets as needed to deliberate important issues concerning the management and governance of individual loans. DBJ Inc. performs a comprehensive analysis of data based on borrower ratings, and calculates the loan portfolio's overall exposure to credit risk, which is measured regularly to ensure that such risk remains within specified range of capital.

The credit risk of securities is managed in the same way as that of loans. In addition, DBJ Inc. regularly examines total risk which takes into account the market value of the securities. As for counterparty risk arising from derivative transactions, DBJ Inc. manages derivative transactions by continually monitoring the cost of restructuring its transactions and the creditworthiness of each counterparty. Additionally, DBJ Inc. diversifies transactions among several counterparties to manage counterparty risk.

(ii) Market Risk Management

1) Interest Rate Risk Management

DBJ Inc. manages interest rate risk by asset/liability management. Details of risk management methods and procedures are determined on internal rules, and Management Committee and ALM & Risk Management Committee determine policies related to asset/liability management, monitoring of implementation and future plans. In addition, the risk management department monitors the interest rate and term of financial assets/liabilities overall. ALM & Risk Management Committee conducts regular monitoring with cash flow ladder analyses (gap analysis), value at risk (VaR), interest rate sensitivity analyses (basis point value), and other methods. As a part of asset/liability management, interest-rate swaps are executed to hedge interest rate risk.

2) Foreign Exchange Risk Management

Foreign currency investments, loans and bonds are exposed to exchange rate risk, therefore those risks are hedged or managed not only by offsetting some foreign currency denominated investments and loans with foreign currency denominated corporate bonds and debentures but also by making currency-related hedging transactions.

3) Price Volatility Risk Management

When DBJ Inc. acquires financial assets entailing price volatility risk such as securities with readily available market quotations, it follows in-house regulations and policies which have been developed taking into account market fluctuation risks, and the risk management department is involved in decision-making, as necessary. Through regular monitoring, price volatility risks are reviewed on a timely basis and reported to ALM & Risk Management Committee periodically.

4) Derivative Transactions

In conducting derivative transactions, segregation of duties is maintained in the front office, the back office and the risk management department based on in-house regulations.

5) Quantitative Information about Market Risk

DBJ Inc. has not been engaged in trading activities, and all the assets and liabilities are financial instruments other than for trading purposes.

Market risk exposure (estimated loss) is based on VaR using the historical simulation method (holding period of 1 year, observation period of 5 years, and confidence interval of 99.9%). The amount of market risk (risks pertaining to the changes in interest rates, foreign exchanges and market prices) as of March 31, 2016 and 2015 was ¥26,360 million ($233,945 thousand) and ¥25,415 million, respectively. Such measurements are conducted by the risk management department on a regular basis and reported to ALM & Risk Management Committee to utilize for establishing ALM operating policies.

DBJ Inc. conducts backtesting to compare the VaR calculated by the model with hypothetical performances calculated based on the actual market movements and confirms that the measurement models in use capture the market risk with sufficient accuracy. VaR measures the market risk volume under a definite probability of incidence calculated statistically based on the historical market movements and accordingly, and therefore there may be cases where market risk cannot be captured in such situations as when market conditions are changing dramatically beyond what was experienced historically.

(iii) Liquidity Risk Management on Financing

The risk management department monitors the possession level of cash liquidity and reports it to the ALM & Risk Management Committee periodically in line with in-house regulations of liquidity risk management on financing. The ALM & Risk Management Committee manages liquidity risk by appropriate operations of financing and investing activities based on the risk situation.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is measured at the quoted market price. If the quoted price is not available, DBJ Inc. measures reasonably assessed price. Because assessed price is computed using certain assumptions, price could differ if different assumptions are used.

(b) Fair Values Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2016 and 2015. Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 461,312	¥ 461,314	¥ 2
Call loans and bills bought	—	—	—
Reverse repurchase agreements	—	—	—
Securities			
Held-to-maturity debt securities	804,050	821,180	17,130
Available-for-sale securities	419,648	419,648	—
Loans	12,952,567		
Allowance for loan losses*1	(60,935)		
	12,891,632	13,544,524	652,892
Total assets	¥14,576,643	¥15,246,667	¥670,024
Debentures	3,221,870	3,377,600	155,729
Borrowed money	7,813,171	8,001,512	188,341
Corporate bonds	1,506,038	1,514,237	8,199
Total liabilities	¥12,541,080	¥12,893,351	¥352,271
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	24,919	24,919	—
Derivative transactions qualifying for hedge accounting	(1,731)	(1,731)	—
Total derivative transactions	¥ 23,188	¥ 23,188	¥ —

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 317,772	¥ 317,776	¥ 3
Call loans and bills bought	335,000	335,000	—
Reverse repurchase agreements	5,299	5,299	—
Securities			
Held-to-maturity debt securities	915,689	937,274	21,584
Available-for-sale securities	418,171	418,171	—
Loans	13,261,343		
Allowance for loan losses*1	(83,765)		
	13,177,578	13,743,661	566,083
Total assets	¥15,169,511	¥15,757,183	¥587,671
Debentures	3,220,206	3,358,048	137,841
Borrowed money	8,498,219	8,606,481	108,261
Corporate bonds	1,349,102	1,353,954	4,852
Total liabilities	¥13,067,528	¥13,318,484	¥250,956
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	(10,929)	(10,929)	—
Derivative transactions qualifying for hedge accounting	39,830	39,830	—
Total derivative transactions	¥ 28,900	¥ 28,900	¥ —

	Thousands of U.S. Dollars		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 4,094,005	$ 4,094,024	$ 19
Call loans and bills bought	—	—	—
Reverse repurchase agreements	—	—	—
Securities			
Held-to-maturity debt securities	7,135,696	7,287,721	152,025
Available-for-sale securities	3,724,249	3,724,249	—
Loans	114,950,016		
Allowance for loan losses*1	(540,785)		
	114,409,231	120,203,448	5,794,217
Total assets	$129,363,180	$135,309,442	$5,946,262
Debentures	28,593,101	29,975,156	1,382,055
Borrowed money	69,339,469	71,010,939	1,671,471
Corporate bonds	13,365,621	13,438,392	72,771
Total liabilities	$111,298,190	$114,424,487	$3,126,296
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	221,152	221,152	—
Derivative transactions qualifying for hedge accounting	(15,365)	(15,365)	—
Total derivative transactions	$ 205,787	$ 205,787	$ —

*1. General and specific allowances for loan losses are deducted.
*2. Assets and liabilities arising from derivative transactions are presented on a net basis.

(1) Following are the methods used to calculate the fair values of financial instruments:

Assets

(i) Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(ii) Call loans and bills bought and Reverse repurchase agreements

For each of these items, the majority of transactions have short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(iii) Securities

The fair value of marketable equity securities is measured at the market price. The fair value of bonds is measured at the market price or the quoted price from third party. For bonds without such price, the fair value is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium based on types of securities, internal ratings and tenor.

(iv) Loans

The fair value of loans is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium that is based on types of loans, internal ratings and tenor. Foreign currency swap contracts which meet the hedging requirements of the assignment method is limited to loans for which the contractual cash flows are matched with the interest rate swap and foreign currency swap. For loans which are short contract terms (1 year or less), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. 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 fair values are determined by discounting expected cash flows that reflect expected loss at the risk free rate. For loans to obligors who are "legally bankrupt," "effectively bankrupt" and "possibly bankrupt," the reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. Carrying value net of the reserve as of the consolidated balance sheet date is the reasonable estimate of the fair values of those loans.

Liabilities

(i) Debentures

For floating rate debentures issued by DBJ Inc., the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the fair value of such debentures because the terms of these were set within a short time period and that there has been no significant change in the creditworthiness of DBJ Inc. before and after the issuance. For fixed rate debentures with market prices, the fair value is determined based on their market price. For fixed rate debentures without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to debentures, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. Certain foreign currency denominated debentures are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated debentures.

(ii) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the fair value of such borrowed money because the terms of these were set within a short time period for such variable rate borrowings and that there has been no significant change in the creditworthiness of DBJ Inc. nor consolidated subsidiaries before and after such borrowings were made. For fixed rate borrowed money, the fair values are determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to borrowings, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. or consolidated subsidiaries. Certain foreign currency denominated borrowed money is translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated borrowed money.

(iii) Corporate bonds

For floating rate corporate bonds issued by DBJ Inc., the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the interest rate set within a short time period and that there has been no significant change in the creditworthiness of DBJ Inc. before and after the issuance. For fixed rate corporate bonds with market prices, the fair value is determined based on their market price. For fixed rate corporate bonds without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to corporate bonds, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. Certain foreign currency denominated corporate bonds are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated corporate bonds.

Derivatives

Derivatives consist of interest rate related derivatives (interest rate swaps), currency related derivatives (currency swaps, forward foreign exchange contracts) and credit derivatives. Fair value of these derivatives is determined based on the discounted present value, quoted prices presented by the financial institutions, etc.

(2) Following are the financial instruments whose fair value cannot be reliably determined as of March 31, 2016 and 2015:
These securities are not included in the amount in the table summarizing fair values of financial instruments.

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Money held in trust*1	¥ 17,786	¥ 54,853	$ 157,846
Unlisted equities*2, 3	330,616	326,875	2,934,116
Investments in limited partnerships and other similar partnerships*1	190,641	169,296	1,691,880
Unlisted other securities*2, 3	90,821	57,873	806,011
Industrial investment borrowed money (Special Account for FILP)*4	79,000	100,000	701,100
Total	¥708,864	¥708,899	$6,290,953

*1. Assets in trust and partnership assets which consist of financial instruments, whose fair value cannot be reliably determined, such as unlisted equities and other securities, are not subject to fair value disclosures.
*2. Financial instruments for which the quoted price is not available and fair value cannot be reliably determined, are not subject to fair value disclosures.
*3. Impairment loss on financial instruments whose fair value cannot be reliably determined for the year ended March 31, 2016 and 2015 was ¥1,910 million ($16,955 thousand) and ¥4,763 million, respectively, which consist of unlisted equities of ¥561 million ($4,985 thousand) and ¥984 million and unlisted other securities of ¥1,348 million ($11,970 thousand) and ¥3,778 million for the years ended March 31, 2016 and 2015, respectively.
*4. For the industrial investment borrowed money (Special Account for FILP), the interest rate is not determined at the time of borrowing, but total amount of interest expense will be determined at the time of final repayment. Accordingly, since the future cash flows cannot be reasonably estimated and the fair value is extremely difficult to determine, it is not subject to the fair value disclosure requirement.

(3) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 461,305	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	—	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	187,914	230,709	215,835	81,226	56,535	31,829
Japanese government bonds	35,193	65,568	20,090	15,247	15,150	20,129
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	93,682	88,571	99,619	35,300	35,000	11,700
Other	59,038	76,569	96,125	30,678	6,385	—
Available-for-sale securities with contractual maturities	24,358	36,589	113,368	78,171	38,702	44,088
Japanese government bonds	—	—	5,372	26,784	24,119	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	24,358	36,589	107,996	51,387	11,128	44,088
Other	—	—	—	—	3,454	—
Loans*1	2,525,049	3,401,265	3,055,686	1,622,470	1,564,807	728,609
Total	¥3,198,627	¥3,668,563	¥3,384,889	¥1,781,867	¥1,660,046	¥804,527

	Millions of Yen					
	2015					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 317,765	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	335,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	276,551	276,137	224,772	66,324	36,724	35,179
Japanese government bonds	—	81,224	40,328	10,295	15,124	25,179
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	106,934	119,189	100,205	23,796	11,600	10,000
Other	169,617	75,723	84,239	32,232	10,000	—
Available-for-sale securities with contractual maturities	6,477	67,641	93,412	90,135	39,991	8,116
Japanese government bonds	—	—	—	42,488	30,743	8,116
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	6,477	67,641	93,412	47,647	5,894	—
Other	—	—	—	—	3,354	—
Loans*2	2,132,424	4,076,764	3,010,127	1,840,382	1,419,033	702,074
Total	¥3,068,218	¥4,420,542	¥3,328,312	¥1,996,842	¥1,495,749	¥745,369

	Thousands of U.S. Dollars					
	2016					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	$ 4,093,943	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	—	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	1,667,680	2,047,472	1,915,471	720,857	501,738	282,478
Japanese government bonds	312,328	581,898	178,298	135,316	134,459	178,644
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	831,403	786,044	884,088	313,277	310,614	103,834
Other	523,949	679,530	853,086	272,265	56,665	—
Available-for-sale securities with contractual maturities	216,172	324,719	1,006,111	693,746	343,475	391,269
Japanese government bonds	—	—	47,675	237,700	214,056	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	216,172	324,719	958,436	456,046	98,762	391,269
Other	—	—	—	—	30,658	—
Loans*1	22,409,027	30,185,171	27,118,265	14,398,921	13,887,182	6,466,181
Total	$28,386,823	$32,557,362	$30,039,847	$15,813,524	$14,732,395	$7,139,928

*1. Obligations to “Legally Bankrupt,” “Effectively Bankrupt” and “Possibly Bankrupt” amounting to ¥54,680 million ($485,269 thousand) are not included as of March 31, 2016.

*2. Obligations to “Legally Bankrupt,” “Effectively Bankrupt” and “Possibly Bankrupt” amounting to ¥80,537 million are not included as of March 31, 2015.

(4) Maturity analysis for Debentures, Borrowed money and Other Interest-Bearing Liability as of March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	¥1,242,393	¥2,152,580	¥1,638,552	¥ 968,592	¥1,028,287	¥ 861,763
Debentures and Corporate bonds	837,694	1,389,077	808,749	589,822	849,704	252,860
Total	¥2,080,087	¥3,541,657	¥2,447,302	¥1,558,414	¥1,877,992	¥1,114,624

	Millions of Yen					
	2015					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	¥1,412,658	¥2,296,269	¥1,811,920	¥1,042,815	¥1,110,694	¥ 923,862
Debentures and Corporate bonds	540,420	1,563,394	1,018,110	428,803	719,934	298,645
Total	¥1,953,079	¥3,859,663	¥2,830,030	¥1,471,619	¥1,830,628	¥1,222,507

	Thousands of U.S. Dollars					
	2016					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	$11,025,856	$19,103,486	$14,541,647	$ 8,595,960	$ 9,125,733	$7,647,887
Debentures and Corporate bonds	7,434,277	12,327,628	7,177,404	5,234,489	7,540,866	2,244,057
Total	$18,460,133	$31,431,114	$21,719,052	$13,830,448	$16,666,599	$9,891,944

30. Derivative Transactions

(a) Derivative Transactions to which Hedge Accounting is not applied

(1) Interest rate-related transactions

	Millions of Yen			
	2016			
	Contract amount			Unrealized gains
	Total	Due after 1 year	Fair value	(losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥1,024,150	¥940,143	¥ 64,971	¥ 64,971
Receive float/ Pay fixed	1,008,768	925,900	(29,922)	(29,922)
Receive float/ Pay float	44,367	—	10	10
Total	—	—	¥ 35,058	¥ 35,058

	Millions of Yen			
	2015			
	Contract amount			Unrealized gains
	Total	Due after 1 year	Fair value	(losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥852,007	¥787,406	¥ 22,068	¥ 22,068
Receive float/ Pay fixed	845,243	782,892	(16,259)	(16,259)
Total	—	—	¥ 5,808	¥ 5,808

	Thousands of U.S. Dollars			
	2016			
	Contract amount			Unrealized gains
	Total	Due after 1 year	Fair value	(losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$9,089,022	$8,343,485	$ 576,599	$ 576,599
Receive float/ Pay fixed	8,952,507	8,217,077	(265,556)	(265,556)
Receive float/ Pay float	393,748	—	89	89
Total	—	—	$ 311,133	$ 311,133

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.

(2) Currency-related transactions

	Millions of Yen			
	2016			
	Contract amount			Unrealized gains
	Total	Due after 1 year	Fair value	(losses)
Over-the-counter				
Swaps	¥ 73,147	¥—	¥(11,572)	¥(11,572)
Forwards				
Sold	195,698	—	2,722	2,722
Bought	151,731	—	(1,203)	(1,203)
Total	—	—	¥(10,053)	¥(10,053)

	Millions of Yen			
	2015			
	Contract amount			Unrealized gains
	Total	Due after 1 year	Fair value	(losses)
Over-the-counter				
Swaps	¥ 73,147	¥73,147	¥(17,921)	¥(17,921)
Forwards				
Sold	256,929	—	1,297	1,297
Bought	1,256	—	(1)	(1)
Total	—	—	¥(16,626)	¥(16,626)

	Thousands of U.S. Dollars			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	$ 649,161	$—	$(102,701)	$(102,701)
Forwards				
Sold	1,736,765	—	24,164	24,164
Bought	1,346,569	—	(10,682)	(10,682)
Total	—	—	$ (89,219)	$ (89,219)

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based primarily on discounted present values.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

(5) Commodity-related transactions

Not applicable.

(6) Credit Derivative Transactions

	Millions of Yen			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	¥13,828	¥13,828	¥ 59	¥ 59
Bought	6,500	6,500	(145)	(145)
Total	—	—	¥ (85)	¥ (85)

	Millions of Yen			
	2015			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	¥20,404	¥20,404	¥ 0	¥ 0
Bought	3,500	3,500	(113)	(113)
Total	—	—	¥(112)	¥(112)

	Thousands of U.S. Dollars			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	$122,726	$122,726	$ 530	$ 530
Bought	57,685	57,685	(1,291)	(1,291)
Total	—	—	$ (761)	$ (761)

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based on discounted present values or the counterparties' tendered price.
*3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

(b) Derivative Transactions to which Hedge Accounting is applied

(1) Interest rate-related transactions

	Hedged item	Millions of Yen 2016 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money,			
Receive fixed/ Pay float	Securities and Loans	¥ —	¥ —	¥ —
Receive float/ Pay fixed		95,267	87,556	(1,581)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds,	1,030,643	862,005	*3
Receive float/ Pay fixed	Securities and Loans	1,933	1,933	
Total		—	—	¥(1,581)

	Hedged item	Millions of Yen 2015 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Debentures,			
Receive fixed/ Pay float	Borrowed money, Securities and Loans	¥ 309,247	¥308,664	¥39,603
Receive float/ Pay fixed		35,195	30,347	(1,560)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	1,011,685	843,262	*3
Receive float/ Pay fixed	Loans	57,311	32,355	
Total		—	—	¥38,043

	Hedged item	Thousands of U.S. Dollars 2016 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money,			
Receive fixed/ Pay float	Securities and Loans	$ —	$ —	$ —
Receive float/ Pay fixed		845,467	777,035	(14,038)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds,	9,146,643	7,650,033	*3
Receive float/ Pay fixed	Securities and Loans	17,155	17,155	
Total		—	—	$(14,038)

*1. DBJ Inc. applies the deferral method of hedge accounting primarily stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.

*3. The above interest rate swap contracts which qualify for the hedging requirements of the accrual method are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 29 "Financial Instruments and Related Disclosures" is included in that of hedged items such as debentures, borrowed money, corporate bonds, securities and loans.

(2) Currency-related transactions

	Hedged item	Millions of Yen 2016 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures, Corporate bonds and Borrowed money	¥282,773	¥282,773	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		45,239	—	¥(149)
Bought		—	—	—
Total		—	—	¥(149)

	Hedged item	Millions of Yen 2015 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures and Corporate bonds	¥155,782	¥151,855	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		51,065	—	¥1,787
Bought		—	—	—
Total		—	—	¥1,787

	Hedged item	Thousands of U.S. Dollars 2016 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures, Corporate bonds and Borrowed money	$2,509,531	$2,509,531	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		401,485	—	$(1,327)
Bought		—	—	—
Total		—	—	$(1,327)

*1. Fair values are based primarily on discounted present values.
*2. The above currency swaps which qualify for the hedging requirements of assignment method are not subject to the disclosure of fair value information. In addition, the fair value of such foreign currency swaps in Note 29 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures, corporate bonds and borrowed money.

(3) Equity-related transactions
Not applicable.

(4) Bond-related transactions
Not applicable.

31. Fair Value of Securities and Money Held in Trust

Fair value of securities, money held in trust and negotiable certificate of deposit classified as "Cash and due from banks" as of March 31, 2016 and 2015 is summarized below.

(a) Securities

(1) Held-to-Maturity Debt Securities as of March 31, 2016 and 2015, are as follows:

		Millions of Yen		
		2016		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥171,379	¥183,334	¥11,954
	Japanese local government bonds	—	—	—
	Corporate bonds	269,860	274,714	4,853
	Other	177,552	180,258	2,706
Sub-total		618,793	638,307	19,514
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	94,012	93,265	(746)
	Other	91,245	89,607	(1,637)
Sub-total		185,257	182,873	(2,383)
Total		¥804,050	¥821,180	¥17,130

		Millions of Yen		
		2015		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥172,151	¥182,880	¥10,728
	Japanese local government bonds	—	—	—
	Corporate bonds	308,070	313,567	5,496
	Other	306,557	312,569	6,012
Sub-total		786,779	809,017	22,237
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	63,654	63,350	(303)
	Other	65,255	64,906	(349)
Sub-total		128,909	128,256	(652)
Total		¥915,689	¥937,274	¥21,584

		Thousands of U.S. Dollars		
		2016		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$1,520,943	$1,627,037	$106,094
	Japanese local government bonds	—	—	—
	Corporate bonds	2,394,932	2,438,003	43,072
	Other	1,575,722	1,599,737	24,015
Sub-total		5,491,596	5,664,777	173,181
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	834,327	827,702	(6,625)
	Other	809,773	795,242	(14,531)
Sub-total		1,644,100	1,622,944	(21,156)
Total		$7,135,696	$7,287,721	$152,025

Note: Fair value is based on the closing price at the consolidated balance sheet date.

(2) Available-for-sale Securities as of March 31, 2016 and 2015, are as follows:

		Millions of Yen		
		2016		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 68,361	¥ 24,571	¥43,790
	Bonds	323,242	307,426	15,816
	Japanese government bonds	56,275	54,070	2,205
	Japanese local government bonds	—	—	—
	Corporate bonds	266,967	253,356	13,610
	Other	6,069	3,587	2,482
Sub-total		397,674	335,585	62,089
Carrying amount does not exceed cost	Equities	13,393	14,668	(1,275)
	Bonds	8,581	8,712	(131)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	8,581	8,712	(131)
	Other	35,000	35,000	—
Sub-total		56,974	58,381	(1,407)
Total		¥454,648	¥393,966	¥60,681

		Millions of Yen		
		2015		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥106,846	¥ 33,475	¥ 73,371
	Bonds	271,942	238,259	33,682
	Japanese government bonds	81,347	80,160	1,186
	Japanese local government bonds	—	—	—
	Corporate bonds	190,595	158,099	32,496
	Other	6,485	3,810	2,674
Sub-total		385,273	275,545	109,728
Carrying amount does not exceed cost	Equities	2,390	2,419	(29)
	Bonds	30,477	30,755	(278)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	30,477	30,755	(278)
	Other	72,028	72,028	—
Sub-total		104,897	105,204	(307)
Total		¥490,171	¥380,750	¥109,421

		Thousands of U.S. Dollars		
		2016		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$ 606,690	$ 218,061	$388,628
	Bonds	2,868,681	2,728,318	140,363
	Japanese government bonds	499,430	479,857	19,573
	Japanese local government bonds	—	—	—
	Corporate bonds	2,369,250	2,248,461	120,789
	Other	53,865	31,834	22,031
Sub-total		3,529,235	2,978,213	551,022
Carrying amount does not exceed cost	Equities	118,859	130,183	(11,324)
	Bonds	76,155	77,321	(1,166)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	76,155	77,321	(1,166)
	Other	310,614	310,614	—
Sub-total		505,628	518,118	(12,490)
Total		$4,034,863	$3,496,331	$538,532

Note: Carrying amount above represents the fair values determined based on the closing price at the fiscal year-end.

(3) Available-for-sale Securities sold during the year ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		
	2016		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥ 67,916	¥45,705	¥ 1
Bonds	106,641	3,332	376
Japanese government bonds	82,364	2,957	57
Japanese local government bonds	—	—	—
Corporate bonds	24,277	375	319
Other	3,518	376	0
Total	¥178,075	¥49,414	¥378

	Millions of Yen		
	2015		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥36,599	¥18,226	¥ 1
Bonds	20,203	94	1
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Corporate bonds	20,203	94	1
Other	2,579	1,354	—
Total	¥59,382	¥19,675	¥ 2

	Thousands of U.S. Dollars		
	2016		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$ 602,737	$405,620	$ 17
Bonds	946,409	29,576	3,345
Japanese government bonds	730,955	26,243	509
Japanese local government bonds	—	—	—
Corporate bonds	215,454	3,333	2,835
Other	31,221	3,346	0
Total	$1,580,368	$438,542	$3,361

(b) Money Held in Trust

(1) Money Held in Trust for the Purpose of Investment

Not applicable.

(2) Other (other than for the purpose of investment and held to maturity)

	Millions of Yen				
	2016				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥17,786	¥16,821	¥964	¥964	¥—

	Millions of Yen				
	2015				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥54,853	¥54,451	¥401	¥401	¥—

	Thousands of U.S. Dollars				
	2016				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$157,846	$149,290	$8,556	$8,556	$—

(c) Unrealized Gain on Available-for-sale Securities

The breakdown of unrealized gain on available-for-sale securities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain on			
Available-for-sale securities	¥ 69,550	¥132,657	$ 617,238
Other money held in trust	964	401	8,556
Deferred tax liabilities	(20,395)	(39,142)	(181,008)
Unrealized gain on available-for-sale securities before interest adjustments	50,118	93,917	444,787
Amount corresponding to non-controlling interests	—	(8,023)	—
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	4,956	(28)	43,984
Unrealized gain on available-for-sale securities, net of taxes	¥ 55,074	¥ 85,865	$ 488,771

*1. The loss of ¥4,010 million ($35,588 thousand) and the profit of ¥5,170 million recognized by applying the fair value hedge accounting, which was reflected in profit or loss, is deducted from above unrealized gain on available-for-sale securities, net of taxes, as of March 31, 2016 and 2015, respectively.
*2. Unrealized gain includes foreign currency translation adjustments on available-for-sale securities denominated in foreign currency whose fair value cannot be reliably determined as of March 31, 2016 and 2015.

32. Related Party Transactions

Related party transactions for the years ended March 31, 2016 and 2015 are as follows:

				2016			
				Transaction Amount		Balance at March 31, 2016	
Related party	Category	Description	Account item	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 65,000	$ 576,855	—	—
		Borrowings*2	Borrowed money	300,000	2,662,407	¥3,929,091	$34,869,464
		Repayments		437,328	3,881,152		
		Payment for interest	Accrued expenses	39,961	354,643	12,688	112,606
		Guarantees*3	—	2,937,092	26,065,782	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,723,044 million ($24,166,170 thousand) from Japan Finance Corporation relating to the crisis response operations.
*1. Receipt of contribution is related to the special investment operations.
*2. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is October 20, 2035 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

				2015	
				Transaction Amount	Balance at March 31, 2015
Related party	Category	Description	Account item	Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Borrowings*1	Borrowed money	¥ 300,000	¥4,066,419
		Repayments		447,275	
		Payment for interest	Accrued expenses	44,822	13,687
		Guarantees*2	—	2,895,482	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,286,500 million from Japan Finance Corporation relating to the crisis response operations.
*1. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is October 20, 2034 without posting collateral.
*2. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

33. Subsequent Event

On June 29, 2016, the shareholders approved the following appropriations of retained earnings. Subsequently, the timing and amounts for dividends were authorized by the Finance Minister on June 30, 2016:

Appropriations of Retained earnings as of March 31, 2016

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥671-$5.95 per share)	¥29,277	$259,827

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Development Bank of Japan Inc.:

We have audited the accompanying consolidated balance sheet of Development Bank of Japan Inc. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Development Bank of Japan Inc. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 17, 2016
(June 29, 2016 as to Note 33)

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)
Development Bank of Japan Inc.

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note) 2016
Assets			
Cash and due from banks	¥ 433,496	¥ 287,698	$ 3,847,145
Call loans	—	335,000	—
Reverse repurchase agreements	—	5,299	—
Money held in trust	16,032	53,742	142,286
Securities	1,828,773	1,848,890	16,229,798
Loans	13,119,393	13,409,078	116,430,540
Other assets	172,215	138,722	1,528,358
Tangible fixed assets	113,291	114,863	1,005,425
Intangible fixed assets	6,883	5,279	61,089
Prepaid pension costs	1,290	1,326	11,449
Customers' liabilities for acceptances and guarantees	180,124	167,482	1,598,553
Allowance for loan losses	(61,907)	(83,460)	(549,407)
Allowance for investment losses	(594)	(525)	(5,279)
Total assets	¥15,808,999	¥16,283,399	$140,299,958
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,221,870	¥ 3,220,206	$ 28,593,101
Borrowed money	7,840,720	8,566,219	69,583,955
Corporate bonds	1,501,288	1,341,602	13,323,466
Other liabilities	176,320	218,200	1,564,792
Accrued bonuses to employees	4,400	4,415	39,049
Accrued bonuses to directors	11	11	105
Reserve for employees' retirement benefits	6,544	6,601	58,080
Reserve for directors' retirement benefits	56	66	504
Reserve for contingent losses	16	12	143
Deferred tax liabilities	27,603	39,175	244,970
Acceptances and guarantees	180,124	167,482	1,598,553
Total liabilities	12,958,957	13,563,994	115,006,719
Equity:			
Common stock authorized, 160,000 thousand shares in 2016 and 2015; issued, 43,632 thousand shares in 2016 and 2015	1,000,424	1,206,953	8,878,452
Crisis response reserve	206,529	—	1,832,881
Special investment reserve	130,000	—	1,153,710
Special investment surplus	618	—	5,491
Capital surplus	995,466	1,060,466	8,834,455
Retained earnings	429,751	335,018	3,813,914
Unrealized gain on available-for-sale securities	52,206	84,749	463,319
Deferred gain on derivatives under hedge accounting	35,045	32,217	311,018
Total equity	2,850,042	2,719,404	25,293,239
Total liabilities and equity	¥15,808,999	¥16,283,399	$140,299,958

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Non-Consolidated Statement of Income (Unaudited)

Development Bank of Japan Inc.

For the year ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note) 2016
Income			
Interest income:	¥216,972	¥236,107	$1,925,566
Interest on loans	187,526	207,042	1,664,243
Interest and dividends on securities	21,402	20,748	189,937
Interest on call loans	82	149	735
Interest on reverse repurchase agreements	226	231	2,008
Interest on due from banks	43	46	387
Interest on swaps	7,549	7,720	66,997
Other interest income	141	167	1,259
Fees and commissions	10,333	8,091	91,707
Other operating income	9,526	14,015	84,545
Other income	108,148	70,575	959,783
Total income	**344,981**	**328,790**	**3,061,601**
Expenses			
Interest expense:	106,933	117,846	949,001
Interest on debentures	35,056	36,488	311,119
Interest on call money and bills sold	0	0	1
Interest on borrowed money	66,982	76,785	594,447
Interest on short-term corporate bonds	202	12	1,799
Interest on corporate bonds	4,623	4,497	41,030
Other interest expense	68	62	606
Fees and commissions	391	662	3,474
Other operating expenses	8,296	10,751	73,628
General and administrative expenses	42,401	40,352	376,298
Other expenses	12,660	10,974	112,359
Total expenses	**170,683**	**180,588**	**1,514,760**
Income before income taxes	**174,298**	**148,202**	**1,546,841**
Income taxes:			
Current	50,844	50,322	451,233
Deferred	5,587	7,798	49,585
Total income taxes	**56,432**	**58,121**	**500,817**
Net income	**¥117,865**	**¥ 90,080**	**$1,046,024**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Development Bank of Japan Inc.

For the year ended March 31, 2016	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
	Millions of Yen				
Balance at beginning of year	¥1,206,953	¥ —	¥ —	¥ —	¥1,060,466
Investment from government			65,000		
Transfer from common stock to crisis response reserve	(206,529)	206,529			
Transfer account from capital surplus to special investment reserve			65,000		(65,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				618	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥130,000	¥618	¥ 995,466

For the year ended March 31, 2016	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
	Millions of Yen			
Balance at beginning of year	¥335,018	¥ 84,749	¥32,217	¥2,719,404
Investment from government				65,000
Transfer from common stock to crisis response reserve				
Transfer account from capital surplus to special investment reserve				
Cash dividends	(22,514)			(22,514)
Net income	117,865			117,865
Transfer from retained earnings to special investment surplus	(618)			
Net change during the year		(32,542)	2,828	(29,714)
Balance at end of year	¥429,751	¥ 52,206	¥35,045	¥2,850,042

For the year ended March 31, 2015	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
	Millions of Yen				
Balance at beginning of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466
Cumulative effects of changes in accounting policies					
Restated balance	1,206,953	—	—	—	1,060,466
Cash dividends					
Net income					
Net change during the year					
Balance at end of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466

For the year ended March 31, 2015	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
	Millions of Yen			
Balance at beginning of year	¥275,716	¥37,703	¥29,243	¥2,610,081
Cumulative effects of changes in accounting policies	26			26
Restated balance	275,742	37,703	29,243	2,610,108
Cash dividends	(30,804)			(30,804)
Net income	90,080			90,080
Net change during the year		47,046	2,973	50,020
Balance at end of year	¥335,018	¥84,749	¥32,217	¥2,719,404

For the year ended March 31, 2016	Thousands of U.S. Dollars (Note) Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$10,711,333	$ —	$ —	$ —	$9,411,310
Investment from government			576,855		
Transfer from common stock to crisis response reserve	(1,832,881)	1,832,881			
Transfer account from capital surplus to special investment reserve			576,855		(576,855)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				5,491	
Net change during the year					
Balance at end of year	$ 8,878,452	$1,832,881	$1,153,710	$5,491	$8,834,455

For the year ended March 31, 2016	Thousands of U.S. Dollars (Note) Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	$2,973,188	$ 752,126	$285,917	$24,133,874
Investment from government				576,855
Transfer from common stock to crisis response reserve				
Transfer account from capital surplus to special investment reserve				
Cash dividends	(199,807)			(199,807)
Net income	1,046,024			1,046,024
Transfer from retained earnings to special investment surplus	(5,491)			
Net change during the year		(288,807)	25,101	(263,706)
Balance at end of year	$3,813,914	$ 463,319	$311,018	$25,293,239

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Capital Adequacy Ratio

Although DBJ is not yet subject to Article 14-2 of the Banking Act of Japan, capital adequacy ratios have been calculated in accordance with "Criteria for Judging Whether a Financial Institution's Own Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (2006, Financial Services Agency Notification No. 19, hereinafter, the "Capital Adequacy Ratio Notification"), and therefore effectively conform to this act.
(Reference)
In addition to the application of uniform international standards, credit risk assets were calculated using the standardized approach, and equivalent operational risk was calculated using the basic indicator approach. The DBJ Group has not introduced procedures in line with market risk regulations.

[1] Capital Structure Information

Capital Structure Information (Consolidated)

(Millions of yen)

Items	March 31, 2016		March 31, 2015		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Common Equity Tier 1 capital: instruments and reserves					
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,423,204		2,589,627		1a+2-1c-26
of which: common stock and capital surplus	1,995,890		2,267,419		1a
of which: retained earnings	456,591		344,728		2
of which: treasury stock	—		—		1c
of which: planned distribution of income	29,277		22,520		26
of which: other than the above	—		—		
Rights to acquire new common shares	—		—		1b
Accumulated other comprehensive income and other disclosed reserves	391,137	35,992	48,312	72,469	3
Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	24		24		5
Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	1,316		1,838		
of which: items included in non-controlling interests, etc. subject to transitional arrangements	1,316		1,838		
Common Equity Tier 1 capital: instruments and reserves (A)	2,815,681		2,639,803		6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	3,315	2,210	1,781	2,671	8+9
of which: goodwill (including those equivalent)	436	290	333	500	8
of which: other intangible assets other than goodwill and mortgage servicing rights	2,879	1,919	1,447	2,171	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	110	73	80	120	10
Deferred gains or losses on derivatives under hedge accounting	20,736	13,824	13,324	19,987	11
Shortfall of eligible reserves to expected losses	—	—	—	—	12
Capital increase due to securitization transactions	—	—	—	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—	14
Assets for retirement benefits	1,009	672	676	1,014	15
Investments in own shares (excluding those reported in the Equity section)	—	—	—	—	16
Reciprocal cross-holdings in common equity	—	—	—	—	17

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—	18
Amount exceeding the 10% threshold on specified items	—	—	—	—	19+20+21
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	19
of which: mortgage servicing rights	—	—	—	—	20
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	21
Amount exceeding the 15% threshold on specified items	—	—	—	—	22
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	23
of which: mortgage servicing rights	—	—	—	—	24
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	25
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—		—		27
Common Equity Tier 1 capital: regulatory adjustments (B)	25,172		15,862		28
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,790,509		2,623,941		29
Additional Tier 1 capital: instruments					
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—		—		31a (30)
Rights to acquire new shares in relation to Additional Tier 1 instruments	—		—		31b (30)
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		32 (30)
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		(30)
Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)	597		10,599		34-35
Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—		—		33+35
of which: instruments issued by banks and their special purpose vehicles	—		—		33
of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)	—		—		35

(Millions of yen)

Items	March 31, 2016	March 31, 2016: Amounts excluded under transitional arrangements	March 31, 2015	March 31, 2015: Amounts excluded under transitional arrangements	Basel III Template No.
Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	384		1,269		
of which: foreign currency translation adjustments	171		970		
of which: items included in non-controlling interests, etc. subject to transitional arrangements	213		299		
Additional Tier 1 capital: instruments (D)	982		11,869		36
Additional Tier 1 capital: regulatory adjustments					
Investments in own Additional Tier 1 instruments	—	—	—	—	37
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	—	—	38
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	—	—	—	39
Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	4	3	24	37	40
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	200		500		
of which: goodwill	200		500		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		42
Additional Tier 1 capital: regulatory adjustments (E)	295		525		43
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E)) (F)	686		11,343		44
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	2,791,197		2,635,285		45
Tier 2 capital: instruments and reserves					
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown	—		—		46
Rights to acquire new shares in relation to Tier 2 instruments	—		—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		
Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		
Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)	141		157		48-49
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves	—		—		47+49
of which: instruments issued by banks and their special purpose vehicles	—		—		47
of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)	—		—		49
Total of general allowance for loan losses and eligible reserves included in Tier 2	38,493		46,580		50
of which: general allowance for loan losses	38,493		46,580		50a
of which: eligible reserves	—		—		50b

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	13,575		35,905		
of which: items included in accumulated other comprehensive income, etc. subject to transitional arrangements	13,575		35,905		
Tier 2 capital: instruments and reserves (H)	52,210		82,642		51
Tier 2 capital: regulatory adjustments					
Investments in own Tier 2 instruments	—	—	—	—	52
Reciprocal cross-holdings in Tier 2 instruments	—	—	—	—	53
Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	—	—	—	—	54
Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	—	—	—	—	55
Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	—		—		
Tier 2 capital: regulatory adjustments (I)	—		—		57
Tier 2 capital (T2)					
Tier 2 capital (T2) ((H)-(I)) (J)	52,210		82,642		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,843,407		2,717,927		59
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	2,669		3,343		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,919		2,171		
of which, significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	3		37		
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	73		120		
of which: net defined benefit assets	672		1,014		
Risk weighted assets (L)	15,908,614		16,173,097		60
Capital ratio (consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	17.54%		16.22%		61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	17.54%		16.29%		62
Total risk-weighted capital ratio (consolidated) ((K)/(L))	17.87%		16.80%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	72,291		82,005		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	1,221		966		73
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		—		74
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	2,332		1,890		75

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	38,493		46,580		76
Cap on inclusion of general allowance for loan losses	195,844		199,133		77
Eligible reserves for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	—		—		78
Cap for inclusion of reserves in Tier 2 under internal ratings-based approach	—		—		79
Capital instruments subject to transitional arrangements					
Current cap on Additional Tier 1 instruments subject to transitional arrangements	—		—		82
Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	—		—		83
Current cap on Tier 2 instruments subject to transitional arrangements	—		—		84
Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	—		—		85

Capital Structure Information (Non-Consolidated)

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Common Equity Tier 1 capital: instruments and reserves					
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,396,364		2,579,918		1a+2-1c-26
of which: common stock and capital surplus	1,995,890		2,267,419		1a
of which: retained earnings	429,751		335,018		2
of which: treasury stock	—		—		1c
of which: planned distribution of income	29,277		22,520		26
of which: other than the above	—		—		
Rights to acquire new common shares	—		—		1b
Valuation and translation adjustment and other disclosed reserves	389,499	34,900	46,786	70,179	3
Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	—		—		
Common Equity Tier 1 capital: instruments and reserves (A)	2,785,863		2,626,704		6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	2,855	1,903	1,428	2,143	8+9
of which: goodwill (including those equivalent)	—	—	—	—	8
of which: other intangible assets other than goodwill and mortgage servicing rights	2,855	1,903	1,428	2,143	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—	10
Deferred gains or losses on derivatives under hedge accounting	21,027	14,018	12,886	19,330	11
Shortfall of eligible reserves to expected losses	—	—	—	—	12
Capital increase due to securitization transactions	—	—	—	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—	14
Prepaid pension cost	535	356	356	534	15
Investments in own shares (excluding those reported in the Equity section)	—	—	—	—	16
Reciprocal cross-holdings in common equity	—	—	—	—	17
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	—	—	—	—	18
Amount exceeding the 10% threshold on specified items	—	—	—	—	19+20+21
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	19
of which: mortgage servicing rights	—	—	—	—	20
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	21

Financial Condition

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.	
Amount exceeding the 15% threshold on specified items	—	—	—	—	22	
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	23	
of which: mortgage servicing rights	—	—	—	—	24	
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	25	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	4		24		27	
Common Equity Tier 1 capital: regulatory adjustments (B)	24,422		14,697		28	
Common Equity Tier 1 capital (CET1)						
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,761,441		2,612,007		29	
Additional Tier 1 capital: instruments						
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—		—		31a	
Rights to acquire new shares in relation to Additional Tier 1 instruments	—		—		31b	30
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		32	
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—			
Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—		—		33+35	
Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	—		—			
Additional Tier 1 capital: instruments (D)	—		—		36	
Additional Tier 1 capital: regulatory adjustments						
Investments in own Additional Tier 1 instruments	—		—		37	
Reciprocal cross-holdings in Additional Tier 1 instruments	—		—		38	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—		—		39	
Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	4	3	24	37	40	
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	—		—			
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		42	
Additional Tier 1 capital: regulatory adjustments (E)	4		24		43	

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E)) (F)	—		—		44
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	2,761,441		2,612,007		45
Tier 2 capital: instruments and reserves					
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown	—		—		46
Rights to acquire new shares in relation to Tier 2 instruments	—		—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		
Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves	—		—		47+49
Total of general allowance for loan losses and eligible reserves included in Tier 2	38,871		46,923		50
of which: general allowance for loan losses	38,871		46,923		50a
of which: eligible reserves	—		—		50b
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	13,227		33,271		
of which: items included valuation and translation adjustments, etc. subject to transitional arrangements	13,227		33,271		
Tier 2 capital: instruments and reserves (H)	52,098		80,194		51
Tier 2 capital: regulatory adjustments					
Investments in own Tier 2 instruments	—	—	—	—	52
Reciprocal cross-holdings in Tier 2 instruments	—	—	—	—	53
Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	—	—	—	—	54
Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	—	—	—	—	55
Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	—		—		
Tier 2 capital: regulatory adjustments (I)	—		—		57
Tier 2 capital (T2)					
Tier 2 capital (T2) ((H)-(I)) (J)	52,098		80,194		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,813,539		2,692,202		59

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	2,263		2,715		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,903		2,143		
of which: significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	3		37		
of which: prepaid pension cost	356		534		
Risk weighted assets (L)	16,695,289		16,431,381		60
Capital ratio (non-consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	16.54%		15.89%		61
Tier 1 risk-weighted capital ratio (non-consolidated) ((G)/(L))	16.54%		15.89%		62
Total risk-weighted capital ratio (non-consolidated) ((K)/(L))	16.85%		16.38%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	72,321		79,434		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	394		348		73
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		—		74
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	2,124		1,707		75
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	38,871		46,923		76
Cap on inclusion of general allowance for loan losses	205,678		202,355		77
Eligible reserves for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	—		—		78
Cap for inclusion of reserves in Tier 2 under internal ratings-based approach	—		—		79
Capital instruments subject to transitional arrangements					
Current cap on Additional Tier 1 instruments subject to transitional arrangements	—		—		82
Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	—		—		83
Current cap on Tier 2 instruments subject to transitional arrangements	—		—		84
Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	—		—		85

[2] Qualitative Disclosure

1. Scope of Consolidation

(1) Differences and the reasons for those differences at companies included in the scope of consolidation based on the regulation (Ministry of Finance Regulation No. 28, 1976) related to the companies belonging to the group of companies included in the scope of calculation of the consolidated capital adequacy ratio as provided in Article 3 of the Notification (hereinafter, the "Consolidated Group"), and the language, format and preparation method of their consolidated financial statements (hereinafter, the "Scope of Accounting Consolidation")
No differences.

(2) Within the Consolidated Group, the number of consolidated subsidiaries and the names and main businesses of principal consolidated subsidiaries.
The number of consolidated subsidiaries as of March 31, 2016 is 25.
Principal consolidated subsidiaries

Company	Principal Businesses
Japan Economic Research Institute Inc.	Research, consulting and advisory services
Value Management Institute, Inc.	Research, consulting and advisory services
DBJ Securities Co., Ltd.	Securities business
DBJ Capital Co., Ltd.	Management of investment associations
DBJ Asset Management Co., Ltd.	Investment management, investment advisory and agency services
DBJ Singapore Limited	Investment and loan support and advisory services
DBJ Europe Limited	Investment and loan support and advisory services
DBJ Investment Advisory Co., Ltd.	Investment advisory and agency services
DBJ Real Estate Co., Ltd.	Real estate leasing
DBJ Investment Consulting (Beijing) Co., Ltd.	Investment and loan support and advisory services

(3) Number of affiliated companies that conduct financial business to which Article 9 of the Notification applies, the names of affiliated companies conducting such related financial business and their primary businesses
Not applicable.

(4) Companies that belong to the Consolidated Group but are not included in the Scope of Accounting Consolidation and companies that do not belong to the Consolidated Group but are included in the Scope of Accounting Consolidation, as well as the amount of total assets and net assets on their balance sheets, and their primary businesses
Not applicable.

(5) Overview of limitations related to the transfer of funds or capital within the Consolidated Group
Not applicable.

2. Overview of Methods for Evaluating the Degree of Capital Adequacy

Regarding the degree of capital adequacy, DBJ quantifies credit risk, investment risk, interest rate risk and operational risk, compares the total risk amount with total capital and measures the capital surplus. This surplus enables DBJ 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 DBJ 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 (EL), 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. DBJ periodically compares UL and capital to measure the amount of capital in surplus.

(b) Rating Agencies Eligible to Weight Risks

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 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	DBJ obtains collateral or guarantees as necessary based on changes in the borrower's creditworthiness. If required, the effectiveness of collateral is determined from the perspective of the amount certain to be recovered based on a reasonable evaluation of the collateral. 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 DBJ 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	DBJ 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 Risk Characteristics** 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. DBJ conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, DBJ reviews these ratings periodically. DBJ's involvement in securitized and resecuritized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. **(b) Overview of status of implementation and operation of systems stipulated in Article 249, Paragraph 4, Items 3-6, of the Capital Adequacy Ratio Notification (including application with modifications in Capital Adequacy Ratio Notification Article 254, Paragraph 2, and Article 302-4, Item 1)** DBJ has created the systems necessary for operating within its credit risk management framework. Specifically, as one aspect of our credit risk management, our sales department endeavors to appropriately collect information related to comprehensive risk characteristics and performance, and DBJ monitors conditions to determine any changes in the borrower's creditworthiness. Related information is also provided to the credit analysis department, which may revise borrower ratings or make other adjustments on the basis of this related information as necessary. **(c) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure** DBJ employs the standardized approach for these calculations. **(d) Method of Accounting for Securitized Transactions** DBJ's involvement in securitized transactions is that of an investor. DBJ adequately accounts for these transactions in accordance with the "Accounting Standard for Financial Instruments." **(e) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure** 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 type of securitization 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).

7. Market Risk	DBJ includes in its calculation method no market risk equivalent amount.
8. Operational risk	**(a) Overview of Risk Management Policies and Procedures** DBJ defines operational risk as the risk of loss arising from internal processes, the activities of officers and employees or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ 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, tangible asset risk and reputational risk. DBJ designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, understanding risks and creating risk databases. In line with the increasing advancement and diversity of the financial business, DBJ addresses various operational risks by establishing or improving management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks. **(b) Method Used to Calculate Operational Risk Equivalent Amount** DBJ uses the basic indicator approach to calculate this risk.
9. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book	DBJ defines investment risk as its risk of sustaining a partial or total loss on the economic value of assets (including off-balance-sheet assets), owing to such factors as the worsening of an investee's 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, DBJ 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 loans make up the majority of the DBJ's lending, and DBJ seeks to reduce its interest rate risk by raising funds featuring similarly long-term, fixed rates. DBJ also employs the value at risk (VaR) and Basis Point Value (BPV) to compute various risks from the standpoint of their economic value. DBJ regularly compares VaR and 200 BPV 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** DBJ calculates interest rate risk based on the following method. (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) 200 BPV: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value

[3] Quantitative Disclosure

Quantitative Disclosure (Consolidated)

1. 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, 2016	March 31, 2015
Loans	¥12,439,266	¥12,513,935
Equities, funds	599,297	584,878
Central counterparty clearing house	15,712	12,808
Commitments and customers' liabilities for acceptances and guarantees	450,976	518,192
Bonds (JGBs and corporate bonds, etc.)	850,148	1,071,870
Reverse repurchase agreement/call loan	7,962	394,043
Other	1,122,837	935,649
Total	¥15,486,201	¥16,031,378

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

(1) By region

(Millions of yen)

	March 31, 2016	March 31, 2015
Domestic total	¥15,476,856	¥16,024,252
Overseas total	9,345	7,126

Note: "Overseas" refers to overseas consolidated subsidiaries. DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2016	March 31, 2015
Manufacturing	¥ 3,184,409	¥ 3,414,170
Agriculture and forestry	184	1,014
Fisheries	350	500
Mining, quarrying and gravel extraction	79,711	68,710
Construction	54,949	60,527
Electrical, gas, heat supply and water	3,586,791	3,507,215
Information and communications	427,900	468,917
Transportation and postal	2,418,207	2,589,470
Wholesale and retail	988,276	1,048,632
Finance and insurance	1,608,972	2,024,675
Real estate and leasing of goods	2,098,076	1,892,500
Services	320,266	322,315
Municipal government	16,645	16,405
Other	701,458	616,320
Total	¥15,486,201	¥16,031,378

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2016	March 31, 2015
Five years or less	¥7,504,681	¥7,972,828
More than five years, up to 10	4,619,964	4,536,950
More than 10 years, up to 15	1,703,740	1,751,721
More than 15 years	630,494	855,797
No maturity date	1,027,321	914,080

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

(Millions of yen)

	March 31, 2016	March 31, 2015
Risk weight 0%	¥ 564,565	¥ 532,466
Risk weight 10%	6,185	11,411
Risk weight 20%	1,265,891	1,845,956
Risk weight 50%	6,424,898	6,569,284
Risk weight 100%	7,065,556	6,946,420
Risk weight 150%	40,439	13,836
Risk weight 250%	6,490	6,439
Risk weight 1,250%	2,242	1,888
Other	79,448	68,294

2. 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, 2016	March 31, 2015
Structured finance	¥1,007,271	¥957,747
Of which, resecuritization exposure	—	—
Credit derivatives	7,328	16,904
Of which, resecuritization exposure	5,454	10,514
Funds*	211,724	223,706
Of which, resecuritization exposure	—	—

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

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

(Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	0%	Balance	¥ 76,766	¥ 70,576
		Capital requirement	0	0
Risk weight	20%	Balance	74,905	69,875
		Capital requirement	1,198	1,118
Risk weight	50%	Balance	44,945	29,243
		Capital requirement	1,797	1,169
Risk weight	100%	Balance	681,563	670,599
		Capital requirement	54,525	53,647
Risk weight	1,250%	Balance	322,615	347,169
		Capital requirement	322,615	347,169
Risk weight	Other*	Balance	20,073	378
		Capital requirement	6,334	63

* Applying to exposure the transitional arrangements indicated in Article 15 of the Supplementary Provisions to the Capital Adequacy Ratio Notification.

Resecuritization exposure (Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	40%	Balance	¥5,454	¥10,514
		Capital requirement	174	336

(3) A 1,250% risk weight is applied to the breakdown of securitization exposure amounts in accordance with Article 247 of the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2016	March 31, 2015
Structured finance	¥111,401	¥123,850
Funds*	211,214	223,328

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(4) Breakdown of retained resecuritization exposure by application of techniques to mitigate credit risks and guarantors, or by risk weighting applied to guarantors.

Not applicable.

(5) Amount of credit risk assets calculated with application of Article 15 of the Supplementary Provisions to the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2016	March 31, 2015
Credit risk assets	¥—	¥—

3. Interest Rate Risk in the Banking Book

	March 31, 2016	March 31, 2015
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: ¥10.1 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: ¥13.9 billion

Composition of Leverage Ratio Disclosure (Consolidated)

(Millions of yen)

Item		March 31, 2016	March 31, 2015	Corresponding Line No. on Basel III Disclosure Template: Table 2		Table 1
On-balance sheet exposures (1)						
On-balance sheet exposures before deducting adjustments items		15,645,193	16,126,048	1		
Total assets reported in the consolidated balance sheet		15,907,180	16,360,608		1a	1
The amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)		—	—		1b	2
The amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)		—	—		1c	7
The amount of assets that are deducted from the total assets reported in the consolidated balance sheet (except adjustment items) (-)		261,986	234,560		1d	3
The amount of adjustment items pertaining to Tier1 capital (-)		4,731	3,063	2		7
Total on-balance sheet exposures	(a)	15,640,462	16,122,985	3		
Exposures related to derivatives transactions (2)						
Replacement cost associated with derivatives transactions, etc.		118,524	181,079	4		
Add-on amount associated with derivatives transactions, etc.		49,676	60,645	5		
The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.		13,873	937			
The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework		—	—	6		
The amount of deductions of receivables (out of those arising from providing cash variation margin) (-)		—	—	7		
The amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (-)		—	—	8		
Adjusted effective notional amount of written credit derivatives		13,828	20,404	9		
The amount of deductions from effective notional amount of written credit derivatives (-)		—	—	10		
Total exposures related to derivative transactions	(b)	195,903	263,067	11		4
Exposures related to repo transactions (3)						
The amount of assets related to repo transactions, etc.		—	5,299	12		
The amount of deductions from the assets above (line 12) (-)		—	—	13		
The exposures for counterparty credit risk for repo transactions, etc.		—	0	14		
The exposures for agent repo transactions		—	—	15		
Total exposures related to repo transactions, etc.	(c)	—	5,300	16		5
Exposures related to off-balance sheet transactions (4)						
Notional amount of off-balance sheet transactions		1,163,033	1,041,229	17		
The amount of adjustments for conversion in relation to off-balance sheet transactions (-)		332,330	290,874	18		
Total exposures related to off-balance sheet transactions	(d)	830,702	750,354	19		6
Leverage ratio on a consolidated basis (5)						
The amount of capital (Tier1 capital)	(e)	2,791,197	2,635,285	20		
Total exposures ((a)+(b)+(c)+(d))	(f)	16,667,068	17,141,706	21		8
Leverage ratio on a consolidated basis ((e)/(f))		16.74%	15.37%	22		

Quantitative Disclosure (Non-Consolidated)

1. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2016	March 31, 2015
(a) Capital requirement to total credit risk	¥1,316,522	¥1,295,076
(1) Exposure by portfolio to which standardized method applied	859,308	868,388
(i) Japanese government and regional municipal bodies	—	—
(ii) Exposure to financial institutions	14,534	21,198
(iii) Exposure to corporations	775,437	778,030
(iv) Equity exposure	57,615	57,445
(v) Other exposure	11,721	11,713
(2) Securitization risk exposure	448,372	416,047
(3) Central counterparty clearing house	25	20
(4) Capital requirement to credit valuation adjustment (CVA) risk	8,817	10,620
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	19,100	19,434
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	1,335,622	1,314,510

2. 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, 2016	March 31, 2015
Loans	¥12,662,784	¥12,715,642
Equities, funds	657,256	654,084
Central counterparty clearing house	15,712	12,808
Commitments and customers' liabilities for acceptances and guarantees	453,128	521,833
Bonds (JGBs and corporate bonds, etc.)	850,148	1,071,828
Reverse repurchase agreement/call loan	7,962	394,043
Other	831,624	747,151
Total	¥15,478,616	¥16,117,392

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

(1) By region

(Millions of yen)

	March 31, 2016	March 31, 2015
Domestic total	¥15,478,616	¥16,117,392
Overseas total	—	—

Note: DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2016	March 31, 2015
Manufacturing	¥ 3,184,409	¥ 3,414,170
Agriculture and forestry	184	1,014
Fisheries	350	500
Mining, quarrying and gravel extraction	79,711	68,710
Construction	54,949	60,527
Electrical, gas, heat supply and water	3,586,791	3,507,215
Information and communications	427,900	468,917
Transportation and postal	2,418,207	2,589,470
Wholesale and retail	988,276	1,048,632
Finance and insurance	1,834,706	2,242,843
Real estate and leasing of goods	2,174,852	1,969,613
Services	321,379	323,428
Municipal government	16,645	16,405
Other	390,250	405,940
Total	¥15,478,616	¥16,117,392

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2016	March 31, 2015
Five years or less	¥7,646,767	¥8,066,411
More than five years, up to 10	4,674,053	4,614,243
More than 10 years, up to 15	1,703,740	1,751,721
More than 15 years	635,901	864,197
No maturity date	818,154	820,817

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

(Millions of yen)

	March 31, 2016	March 31, 2015
Risk weight 0%	¥ 564,565	¥ 532,466
Risk weight 10%	6,185	11,411
Risk weight 20%	1,237,802	1,815,834
Risk weight 50%	6,424,898	6,569,284
Risk weight 100%	7,078,666	7,051,069
Risk weight 150%	40,439	13,836
Risk weight 250%	5,455	5,638
Risk weight 1,250%	2,242	1,888
Other	89,609	69,429

3. 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, 2016	March 31, 2015
Eligible financial collaterals	¥ —	¥ 5,299
Guarantees or credit derivatives	1,002,656	1,016,328

4. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods

(Millions of yen)

		March 31, 2016	March 31, 2015
Equivalent credit calculation method		Current exposure method	Current exposure method
Gross restructuring cost		¥175,991	¥246,921
Gross add-on, by transaction type		59,799	72,790
	Interest rate transactions	28,496	35,496
	Foreign exchange transactions	30,954	37,071
	Credit derivative transactions	325	175
	Other commodity transactions	24	48
Reducing credit equivalent amounts through netting		73,028	80,322
Net equivalent credit		162,762	239,389
	Net restructuring cost	118,206	180,678
Notional amounts of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision	Credit default swaps provision	13,829	20,404
	Credit default swaps purchase	6,500	3,500
Notional amounts of credit derivatives taking into account credit risk mitigations		—	—

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 and what are known as single-name CDS offerings include the measurement of customers' liabilities for acceptances and guarantees as consisting of the legal and other exposure of the company in question.

5. Securitization Exposure

(a) Securitization exposure in which DBJ is the originator

Not applicable.

(b) Securitization exposure in which DBJ is an investor

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

(Millions of yen)

	March 31, 2016	March 31, 2015
Structured finance	¥1,139,376	¥1,011,991
Of which, resecuritization exposure	—	—
Credit derivatives	7,328	16,904
Of which, resecuritization exposure	5,454	10,514
Funds*	211,454	201,028
Of which, resecuritization exposure	—	—

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

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

(Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	0%	Balance	¥ 76,766	¥ 70,576
		Capital requirement	—	—
Risk weight	20%	Balance	74,905	69,875
		Capital requirement	1,198	1,118
Risk weight	50%	Balance	44,945	29,243
		Capital requirement	1,797	1,169
Risk weight	100%	Balance	757,074	694,066
		Capital requirement	60,565	55,525
Risk weight	1,250%	Balance	369,500	341,992
		Capital requirement	369,500	341,992
Risk weight	Other*	Balance	29,512	13,654
		Capital requirement	15,135	15,905

* Applying to exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification.

Resecuritization exposure

(Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	40%	Balance	¥5,454	¥10,514
		Capital requirement	174	336

(3) A 1,250% risk weight is applied to the breakdown of securitization exposure amounts in accordance with Article 247 of the Capital Adequacy Ratio Notification

(Millions of yen)

	March 31, 2016	March 31, 2015
Structured finance	¥167,995	¥154,641
Funds*	201,505	187,373

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(4) Breakdown of retained resecuritization exposure by application of techniques to mitigate credit risks and guarantors, or by risk weighting applied to guarantors.

Not applicable.

6. Items Related to Market Risk

DBJ falls into the category indicated in Article 16 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount was not performed.

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

	March 31, 2016	March 31, 2015
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets		
Exposure to listed shares	¥ 84,369	¥109,519
Exposure to other equity investments and capital injections	575,946	547,155
(b) Gains or losses on the sale of equity investments or shares	45,787	12,353
Gain or loss on write-off of equity exposure	1,797	4,776
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statement of income	52,206	84,749

Notes: 1. DBJ has no gains or losses from valuation unrecognized on the non-consolidated balance sheets or the non-consolidated statement of income.
2. DBJ has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification applies.

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

Not applicable.

9. Interest Rate Risk in the Banking Book

	March 31, 2016	March 31, 2015
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: ¥10.1 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: ¥13.9 billion