



Development Bank of Japan

Design the Future
with Financial Expertise

Through the steadfast pioneering of financial frontiers, we aim to solve issues faced by our customers and society, and help realize sustainable development in Japan and the rest of the world.



Contents

2	A Top Runner in Sustainability Management
4	Section One About DBJ Group
4	DBJ Group's Corporate Philosophy
6	Our History
8	Future Social Issues and DBJ Group's Role
10	Sustainability Management
13	Section Two DBJ Group's Strategy
14	Fourth Medium-Term Management Plan: Initiate Change, Create the Future
18	Business Strategy
18	• Sector Strategy
28	• Function Strategy
38	• Area Strategy
44	Capital Strategy
44	• Financial Capital
48	• Human Capital
50	• Intellectual Capital
52	• Relationship Capital
54	• Social Capital
56	Fiscal 2016 Topics
57	Section Three Corporate Governance
66	Section Four Risk Management
71	Corporate Data
77	Data Section
78	The Development Bank of Japan Inc. Act
97	Financial Condition

Corporate Website

Latest news, financial services, case studies for investment, loans, various reports, information for investors, and details about CSR initiatives

Note: Detailed information in the main part can also be found on the DBJ corporate website.

Publication of *Integrated Report (Annual Report & CSR Report) 2017*

Development Bank of Japan Inc. (DBJ) was established in October 2008 in accordance with the Development Bank of Japan Inc. Act.

DBJ Group, including its predecessors the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation, has provided specialized financial solutions while evolving its own businesses to solve the constantly changing issues faced by its customers and society.

In the current fiscal year, DBJ launched its Fourth Medium-Term Management Plan: Initiate Change, Create the Future. Marking the commencement of a new medium-term management plan, *Integrated Report (Annual Report & CSR Report) 2017* explains for stakeholders DBJ Group's mission, vision, shared values and other aspects of its corporate philosophy, in addition to sustainability management that aims to create both economic and social value.

We aim to enhance communications with stakeholders through iterative improvements to this Integrated Report based on the opinions we receive from everyone.

Editorial Policy

This report covers DBJ Group, which consists of DBJ and its 11 main subsidiaries. Through business activities that solve social issues and through environmental, social and governance (ESG) initiatives, DBJ Group aims to further the development of a sustainable society. DBJ makes a concerted effort to disclose this information to stakeholders. In compiling this report, we have referred to the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC).



With the publication of *Integrated Report (Annual Report & CSR Report) 2017*, I would like to extend a warm greetings to all of our stakeholders on behalf of DBJ Group.

Sustainability Management: Realizing a Sustainable Society

All of our executives and employees have taken to heart the importance of balancing economic value with social value. Creating a future society that is sustainable for generations to come—this is the vision we share throughout DBJ Group, a vision that has not changed throughout our history and will remain steadfast in the future.

The sustainability management targeted by DBJ Group is an aim to perpetually improve the process of creating economic and social value with the goal of realizing a sustainable society while engaging in dialogue with all stakeholders.

Corporate Philosophy: Design the Future with Financial Expertise

Since becoming a joint-stock company in 2008, Development Bank of Japan Inc. (DBJ) has moved toward a more sophisticated business foundation by augmenting its integrated investment and loan services and strengthening risk management.

A growing range of issues, however, are affecting our business foundation, such as human resource development and workstyle reforms, in addition to our business issues including a squeeze on financing margins due to monetary easing as well as greater volatility in returns on investments.

While looking back on the progress made by DBJ Group in the past, we are looking ahead to the role we should play in a rapidly changing society in the future. We have reconstructed the essence of our corporate philosophy, embodied in our vision of our future (Vision 2030), while staying true to our mission and core values.

Fourth Medium-Term Management Plan: Initiate Change, Create the Future

Under the Fourth Medium-Term Management Plan, which commenced in the current fiscal year, we are aggressively pushing forward with measures to achieve sustained growth in line with Vision 2030, such as delving deeper into fields of strength, developing new fields, and fortifying the management foundation to support these businesses, while taking into account our past achievements and problems.

While considering the opinions of all our stakeholders, we aim to help solve the issues faced by our customers and society as a top runner in sustainability management.

July 2017



President and CEO
Development Bank of Japan Inc.

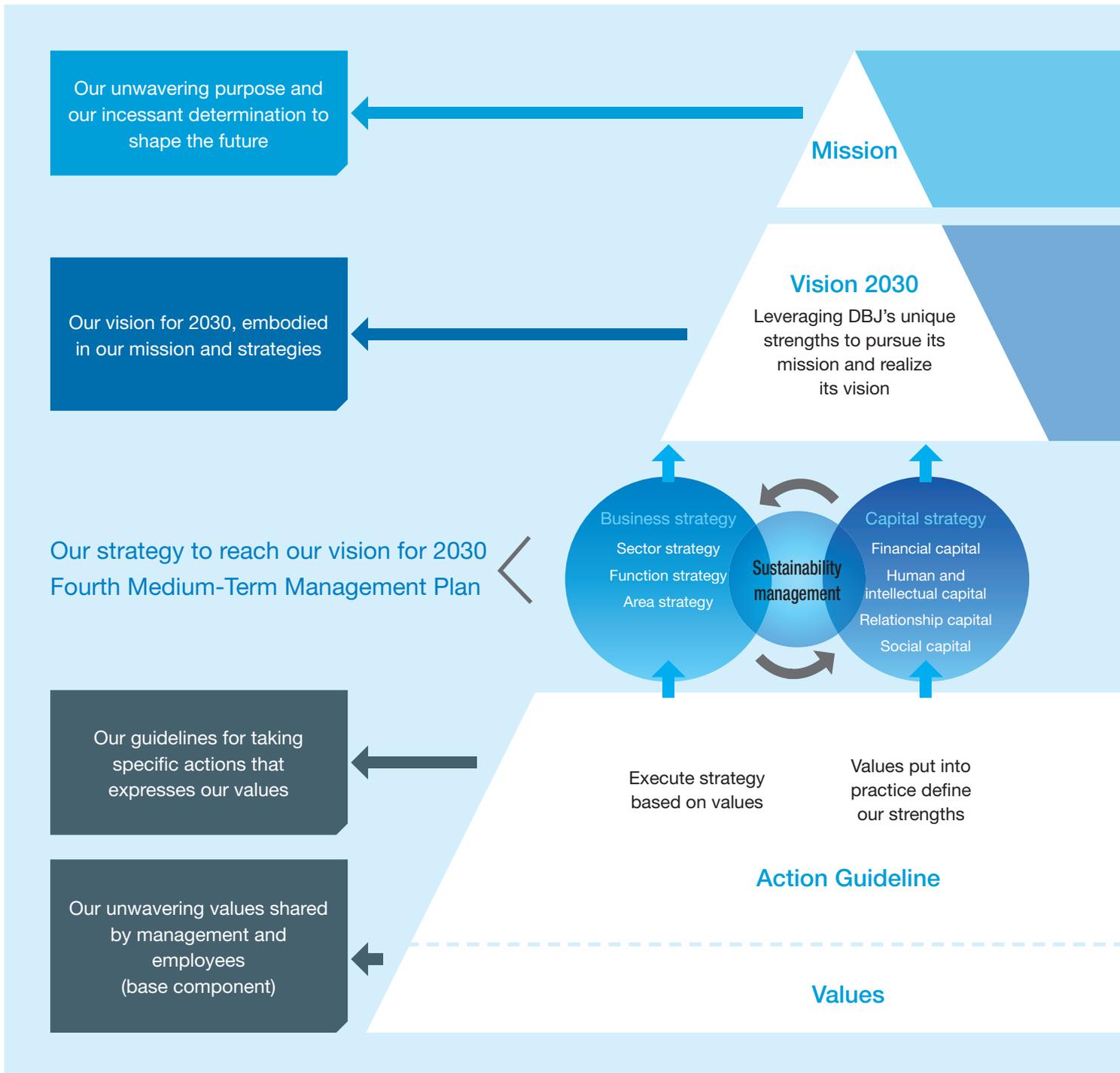
DBJ Group's Corporate Philosophy

Design the Future with Financial Expertise

DBJ Group updated its corporate philosophy to coincide with the unveiling of its Fourth Medium-Term Management Plan.

With due consideration paid to progress it has made thus far, projected changes in the business environment, and outstanding social issues, DBJ Group has formulated a mission to relentlessly pursue, core values to share, and its Vision 2030 to follow as a guide into the future.

In connection with these elements of its corporate philosophy, DBJ Group has identified four core corporate values—long-term perspective, impartiality, public-mindedness, and reliability—that also embody its strengths and areas of differentiation.



COLUMN Creation of New Action Guideline

In fiscal 2016, a project involving about 200 middle managers was undertaken to impart the meaning of our corporate philosophy and formulate a new action guideline. Around 1,000 people (for reference, we have 1,546 employees on a consolidated basis) participated in the discussion about changing our action guideline, with opinions flowing freely between middle management and their subordinates, followed by a debate among the directors.



Design the Future with Financial Expertise

Continue to expand financial frontiers;
Provide the best solutions for customers and society;
Pursue sustainable development for Japan and the world.

As industry and infrastructure professionals skilled in handling all types of risk, we will play a unique role in the economy and society of 2030—leading new business and market creation while responding to crises and other social needs.

DBJ's unique strengths assist with strategy execution
Our DNA: a long-term perspective, impartiality,
public-mindedness and reliability

Sharing Our Corporate Philosophy

Further propagating and applying our corporate philosophy will improve awareness of our social responsibility, enhance the sense of unity in DBJ Group, lower communication costs, and motivate our employees to grow with intention and a sense of mission.

- ▶ **Responsibility to future generations** • We fulfill our responsibility to the future by pursuing both economic and social value.
- ▶ **The customer's perspective** • We devote unequalled thought to each possibility—from the customer's point of view.
- ▶ **Outstanding service** • We review and enhance our services while improving productivity.
- ▶ **Commitment and cooperation** • We work tirelessly to broaden frontiers and achieve best results.
• We respect diversity and work together for greater shared value.

▶ Initiative ▶ Integrity

Our History

Our Mission and Values

The Japan Development Bank (JDB) and the Hokkaido-Tohoku Development Finance Public Corporation (HTDFP), the predecessors to DBJ, were established with the objective of reviving Japan's economy and society after the end of World War II.

These companies contributed to the sustained development of society by providing solutions in tune with the times, changing themselves while staying true to their core values of taking on challenges with integrity amid significant changes in the economic and social landscape.



Kawasaki Steel Corporation (currently JFE Steel Corporation): Construction of Chiba Steelworks (Chiba)
Modernization of steelmaking through construction of the first postwar blast furnace

1951–1955

Reconstruction and self-reliance of the economy

In 1951, JDB was established and commenced accommodation loans to facilitate the development of the power supply, which forms the basis of the economy and industry, and the rationalization, modernization, and cultivation of coal, steel, marine transportation, and other major industries.



New urban center in Shinjuku: Shinjuku Mitsui Building and others (Tokyo)
New urban center formation through redevelopment of purification plant site

1972–1984

Improvements to quality of life and stable energy supply

JDB began antipollution measures, regional and urban development, other social initiatives, and industrial development. During the first oil crisis, it provided investment and loans for energy alternatives to fossil fuels, as well as efforts to conserve energy, to ensure stable energy supplies. It also supported development of large-scale industrial sites.



Nakayama Joint Power Generation Co., Ltd.: Independent power producer (Osaka)
JDB offered project finance for Japan's first steelmaker to enter the power generation business triggered by deregulation.

1996–2000

Creation of a vibrant and affluent society and stable economy

JDB focused on such important areas as ongoing improvements to social capital, environmental and other measures, and support for venture businesses. In addition, it swiftly implemented reconstruction loans in the wake of the Great Hanshin-Awaji Earthquake and loans to stabilize the financial system by functioning as a safety net.

Economic recovery

Rapid growth

Stable growth

Economic bubble

1951 The Japan Development Bank Law enacted

1956–1965

High-growth infrastructure development

To expand and reinforce the energy and transportation activities that underpin industrial infrastructure, JDB served to power new economic expansion. It also provided loans for local development to correct regional disparities.

Established in 1956, the Hokkaido Development Finance Public Corporation was restructured in 1957 to form HTDFP and began providing investments and loans to promote industry in these two regions.



Kawasaki Kisen Kaisha, Ltd.: The Tōnegawa Maru tanker
Built tanker that was indispensable for the import of energy and raw materials

1966–1971

Strengthening of international competitiveness and creation of social development loans

Aiming to enhance international competitiveness in accordance with the transition to an open economic system, JDB focused on support for industrial system improvements and independent technological development. It also emphasized social development through regional development, urban redevelopment, logistics modernization, pollution prevention, and other measures in a bid to relieve problems accompanying high-level growth.



Sony Corporation: Trinitron color television factory
Promotion of home-grown technologies through commercial application of new technologies

1985–1995

Development of lifestyle and social infrastructure and a smooth industrial transformation

Pressing needs arose for increased domestic demand and an industrial structural shift against a background of aggravating trade friction with other countries. JDB focused on support for social capital improvement, creative technological development, and industrial transformation and other issues.

In the 1990s, it targeted environmental and energy measures and regional economic stimulation with the aim of making Japan a lifestyle superpower.



Yamagata JR Chokko Tokkyū Holdings: Yamagata Shinkansen
Improvements to regional railway infrastructure

Mission

Through the steadfast pioneering of financial frontiers, we aim to solve issues for our customers and society and help realize sustainable development in Japan and the world.

2008 onward

Development Bank of Japan Inc. established

Development Bank of Japan Inc. was established on October 1, 2008, as a special stock company by means of conversion to a joint-stock company. As an impartial provider of industrial finance, long-term funds, and risk capital provided through integrated investment and loan services, DBJ addresses the various issues that clients face.



V-Lease Corporation
DBJ entered the business of operating leases for aircraft engines, of which core parts are produced by Japanese heavy industry companies. Through this business, we aim to promote the further development of the Japanese airline industry.



Dexerials Corporation
DBJ supported the expansion of operations by providing management resources, including human resources, along with risk capital to Dexerials, which has world-leading technologies in the functional materials field.



Tobu Railway Co., Ltd.
DBJ provided assistance for urban development through redevelopment projects, including Tokyo Skytree.

Post-bubble economy

Structural reform

The 2008 financial crisis / The Great East Japan Earthquake

2007 Enactment of the Development Bank of Japan Inc. Act

2015 Amendments to the Development Bank of Japan Inc. Act
(see page 73)

Future

2001–2007

Financial solutions that support communities, the environment, and technology

In 1999, JDB and HTDFP were dissolved and the Development Bank of Japan was established. It focused its operations in three areas: community development, environmental conservation and sustainable societies, and the creation of new technologies and industries. In these ways, it contributed to the sustainable development of Japan's economy.



The Former Niigata Tekkosho Co., Ltd.
Through debtor-in-possession financing, mergers and acquisitions, and business revitalization funds, the Development Bank of Japan supported business revitalization to preserve employment and local companies' superior technologies.

Overseas business development

DBJ began to develop a foundation for providing investment and loans overseas with the intention of returning knowledge to Japan.



Senoko Power Ltd. (Singapore)
DBJ provided subordinated financing to Senoko Power, the largest electric power company in Singapore.

Global financial crisis precipitated by the 2008 financial crisis

The financial crisis in the autumn of 2008 precipitated a global financial crisis. As this situation impaired the functioning of the bond markets, corporate cash flow worsened. DBJ responded promptly with financial Crisis Response Operations. Beginning in January 2009, these operations started to include purchases of commercial paper in response to falling functionality in that market.

Great East Japan Earthquake disaster and crisis response

Responding to the March 11, 2011, Great East Japan Earthquake disaster and crisis, DBJ worked with other financial institutions to provide appropriate financing, particularly to electric power companies. Through the Great East Japan Earthquake Reconstruction Fund, established jointly with financial institutions in the disaster-stricken region, DBJ continues to provide risk capital through such methods as subordinated loans and preferred shares.

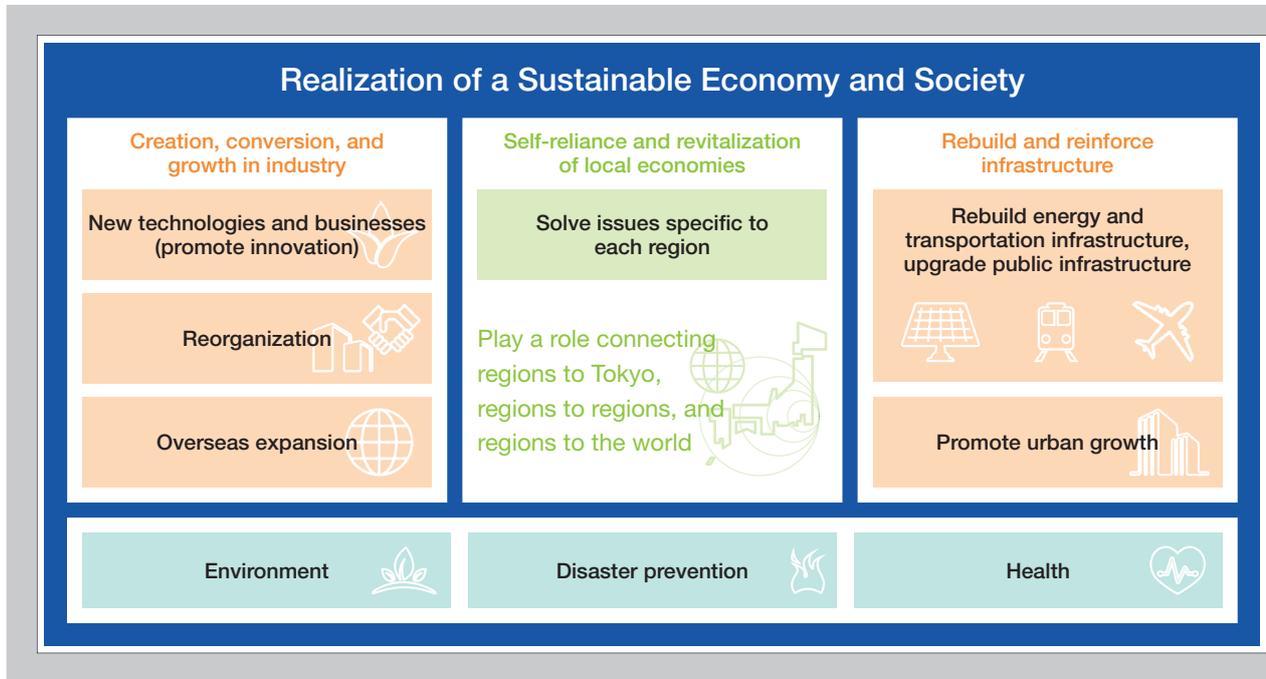
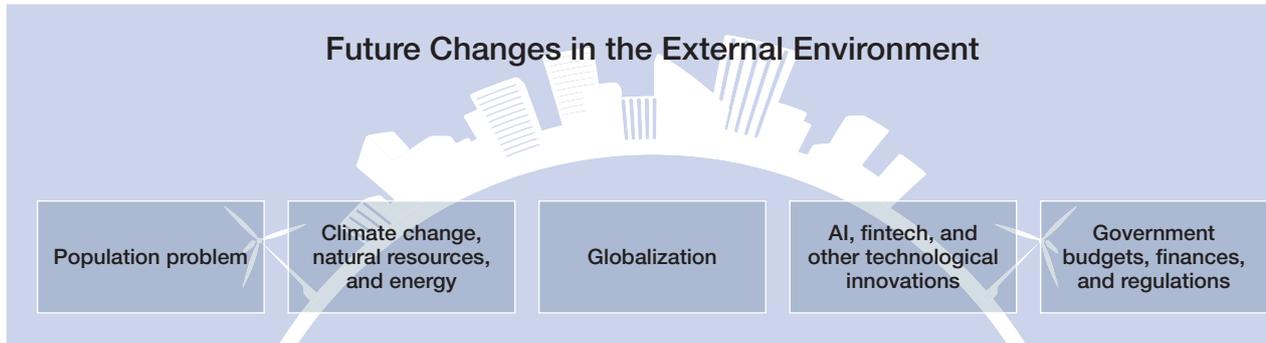
Reinforcing the function of supplying growth capital

The Act for Partial Amendment of the Development Bank of Japan Inc. Act, which was enacted on May 20, 2015, created Special Investment Operations. This new investment scheme, a portion of the funding for which is provided by the Japanese government, is a temporary measure to intensively provide the growth capital needed to promote the competitiveness of Japanese enterprises and regional revitalization.

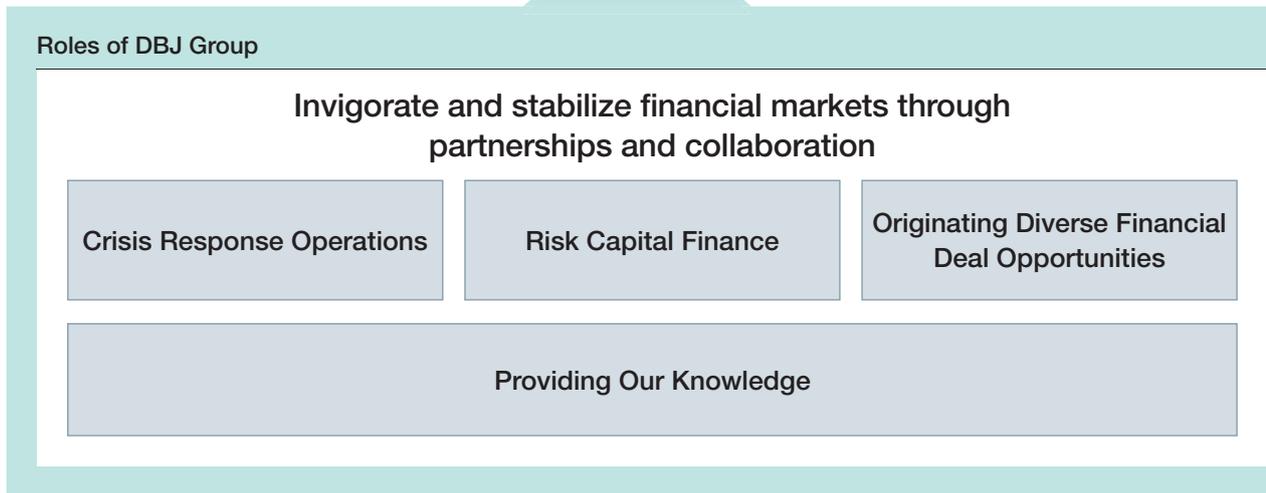
Future Social Issues and DBJ Group's Role

Vision 2030

As before, DBJ Group continues to provide unique, creative solutions to various issues faced by its customers and society amid rapid major changes in industry and finance caused by globalization and technological innovation.



Provision of creative solutions that only DBJ Group can offer amid emerging risks and opportunities brought on by faster changes in industry, finance, and society



Vision 2030

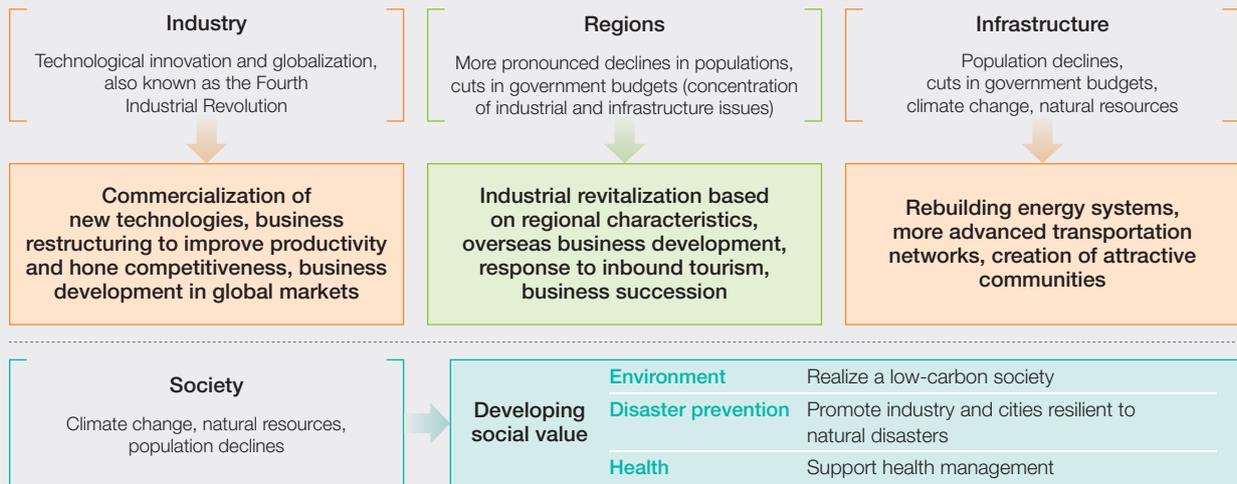
As professionals in the industrial and infrastructure fields, leveraging our ability to address diverse risks, taking the lead in creating businesses and markets, and precisely responding to such social demands as crisis response, we aim to play a unique role in the economy and society in 2030.

Future Changes in the External Environment

In formulating Vision 2030, DBJ Group took into account changes in the external environment that would have a measurable impact on its stakeholders, such as population problems, climate change, natural resources and energy, globalization, AI, fintech, and other technological innovations, as well as government budgets, finances and regulations.

Realization of a Sustainable Economy and Society

Taking into account long-term changes in the external environment, DBJ contributes to the creation of a sustainable society by providing professional, creative solutions to its regional customers' industry- and infrastructure-related issues.



Invigorate and stabilize financial markets through partnerships and collaboration

While honing its ability to respond appropriately to diverse risks, DBJ Group helps invigorate and stabilize financial markets as a participant through partnerships and collaboration with financial institutions and investors.

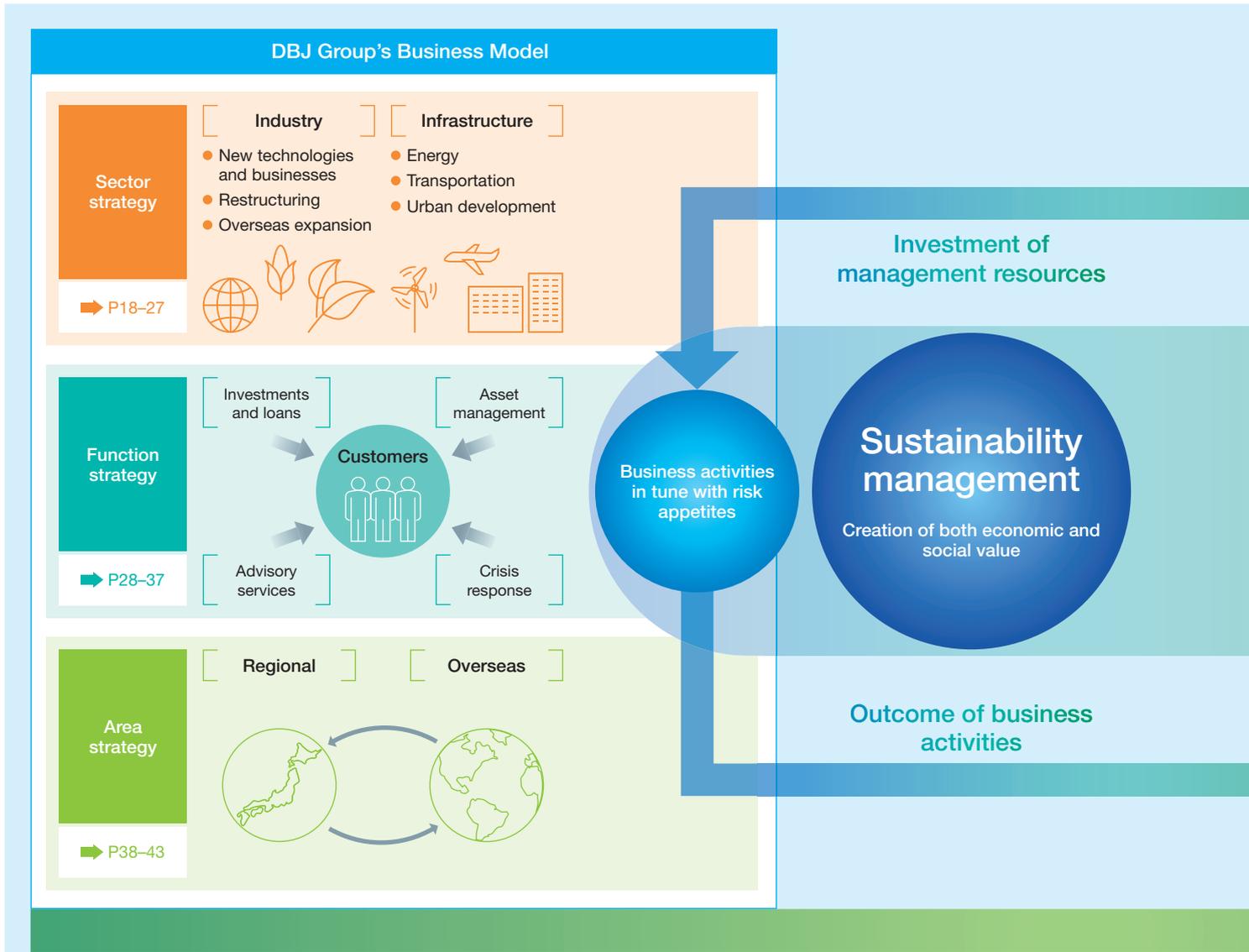


Sustainability Management

Creation of Both Economic and Social Value

In accordance with its corporate philosophy, DBJ Group strives to solve issues faced by its customers and society, and, to this end, engages in sustainability management with the aim of realizing sustainable development for Japan and the rest of the world.

DBJ Group's take on sustainability management entails the creation of both economic and social value by enhancing tangible and intangible management resources that are invested in business activities based on business models designed to leverage the advantages of integrated investment and loan services. Through engagement with stakeholders, DBJ Group contributes to the realization of a sustainable society via ongoing initiatives to improve the value creation process.

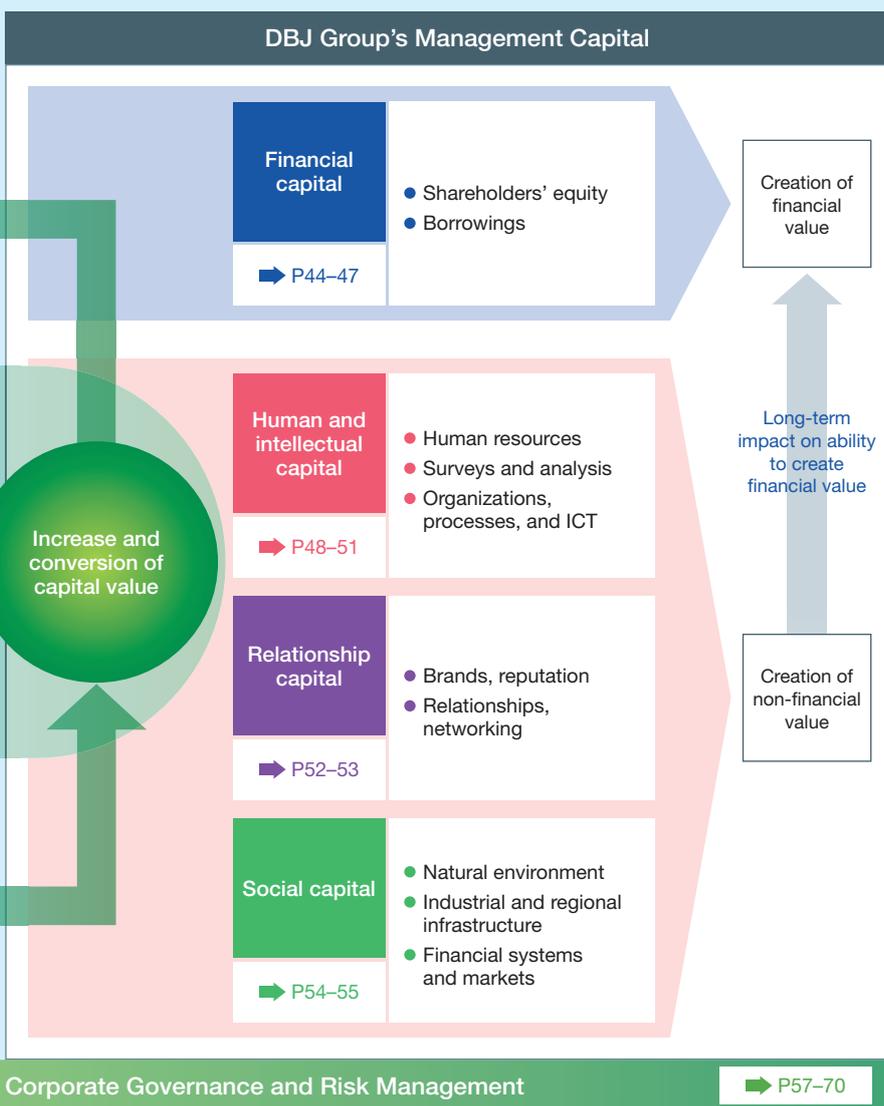


DBJ Group's Business Model

➔ P18-43

DBJ Group's business activities, including in regions and overseas, entail the provision of syndication and asset management services to customers who are investors, as well as the provision of consulting and advisory services alongside financial services with integrated investments and loans in accordance with the risk appetites of customers in industrial and infrastructure fields.

DBJ Group also engages in financial Crisis Response Operations to flexibly assist in the event of large-scale disasters or turmoil in financial markets, as stipulated by its legal obligations under the Development Bank of Japan Inc. Act.



Communication with stakeholders



Stakeholders

Customers, communities, employees, financial markets, investors, shareholders, among others

Communication with stakeholders

Dialogue with stakeholders reinforces the value creation process for both economic and social value.

DBJ Group's Management Capital ➔ P44-55

DBJ Group requires unique management capital to support the execution of its unique business model. Having secured a sound financial position, DBJ Group takes an integrated approach to raising the level of financial and non-financial capital, which it defines as the human and intellectual capital, relationship capital, and social capital that have a long-term impact on its ability to create financial value.

Sustainability Management

Creation of Both Economic and Social Value

DBJ Group contributes to the development of a sustainable society through the provision of appropriate financial solutions for solving various social issues. With the intention of reinforcing this effort, in 2017 DBJ created Policy on Sustainability to promote continuous improvements in the value creation process by advancing dialogue with stakeholders and generating both economic and social value through business activities based on its unique business model.

In the current fiscal year, DBJ Group will identify and examine social issues in Japan and abroad that it should address while referring to such international guidelines as the UN's Sustainable Development Goals, GRI's GRI Sustainability Reporting Standards and IIRC's International Integrated Reporting Framework. While taking into account discussions with stakeholders, the Sustainability Committee will advance debate on materiality (key issues) and shape future initiatives.

Policy on Sustainability (excerpt)

Contribution to a Sustainable Society

1. We work fairly and reliably to provide the solutions required to create a sustainable society by identifying material sustainability issues in our relevant fields based on trends in government policy as well as legislation and norms regarding environmental, social, and governance (ESG) criteria in Japan and throughout the world and by incorporating a recognition of the need for a sustainable society into our investing, lending, asset management and other business activities.
2. We exercise a leadership role in building the knowledge required to create a sustainable society through ongoing surveys, research and reporting on social issues.
3. We work to deepen our understanding of the impact of our own business activities on society and consistently improve them.
4. We are committed to meeting the legal and regulatory responsibilities for human rights and give consideration to the human rights of all people in each of our fields of business.
5. We work to consistently improve the process of value creation, placing importance on communication with the stakeholders.

Engagement with Stakeholders

Sustainable Growth for Customers

We provide creative investment and lending solutions to our customers in various industries and infrastructure sectors both in Japan and overseas, thereby increasing our customers' tangible and intangible value and contributing to their sustainable growth.

Self-Reliant Development of Regional Society

We place importance on partnerships with regional communities, contributing to self-reliant development of regional society through business activities conducted in cooperation with local authorities and financial institutions.

Cooperation with Employees

1. We work to promote the growth of each employee through efforts to develop skills and raise motivation while maintaining and enhancing our employees' physical and mental health.
2. We create a climate in which diverse employees, irrespective of gender, age, nationality, and physical ability, can display their ability and expertise to the fullest extent, and build an employee-friendly working environment as a necessary foundation.

Contribution toward a Developed and Stable Financial Market

1. We play a part in vitalizing the financial markets through the supply of risk money and the expansion of financial frontiers in partnership and coordination with other financial institutions. "DBJ's Special Investment Operations" will be among the instruments used for this purpose.
2. We provide highly qualified and responsible investment opportunities and investment management services as we pursue the best outcomes for our clients in our asset management business. By doing so, we meet our clients' diverse needs for funds management and stimulate the circulation of capital.
3. We serve as a safety net and thus contribute to stable financial markets through our Crisis Response Operations.

Communication with Investors

We work to consistently raise corporate value as we enhance the transparency of disclosure and pursue constructive communication with investors.

On April 1, 2017, DBJ created the Sustainability Management Office within the Corporate Planning & Coordination Department to advance these initiatives.



- 14** Fourth Medium-Term Management Plan: Initiate Change, Create the Future
- 18** Business Strategy
 - 18 Sector Strategy
 - 28 Function Strategy
 - 38 Area Strategy
- 44** Capital Strategy
 - 44 Financial Capital
 - 48 Human Capital
 - 50 Intellectual Capital
 - 52 Relationship Capital
 - 54 Social Capital
- 56** Fiscal 2016 Topics

Fourth Medium-Term Management Plan

Initiate Change, Create the Future

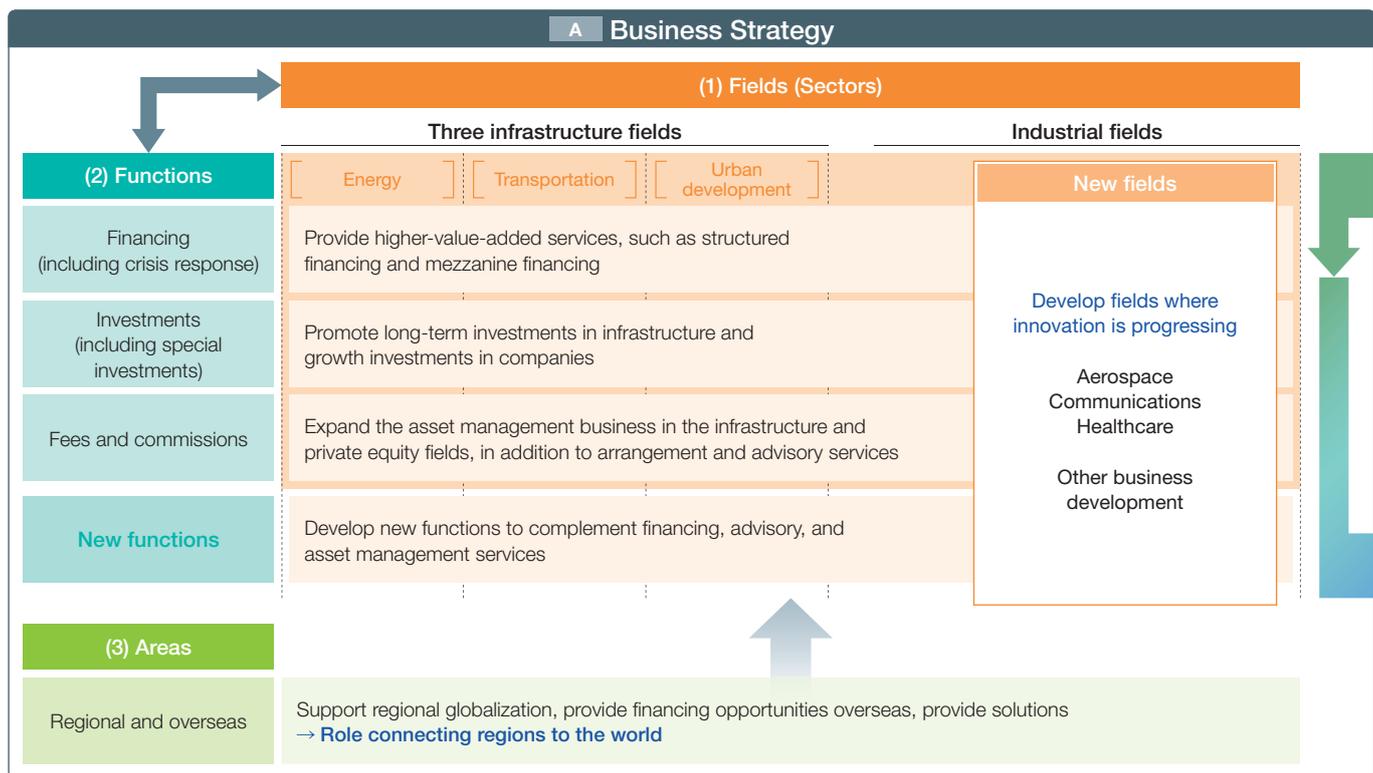
Since becoming a joint-stock company in 2008, DBJ has executed three medium-term management plans with the overarching objectives of augmenting financial services through integrated investments and loans while enhancing the sophistication of risk management for DBJ Group.

In addition to making preparations for flexibly responding in the event of a crisis, such as turmoil in financial markets or natural disasters, DBJ Group has made steady progress

advancing investments and overseas business under the Second Medium-Term Management Plan and strengthening asset management operations under the Third Medium-Term Management Plan.

In recent years, however, a number of managerial issues have surfaced—including difficulties in hiring and training necessary personnel and business reforms such as changes in workstyles—in addition to such business issues as narrower

Fourth Medium-Term Management Plan: *Initiate Change, Create the Future*



Results through Third Medium-Term Management Plan

Timeline since Establishment of DBJ



Highlights until Third Medium-Term Management Plan

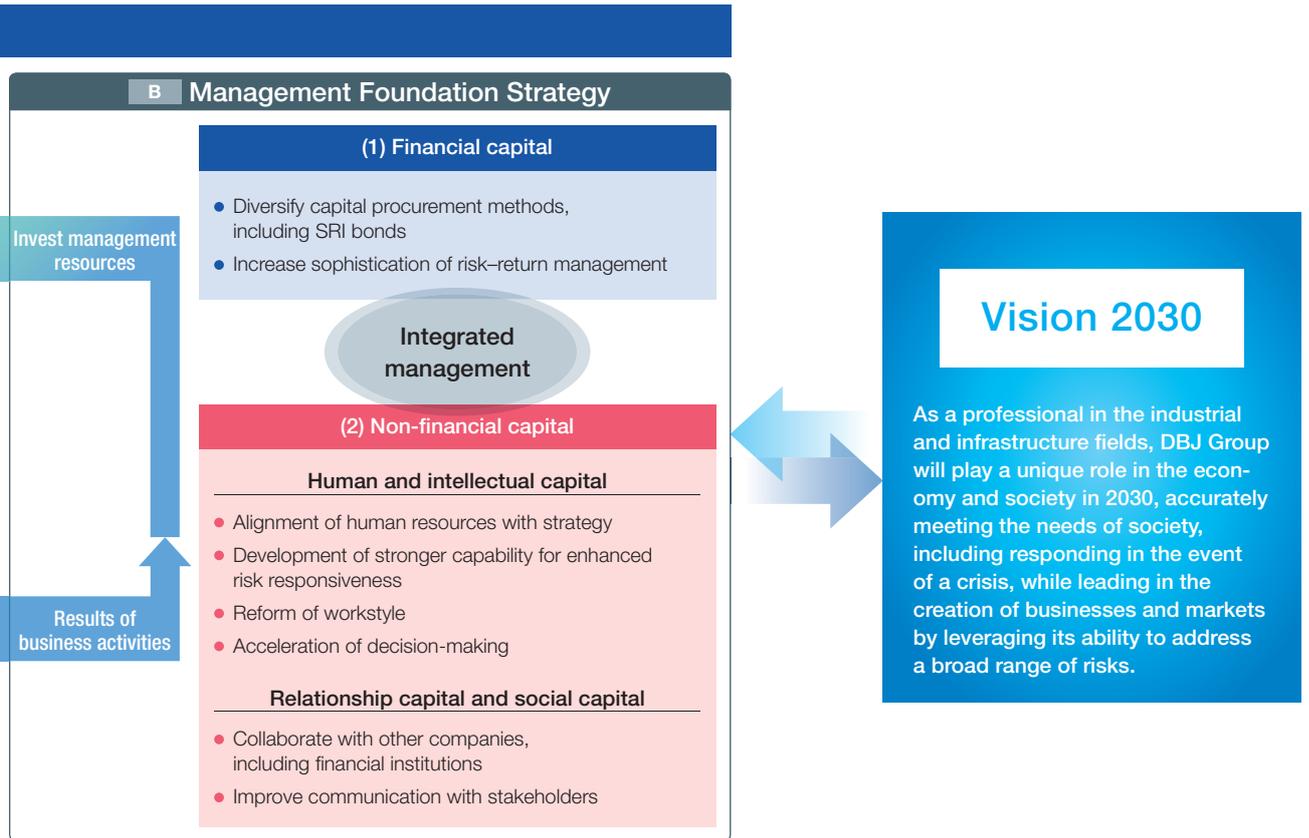
- 1. Carried out Crisis Response Operations**
Rapidly responded to financial crisis and Great East Japan Earthquake
- 2. Provided risk capital through integrated investment and loan services**
Advanced mezzanine financing and investments
- 3. Created diverse opportunities for investments and lending**
Appropriately shared risks with financial institutions, offered asset management opportunities

Having achieved success with the above initiatives and results that exceeded targets, and in consideration of its track record providing solutions to social issues, DBJ's Special Investment Operations was institutionalized with the enactment of the revised DBJ Act in 2015 (see page 30).

margins on senior loans amid monetary easing and greater volatility in returns on investments.

Amid greater uncertainties in the external environment, under the Fourth Medium-Term Management Plan, DBJ Group will take aggressive steps toward sustainable growth by delving deeper into fields of expertise, develop new fields, and strengthen the management foundation to support operations while emphasizing its core values of initiative and integrity.

The slogan of the management plan—Initiate Change, Create the Future—designates our intention to spend the next three years creating a future foundation for DBJ Group that will allow it to respond flexibly to changes in the external environment and take on the challenge of changing itself for the better.



Addressing Issues in the Fourth Medium-Term Management Plan

Monetary easing / low interest rates	Decline in profitability of investments, hardship in asset management, risk of fluctuation in interest rates	➔ Build a stable investment portfolio, strengthen asset management
Growing problems in regions	Reassess the role of regional finance to address regional economic exhaustion	➔ Make investments, including cooperation with regional financial institutions, and contribute knowledge
Globalization / innovation	Rise of protectionism, faster changes in industry, finance, and society	➔ Flexibly respond to change, increase sophistication of risk–return management

Fourth Medium-Term Management Plan

A Business Strategy

(1) Sector strategy × (2) Function strategy × (3) Area strategy

- Strengthen structured financing and long-term investments in infrastructure, asset management
- Respond to industrial innovation
- Advance solutions for regions

B Management Foundation Strategy

(1) Financial capital × (2) Non-financial capital (human, intellectual, relationship, social)

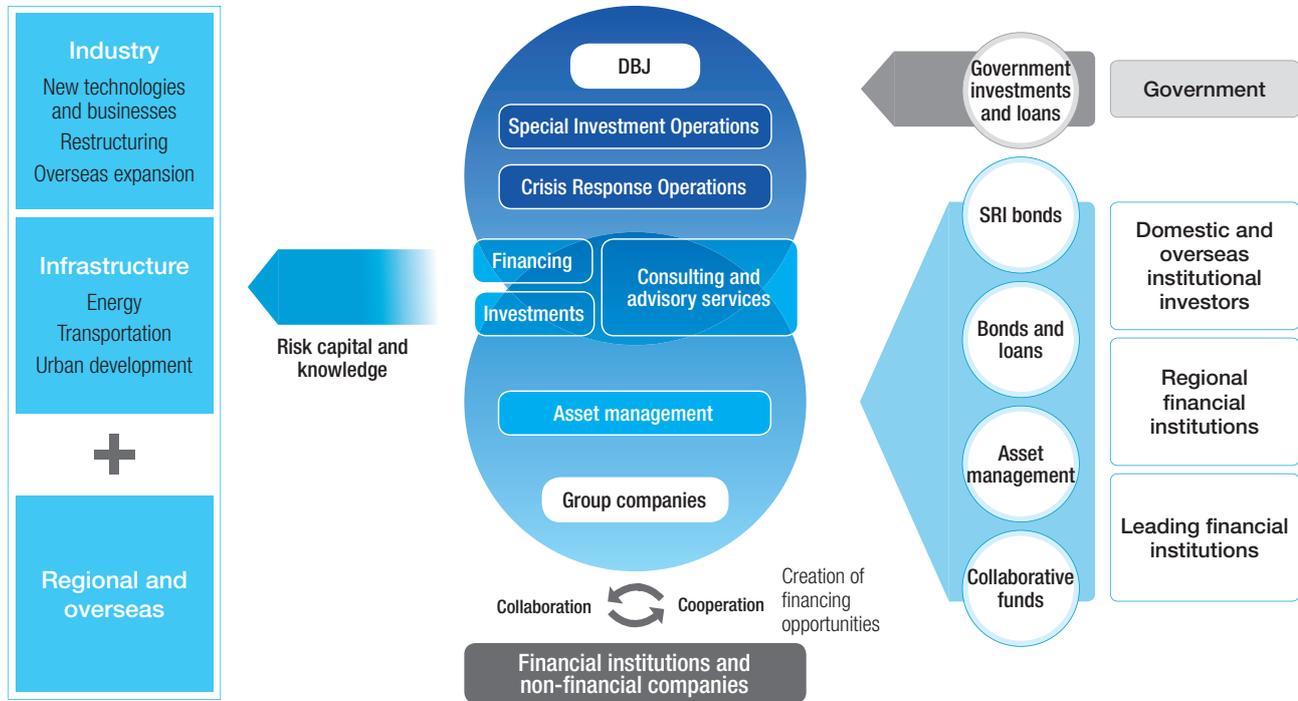
- Increase value of human capital
- Thoroughly rationalize business, including workstyle reforms
- Increase sophistication of analysis and risk management

Fourth Medium-Term Management Plan

Initiate Change, Create the Future

Invigorate and Stabilize Financial Markets via Collaboration and Cooperation

Under the Fourth Medium-Term Management Plan, DBJ Group will provide unique solutions through optimal partnerships with an emphasis on collaboration and cooperation with other financial institutions and non-financial companies.



Procurement and Management of Funds

DBJ receives funding in various formats, including the procurement and management of funds from institutional investors and financial institutions in Japan and abroad, and supplies risk capital to customers in the domestic and overseas industrial and infrastructure fields.

Provision of Knowledge

DBJ Group creates added value through the provision of knowledge in such forms as surveys and analyses backed by its experience in industrial and infrastructure fields and in risk analysis and structuring.

Crisis Response Operations and Special Investment Operations

These operations are mandated by the DBJ Act and will be properly undertaken as operations backed by the unique strengths of DBJ Group.

Financial Targets of the Fourth Medium-Term Management Plan

Over the time frame of the Fourth Medium-Term Management Plan, DBJ Group will increase the supply of risk capital, including Special Investment Operations, work diligently to secure a stable earnings base for the long term, and strengthen overseas projects, such as infrastructure projects. The Fourth Medium-Term Management Plan targets gross ordinary profits of ¥190 billion and net income of ¥80 billion, increases of ¥30

billion and ¥10 billion, respectively, from the targets of the Third Medium-Term Management Plan (see page 45).

DBJ aims to maintain robust levels of shareholders' equity and profitability in order to continue conducting Special Investment Operations, financial Crisis Response Operations, and the supply of other risk capital.

Process for Creating and Sharing the Fourth Medium-Term Management Plan

The following is an introduction to how DBJ created and distributed its medium-term management plan.

1 Creation Process

- Five directors and managing executive officers participated in medium-term planning meetings (a total of 22 meetings held between August 2016 and March 2017) for face-to-face discussions with representative directors.
- Off-site meetings were held at the department and branch office levels, with managers and employees participating in the creation process.
- The Advisory Board (see page 59) also discussed the Fourth Medium-Term Management Plan with outside experts and reflected their opinions in the plan.

Off-site gathering for department-level managers



2 Sharing Process

After internal decisions were reached, the Fourth Medium-Term Management Plan and the new corporate philosophy were shared throughout DBJ Group.

Head office briefings	A total of 10 briefings	About 800 participants
Branch office briefings	A total of 10 branch offices	About 120 participants
Major Group company briefings	A total of 11 companies	About 180 participants



A briefing at the head office



A briefing at a Group company

With managers and employees working in unison to lay a foundation for conducting operations, our philosophy and strategies are shared through communications during this creation process.

Sector Strategy

Energy Sector



As of March 31, 2017

Balance of loans in the electricity, gas, heat, and water sectors

¥3.2 trillion

Photo provided by Solar Frontier K.K.

Vision

DBJ will contribute to the realization of a low-carbon society worldwide and the globalization of Japanese energy companies by taking a leadership role in the financing of change in Japan's energy markets.

Main Business Fields

Financing and advisory services are provided to companies and projects in the following sectors:

Electricity

Gas

Oil

Accomplishments and Initiatives to Date

Ever since the Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation era, DBJ has contributed to the formation of energy infrastructure in Japan. In recent years, DBJ has assisted with business restructuring and overseas business development in the electricity, gas, and oil sectors against a backdrop of structural reforms in the domestic energy industry. DBJ has provided optimal financial solutions in tune with the needs of the times, concentrating on the replacement of aging thermal power plants, the construction of new thermal power plants in tandem with growing demand amid the deregulation of power sources, and the construction of new renewable energy power plants, and assisting with capital recycling. As of March 31, 2017, our balance of loans in the electricity, gas, heat, and water sectors totaled ¥3,252.1 billion, accounting for 24.9% of total loans, by industry.

Longer-Term External Environment and Social Issues

Japan's energy industry is at a major crossroads. With changes in the macroeconomic structure, including the population decline, and advances in energy conservation, DBJ must promote the reduction of CO₂ emissions while dealing with deregulation in the electric power and gas markets at the same time.

Under these conditions, issues related to financial support for the energy industry entail the supply of capital funding to spur the spread of renewable energy and other new technologies and to address growing risks. Moreover, risks in project financing need to be clarified more clearly, and efforts should be undertaken to allow market participation by a broader range of companies.

Strategy

While maintaining strong relationships with customers, DBJ will focus on providing capital funding (risk money) and advisory services to facilitate industry restructuring. Furthermore, DBJ will focus on the smooth supply of capital by collaborating with a broad range of financial institutions to meet demand for investments in the deregulated electric power market in Japan, in addition to strengthening initiatives in project financing with clarified risk allocation.

DBJ Group will reinforce its asset management operations in the energy field with the aim of nurturing markets able to recycle capital, thereby allowing more financial institutions to participate in the domestic energy infrastructure market.

Overseas, DBJ aims to become more involved in markets that have taken the lead in fostering deregulation, and then return any knowledge gained to the domestic market to advance its development, while proactively supporting Japanese companies in their efforts to develop business overseas. Through these and other efforts, we aim to contribute to the realization of a low-carbon society on a global basis.

Case Studies

Case Study 1 Fukushima Gas Power Co., Ltd.

DBJ was the lead arranger for a total of ¥140 billion in project financing for the construction of a new natural gas power plant for Fukushima Gas Power Co., Ltd. DBJ aims to contribute to the development of the economy and industry in the area around the power plant through the reliable supply of inexpensive electricity with low environmental load.



Rendering of completed facility

Case Study 2 Japan Wind Development Joint Fund Co., Ltd.

In collaboration with Japan Wind Development Co., Ltd., DBJ established Japan Wind Development Joint Fund Co., Ltd. for the purpose of acquiring and operating wind power generation facilities. The funds procured by the new company for the project financing were assigned a BBB rating by Rating & Investment Information, Inc., marking the first time a domestic wind power generation project received an external rating.



Japan Wind Development Co., Ltd. facilities

Sector Strategy

Transportation Sector



Vision

DBJ aims to lead in a financial aspect the growth of the transportation sector and advancement of transportation networks in Japan. DBJ will also act as a bridge between Japan's financial market and the global transportation finance market.

Main Business Fields

Financing is provided to companies and projects in the following sectors:

Land transportation

Marine transportation

Air transportation

Accomplishments and Initiatives to Date

Since the time of the Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation, DBJ has focused on providing investments and loans for the development of the transportation sector in Japan, including for fleets of ships in marine transportation, upgrading Haneda Airport and other airports, procuring aircraft in the aerospace industry, and expanding cargo capacity in the railway industry. More recently, DBJ has provided optimized financial solutions tailored to the needs of the times, such as debtor-in-possession financing to a Japanese start-up airline company, participation in airport concessions, and aircraft financing with a focus on material value. As of March 31, 2017, the balance of loans for the transportation infrastructure sector (to transportation providers) was ¥2,312.1 billion, accounting for 17.7% of total loans, by industry.

Longer-Term External Environment and Social Issues

Around the world, growing populations will lead to the greater movement of people and goods and spur growth in the transportation sector. In Japan, a country reliant on trade, it is imperative to maintain the reliable transportation of goods and address issues, such as the declining and aging population, as well as the influx of overseas visitors. Accordingly, various issues are waiting for solutions for sustaining growth in the transportation sector and increasing the sophistication of transportation networks. Keen to help its customers solve these issues, DBJ Group will provide financial solutions tailored to diverse needs while acting as a bridge between financial markets in Japan and the global transportation finance market.

Strategy

While maintaining relations with customers in the transportation sector, we will refine our ability to respond flexibly to changes in the external environment and society. More specifically, DBJ will further strengthen its optimal financial solutions for quality projects and assets in the land, marine, and air transportation fields, as well as supply risk capital to Japanese companies for sharpening their international competitiveness. Additionally, DBJ will provide financing opportunities to Japanese regional banks and other financial institutions and investors in the global transportation finance market through improved syndicated loans and various investment and loan products that utilize investment and securities functions.

Case Studies

Case Study 1 Financing for integrating operations at Kansai International Airport and Osaka International Airport

As the lead arranger, DBJ put together project financing totaling ¥190 billion, one of the largest in Japan, for Kansai Airport as it began to integrate the operations of Kansai International Airport and Osaka International Airport, the first and largest airport concession in Japan.



Photo provided by Kansai Airport

Case Study 2 Financing for acquisition of ultralarge container ship by Kawasaki Kisen Kaisha, Ltd.

Kawasaki Kisen Kaisha, Ltd. is one of the world's largest marine transportation companies involved in the ocean-going field. DBJ helped the company arrange financing to purchase an ultralarge container ship with the latest energy-conserving technologies. The vessel provides high-quality services along the Asia-Europe route as a flagship in the company's container ship business.



Container ship that was financed

Sector Strategy

Urban Development Sector



As of March 31, 2017

Balance of loans in the real estate sector

¥ **1.7** trillion

Vision

Our vision is to grow alongside cities by helping with the maintenance, renewal, and expansion of urban functions. We also aim to grow with the real estate financing market as a market-stabilizing mechanism.

Main Business Fields

Loans and investments in urban development projects undertaken by developers, special-purpose companies for owning real estate, loans and investments for REITs, management of DBJ Green Building Certification (see page 55) with the Japan Real Estate Institute.

Urban development business

Real estate financing

Green Building Certification

Accomplishments and Initiatives to Date

Since the 1960s, DBJ has been involved in long-term financing for real estate projects. DBJ has participated in Japan's real estate securitization market since its earliest days, plying its accumulated know-how and networks to invigorate the market. We began administering the DBJ Green Building Certification system in fiscal 2011 and have financially supported efforts to help the environment and society. As of March 31, 2017, the balance of loans extended to the real estate sector was ¥1,749.0 billion, accounting for 13.4% of total loans, by industry.

Longer-Term External Environment and Social Issues

Increasing the international competitiveness of cities in Japan is key to enhancing the country's overall competitiveness. Urban infrastructure, built up since 1945, is coming due for an upgrade. Seamlessly upgrading urban infrastructure without interruption is important from the standpoint of creating communities that take into account the environment and society.

The real estate finance market, an essential part of creating communities, is prone to instability due to international exposure. The securitization market in particular was greatly affected by the global financial crisis, while the real estate finance market was thrown into disarray. In spite of such conditions, it is necessary to ensure a reliable supply of capital, spur growth in the real estate finance market, and promote urban development.

Strategy

DBJ will facilitate urban development through the supply of risk capital, including financing for developers and individual development projects. We also support the growth of real estate investment trusts, which have become increasingly important entities for the stable management of properties.

DBJ will provide opportunities to invest in quality assets for institutional investors around the world as well as regional financial institutions. By engaging in collaborative financing through proper risk-sharing agreements, we will create stable cash flows in the real estate finance market.

DBJ will continue to manage the DBJ Green Building Certification system with the Japan Real Estate Institute, focusing efforts on improving real estate assessments within the context of their impact on the environment and society.

Case Studies

Case Study 1 Kyobashi Edogrand

In November 2016, Nippon Tochi-Tatemono Co., Ltd., acting as a special business agent (representative company), opened the Kyobashi Edogrand as a part of the urban redevelopment project at Kyobashi 2-chome in collaboration with the land rights holder. This facility is one of the largest high-rise office buildings in the Kyobashi area, and is a part of the historic Meijiya Kyobashi Building. Kyobashi Edogrand is attracting attention as a new landmark in the area. DBJ supported the construction by providing financing from the development stage.



External view of Kyobashi Edogrand

Case Study 2 Tokyo Skytree

Tobu Railway Co., Ltd. undertakes large-scale projects, including the Narihira-bashi Oshiage District Redevelopment Project that involved Tokyo Skytree. The project—one of the largest for the company since its founding—contributed to local development.

DBJ supported the project by providing a hybrid of loan and investment financing, thus strengthening the company's financial foundation.



Tokyo Skytree

Sector Strategy

Industrial Sectors



Vision

In industrial fields seeing changes brought about by technological innovation, the creation of new businesses, and restructuring, DBJ Group will take a direct approach to solving issues faced by customers and society while searching for growth opportunities for itself. As an incubator that creates new businesses and markets, DBJ aims to play an essential role in strengthening the competitiveness of industry in Japan.

Main Business Fields

Financing and advisory services are provided to companies and projects in the following sectors:

Manufacturing

Communications, broadcasting, media

Retail and foods

Healthcare

Hotels, Japanese-style inns, tourism, etc.

Accomplishments and Initiatives to Date

In the 1990s, DBJ was involved from an early stage in financing new businesses, utilizing its ability to survey industry and analyze corporations derived from its track record of providing long-term capital for capital investments. From the early 2000s, when business and industry restructuring came to the forefront, DBJ ramped up debtor-in-possession financing, private equity investments, and M&A advisory services. Since becoming a joint-stock company in 2008, DBJ has leveraged its knowledge and experience in these fields to further improve its ability to survey industries. At the same time, DBJ helped companies enhance their competitiveness and clients solve various problems through advisory services backed by loans and investments to create new businesses and rebuild finances while they entered overseas markets and spun off non-core businesses.

Longer-Term External Environment and Social Issues

Amid changes in the external environment, including population problems, globalization, and such technological innovations as AI, customers are dealing with a variety of issues that include the commercialization of new technologies and other innovations, business restructuring to enhance productivity and competitiveness, and overseas business development with an eye on new growth opportunities. Meanwhile, the financial environment is likely to include diversification in capital providers, considering the ongoing surplus capital conditions and advances in fintech and other technologies. As it becomes easier to access capital, providing unique added value will become essential to helping customers solve their problems on the financial front.

Aerospace

To further improve its standing, having gained ground through international joint development with Europe and the U.S., the Japanese airline industry must engage in strategic efforts to increase mass production efficiency by developing next-generation technologies and strengthening supply chains; expand its scope both quantitatively and qualitatively, centered on mid-tier and small and medium-sized companies and regions; and fortify maintenance operations and the finished aircraft business. Additionally, the Japanese aerospace industry has begun to transition from government-directed development to a mass production model.

DBJ has increased loans and investments to the airline industry for more than 30 years in line with national policy. We established the Aerospace Office on April 1, 2017, putting in place a structure to better support the aerospace industry with the collective strengths of DBJ Group. We will contribute to the development of the aerospace industry in Japan by, among other means, supplying risk capital via Special Investment Operations.

Strategy

DBJ will offer solutions to the issues faced by customers—centered on the fields of business portfolio optimization, new business creation, overseas business development, financial strategy, and capital policy—by mobilizing its financing functions, knowledge, and unique networks while leveraging its insight and expert knowledge of each industry. In 2017, DBJ has created teams of experts focused on establishing solid business foundations in the fields of aerospace, telecommunications, and healthcare. While delving deep into each industry, DBJ will monitor broader trends and changes in the economic and social landscape. We will increase our responsiveness to innovation through cross-sector business development that steps beyond traditional boundaries (e.g., move toward a hydrogen society).

Case Study

Assistance for strengthening the competitiveness of the civilian aircraft engine industry

DBJ supplied risk capital to Mitsubishi Heavy Industries Aero Engines, Ltd., which was spun out of Mitsubishi Heavy Industries, Ltd.'s civilian aircraft engine business. The objective was to increase the profile of the company in international markets while improving its competitiveness by partnering with IHI Corporation on manufacturing and by clustering together partner companies.



The plant floor

Business Strategy

Sector Strategy

Industrial Sectors

Communications

Communications networks handle massive communications traffic as the volume of data increases daily. Ever since the telecommunications sector was deregulated in the 1980s, DBJ Group has financially supported the build-out of networks in Japan, which boasts some of the highest speeds and capacities in the world. As things become increasingly interconnected over networks, communications networks need to be made more resilient and sophisticated to fulfill a role as basic infrastructure underpinning society.

DBJ will continue supporting the build-out of next-generation telecommunications infrastructure by supplying risk capital while proactively participating in forward-looking initiatives around the world.

Case Study

Financing for one of Europe's largest telecommunications infrastructure companies

From its base in Spain, Cellnex Telecom, S.A. leases communications towers to telecommunications providers in five European countries. It boasts the largest number of communications towers in Europe.

DBJ provided the company with capital to acquire communications towers and expand its network, thereby contributing to the development of global telecommunications infrastructure. The knowledge DBJ gained from helping roll out telecommunications infrastructure overseas will be of invaluable use in Japan as well.



Communications tower

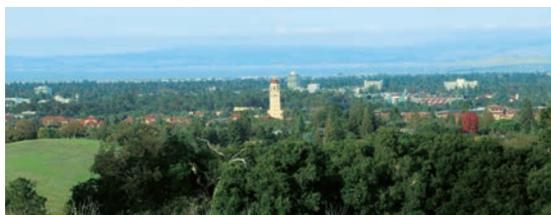
Healthcare

In the healthcare field, DBJ Group has been long involved in the medical and nursing care fields and has launched new initiatives in the life sciences field. Specifically, DBJ sees an urgent need to mimic in Japan the U.S. healthcare model, whereby external parties, such as venture companies that have proven track records as innovators, are entrusted with the development of needed products and services and then with bringing them to the world via the respective companies' sales capabilities. To this end, DBJ focuses its energies on networking with venture capital firms in the U.S. DBJ leverages this network to help Japanese medical equipment makers and pharmaceutical companies strengthen their business development capabilities.

Case Study

Investment in a cutting-edge medical equipment fund in Silicon Valley

In September 2014, DBJ invested in Emergent Medical Partners II, L.P., an investment fund for cutting-edge medical devices in Silicon Valley. In its report *Silicon Valley's "Ecosystem" for the Development of Medical Devices: What are Its Lessons for Japan?*, DBJ examined the U.S. ecosystem, which is a major reason for the country's success in developing medical devices. Dr. Thomas Fogarty, a world-renowned innovator and entrepreneur with long experience in the region, established the fund. By investing in this fund, DBJ acts a bridge to this ecosystem for Japanese industry, extending this network to Japan.



Silicon Valley

Latching onto Innovation

The sudden rise of technology and innovation in IT, new materials, new energy, life sciences, and robotics has the potential to greatly change the fabric of the industrial and social landscape. For these new technologies to reach commercialization and become a part of society, it is essential to promote collaboration across industry, companies, and geographic areas,

as well as share new value systems and create rules through public-private cooperation. From its impartial position, DBJ Group engages in collaboration with diverse players while shaping projects from a long-term perspective. We help solve issues faced by customers and society through the creation of new businesses.

Case Studies

Case Study 1 Initiatives to realize a hydrogen society

Hydrogen fuel cells are expected to become a next-generation source of energy that contributes to energy security and the alleviation of environmental problems. DBJ aims to examine the development of a supply chain for overseas-produced hydrogen with the objective of improving cost competitiveness on the supply side. In addition, DBJ will participate in the creation of projects that lead to economies of scale on the demand side, such as the rolling out of hydrogen refueling stations for fuel cell vehicles.



Photo provided by TOYOTA Global Newsroom

Case Study 2 DBJ Capital Co., Ltd.

Regardless of business fields and scale, DBJ invests in equity as growth capital for venture firms with global competitiveness and growth potential that are utilizing new technologies and business models. DBJ Group offers these companies its financial support and solutions that take advantage of its diverse networks. DBJ supports the commercialization of the excellent intellectual property and technology possessed by companies, research labs, and universities. In carving out this intellectual property and technology, DBJ supports the launch of venture capital firms through hands-on assistance provided by teams focused on enhancing value.

DBJ Capital Co., Ltd.'s website:
<https://www.dbj-cap.jp/english/>



While advancing these initiatives, on April 1, 2017, DBJ created the Innovation Promotion Office in the Business Planning Department for the purpose of developing new businesses that cross sectors and advancing industrial innovation.

Integrated Investments and Loans (Supply of Risk Capital)



Vision

DBJ will provide optimal financing solutions tailored to customer needs, from loans to mezzanine financing and investments, while reinforcing its ability to adequately evaluate various risks.

Outline

DBJ provides loans and investments after analyzing business prospects, evaluating risks, and creating financing schemes. Taking into consideration the traits of each project and the intentions of participants, DBJ specializes in an integrated investment and loan model that flexibly deploys loans, mezzanine financing, and investments.

Accomplishments and Initiatives to Date

Since its days as the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation, DBJ has taken appropriate risks, backed by its deep insight into industry and ability to analyze corporations, in the provision of long-term financing for capital investments. In addition to its ability to examine corporations and businesses, DBJ has proactively introduced sophisticated financing schemes, playing a leading role in project financing and debtor-in-possession financing in Japan. Leveraging its ability to evaluate risks, DBJ has broadened the scope of its involvement from loans to mezzanine financing and investments. DBJ has played a leading role in the provision of risk capital for supporting corporate growth and infrastructure investments in Japan.

Longer-Term External Environment and Social Issues

Amid surplus capital conditions, the value of capital itself has declined. However, it can also be said that there is a lack of certain specific capital, especially risk capital, in areas where industry is being created, transformed, and expanded; where regions are becoming self-reliant and invigorated; and where infrastructure is being rebuilt and reinforced. From the standpoint of regional revitalization, for example, the provision of not only capital but also advice has led to the creation of revitalization projects. We believe that there is considerable potential in investments and loans that create added value in this manner.

Strategy

From loans to mezzanine financing and investments, DBJ has flexibly provided financing optimized to the needs of its customers through a unique integrated investment and loan model. DBJ plans to make this model even more sophisticated. With respect to providing loan services, DBJ is focusing on higher-value-added services, such as structured financing and mezzanine financing. In investing, DBJ is encouraging long-term investments in infrastructure and investments in growth at corporations. With regard to long-term investments in infrastructure, DBJ is helping solve issues in Japan related to the rebuilding and reinforcement of infrastructure by refining its ability to evaluate asset value, increase value, and control risks. As for investments in growth at corporations, DBJ is strengthening its ability to arrange projects from an impartial standpoint and its ability to analyze industry and companies. At the same time, DBJ is focusing on raising value post-investment as a part of its contribution to helping customers strengthen their competitiveness and to the creation and turnaround of industry.

Case Studies

Case Study 1 Investment with Yanmar Holdings Co., Ltd. in Indian company

Yanmar Holdings Co., Ltd. is an industry pioneer highly regarded by its customers worldwide for its clean diesel engines. The company aims to expand sales in India, the world's largest market for tractors, by taking an additional stake in International Tractors Limited, a major manufacturer of tractors. Through its Special Investment Operations, DBJ arranged a joint investment in this endeavor.



Tractor produced and sold by International Tractors Limited

Case Study 2 DBJ Investment Advisory Co., Ltd. (DBJ-IA)

In addition to providing finance, DBJ-IA taps DBJ Group's domestic and international networks to support companies' growth strategies revolving around M&A strategies, capital strategies, and overseas strategies as well as their efforts to secure the right personnel.

Investment and loan example: Dexerials Corporation
<http://www.dbj.jp/case/dexerials.html>



Lineup of functional material products

Function Strategy

Integrated Investments and Loans (Supply of Risk Capital)

DBJ's Initiatives to Supply Risk Capital

Special Investment Operations

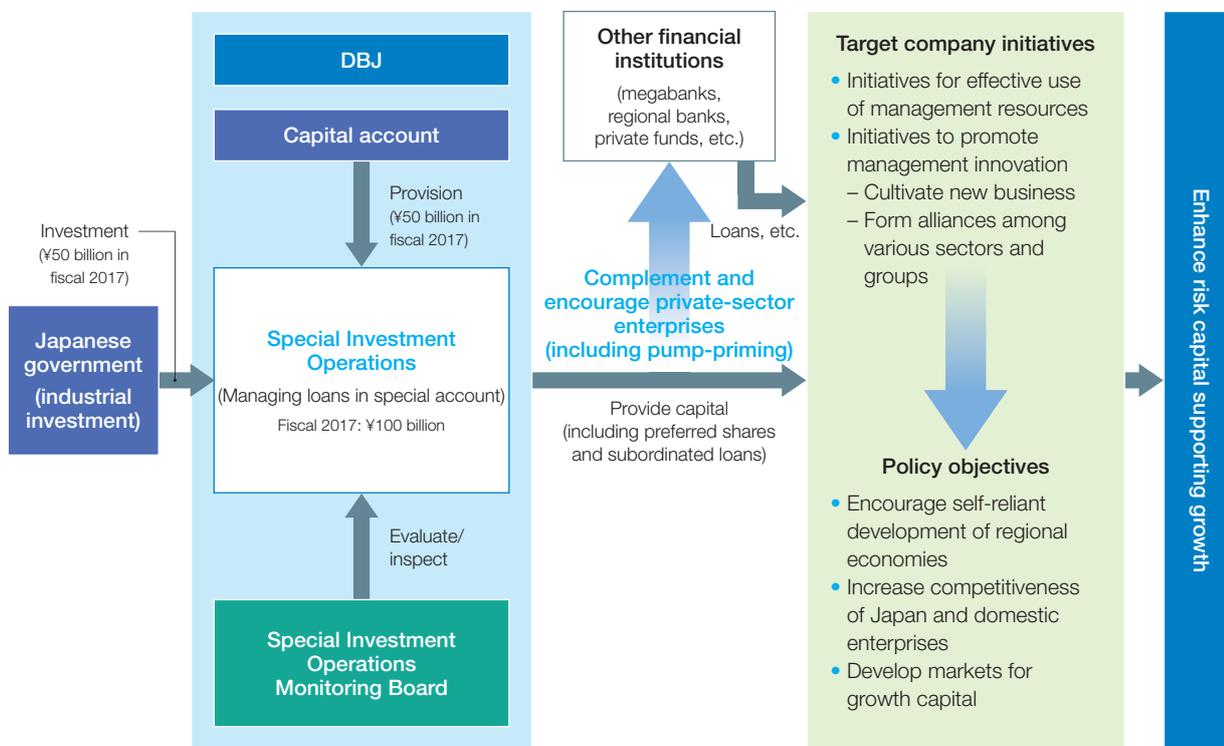
Special Investment Operations, established as an intensive but temporary scheme to supply growth capital* from the perspective of promoting the competitiveness of Japanese enterprises along with regional revitalization, draws only a portion of the investment (industrial investment) from the Japanese government, enough to encourage the private sector to supply growth capital. In June 2015, DBJ kicked off Special Investment Operations with risk capital for the overseas independent power producer business of Shizuoka Gas Company, Ltd. As of March 31, 2017, a total of ¥167.0 billion in investments and loans had been extended to 33 projects.

Special Investment Operations follows policy objectives, in accordance with the law, complementing and encouraging

private-sector enterprises and ensuring appropriate competitive relationships. To improve the structure of Special Investment Operations and thereby maintain objective evaluation and supervision of activities, an advisory body to the Board of Directors was established—the Special Investment Operations Monitoring Board—with participation from outside experts in financial and capital markets, industry, and other professional groups (see page 60).

* According to the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, certain financial institutions, including DBJ, are expected to serve in a pump-priming capacity for the foreseeable future to attract private-sector investment by cultivating new capital providers, markets, and investors, thereby fostering the development of an investment cycle led by the private sector.

Special Investment Operations Scheme



Considering the need to encourage the private sector to supply growth funds within a limited time frame, DBJ promotes the invigoration of capital markets centered on private enterprises while complementing and encouraging the private sector. To revitalize

regional economies and improve the competitiveness of Japanese companies, DBJ advances operations and makes investment and loan decisions while being careful to maintain appropriate partnerships and collaborative efforts with private financial institutions.

Results of Special Investment Operations (Fiscal 2016)

Loan and investment recipients (co-entities)	Project overview
AeroEdge Co., Ltd. (Kikuchi Gear Co., Ltd.)	Invested in preferred shares of a new company established to supply parts to major aircraft engine makers overseas utilizing the advanced technologies of Kikuchi Gear Co., Ltd.
JFE Holdings, Inc.	Arranged subordinated loans with several financial institutions to facilitate investments by JFE Holdings, Inc. in its domestic manufacturing base and in support of its initiatives to reinforce its earnings foundation by steadily executing overseas growth investments.
DMG Mori Co., Ltd.	Helped by acquiring subordinated bonds for the purchase of shares in a European company with the objective of increasing production efficiency and advancing the development of high-value-added products.
Mercuria Japan Industrial Growth Support Investment, LLC	Joint investment with private financial institutions in the fund, which supports initiatives to create new businesses through overseas development with local mid-tier companies.
Softbank Group Corporation	Acquired subordinated bonds for strengthening competitiveness in telecommunications business through ARM Holdings in the U.K.
DSTI HOLDINGS, INC. (Daiwa Steel Tube Industries Co., Ltd.)	Through an SPC, joint acquisition with Daiwa Steel Tube Industries Co., Ltd. of some shares issued by U.S. engineering companies.
Shelter Co., Ltd.	Helped by investing in preferred shares issued for R&D spending to increase the performance of wooden structure technologies used by building construction companies that process and sell parts and materials for wooden structures in Yamagata City.
Hanabi Creative Enterprise	Invested in common shares issued by Hanabi Creative Enterprise Co., Ltd., which was established as a core company for the Daisen City Hanabi Industry Concept, thereby helping promote efforts aimed at regional revitalization through the manufacture of fireworks, planning and operation of fireworks events, and overseas business development.
Dai-ichi Hotel	By supplying growth capital for this project, contributed to efforts to improve local attractions, including the complete renovation of the hotel's deluxe hot springs facility, which uses natural resources in the Tokachi area for open-air hot springs.
Yanmar Holdings Co., Ltd.	Joint investment for acquisition of additional shares in a major tractor manufacturer in India with the aim of increasing sales in the country, the world's largest tractor market.
Yokohama Reito Co., Ltd	Helped arrange subordinated loans with Bank of Yokohama, the company's main bank, for growth investments to expand overseas operations and the construction of a new distribution center.
IHI Corporation	Supplied risk capital for investments in international joint development project for civilian aircraft engines.
UACJ Corporation	Arranged subordinated loans with the company's main bank for capital investments in Thailand and the U.S. that were essential for its growth strategy.
National Private Leasing Services, LLC	Supplied risk capital to the company so it could provide large-scale rental housing at affordable prices across the country for broad segments of the population.

Function Strategy

Crisis Response Operations

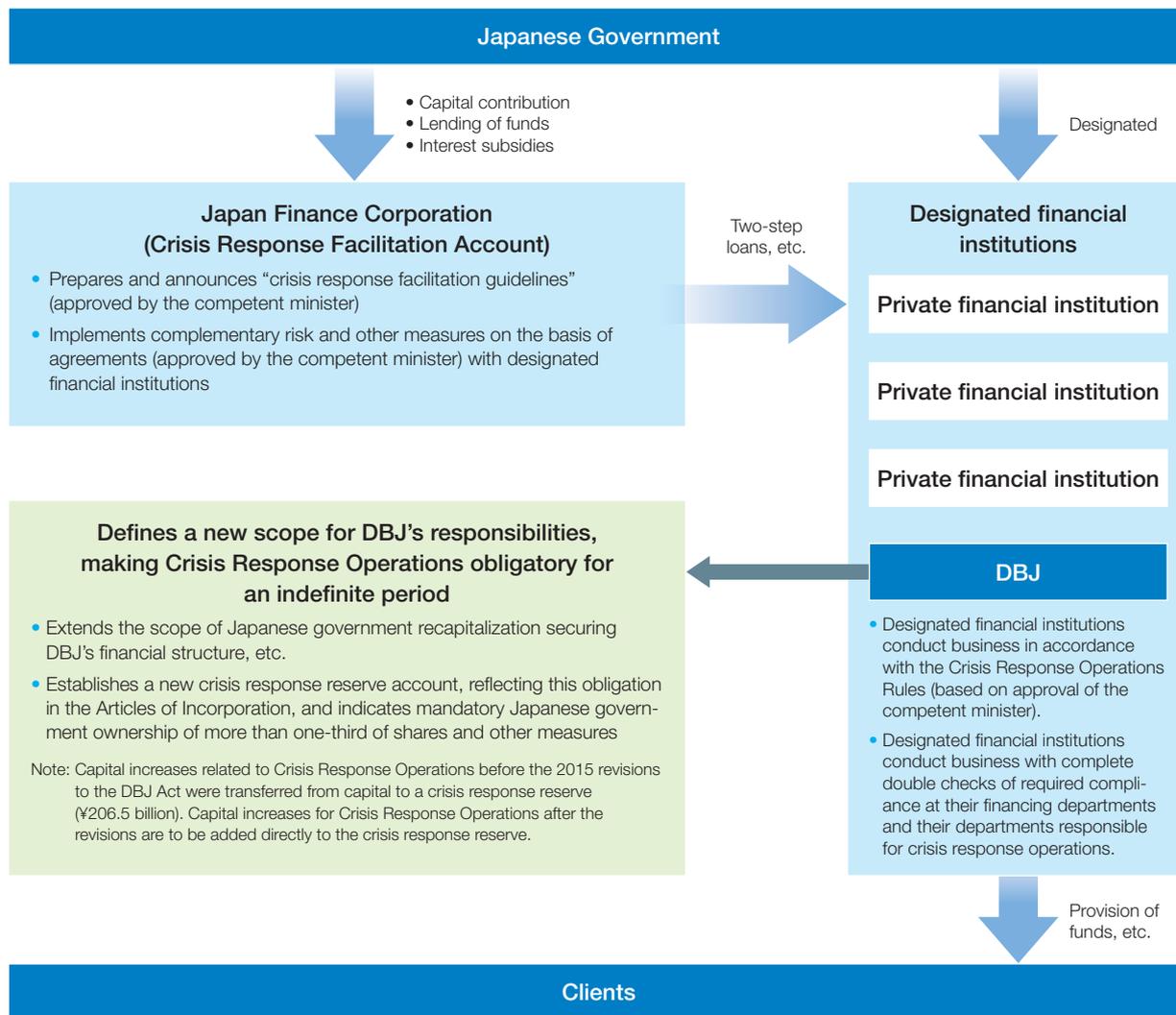
Vision

DBJ's Crisis Response Operations function as a stabilizing force during periods of instability in the economy, society, and markets.

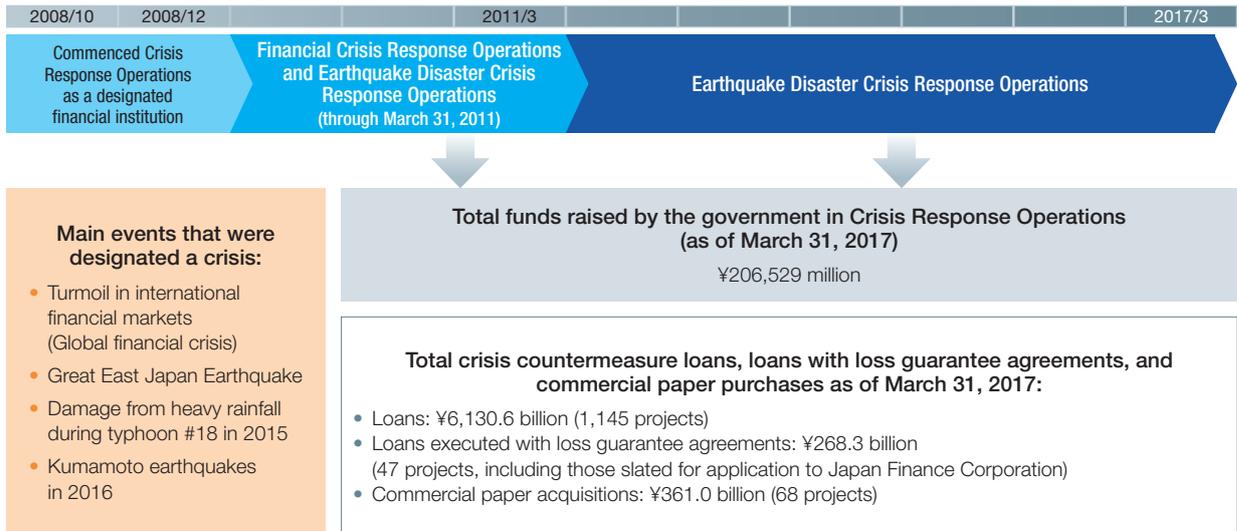
Outline

Crisis Response Operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, including later revisions) consist of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. In response to crisis-related damage, Japan Finance Corporation provides two-step loans as complementary risk and other measures to government-designated financial institutions (designated financial institutions) that supply necessary funds to address crisis damage.

Crisis Response Operations Scheme



Results and Strategies



Case Studies

Case Study 1 Great East Japan Earthquake of 2011

In the fiscal 2011 supplementary budget passed in the wake of the Great East Japan Earthquake, ¥2.5 trillion was earmarked for Japan Finance Corporation for Crisis Response Operations targeting medium- and large-sized enterprises. DBJ proactively provided assistance for clients affected both directly and indirectly by the disaster.

Along with designated financial institutions in the disaster area, DBJ arranged the Great East Japan Earthquake Reconstruction Fund, which has financed 47 reconstruction projects to date.

In December 2014, in response to the shift of the stage of earthquake reconstruction from the restoration of production facilities (the “restoration stage”) to efforts to open up a new enterprise-based market that resumes production, collaborates among multiple enterprises to boost industry competitiveness, builds infrastructure and reinforces functions (the “reconstruction and growth stage”), we have established a new reconstruction and growth support fund in collaboration with the Regional Economy Vitalization Corporation of Japan. The new fund is aimed at providing subordinated loans and preferred shares to enterprises whose businesses are contributing to the reconstruction and growth of the disaster-stricken region. We are promoting forward-looking initiatives with a nationwide business model, aiming to support regional growth and revitalization.

Case Study 2 Kumamoto earthquakes in 2016

In 2016, DBJ established the Kumamoto Recovery Office within the Kyushu Branch to better provide useful knowledge and financial expertise for the restoration and reconstruction of regions affected by the Kumamoto earthquakes.

In July 2016, DBJ formed the Kumamoto Reconstruction Support Fund jointly with The Higo Bank, Ltd. and the Kagoshima Bank, Ltd., financial institutions in the disaster-stricken area. The fund supplies risk capital, through such schemes as senior loans (repayment in full on maturity, uncollateralized, non-guaranteed loans) and subordinated loans, to businesses affected by the disaster.

Additionally, DBJ provided beneficial information about restoration and reconstruction through a cross-departmental system, and offered survey and planning services in conjunction with related local governments, national institutions, and economic groups, as well as local financial institutions.



Kumamoto Castle, damaged by the earthquakes (photo from the Ninomaru Parking Lot)

Function Strategy

Asset Management



Vision

Backed by the DBJ Group philosophy and comprehensive financial expertise, DBJ Asset Management Co., Ltd. (DBJAM) provides investment and asset management services which meet the clients' best interests. By appropriately addressing diverse investment needs, DBJAM aims to spur the development of capital markets in Japan by stimulating the flow of funds.

Outline

DBJAM is an asset management company that specializes in investments in the real estate, private equity, and infrastructure fields.

Real estate

Private equity

Infrastructure

Accomplishments and Initiatives to Date

DBJAM was established in November 2006 for the purpose of energizing the real estate finance market in Japan. Since then, DBJAM has provided domestic real estate fund management and asset management services. In 2016, it formed and began asset management in DBJ Private REIT Co., Ltd., a private unlisted REIT.

In addition, since 2013, DBJAM has begun to enhance its wings into providing discretionary investment services and investment advisory services related to alternative investments in overseas / domestic private equity and infrastructure, and overseas real estate.

As a specialist in managing alternative investments, DBJAM strives to meet the diverse needs of its clients. As of March 31, 2017, it had ¥818.5 billion in assets under management.

Longer-Term External Environment and Social Issues

Japan is a nation with considerable assets, including over ¥1,700 trillion in household financial assets and ¥200 trillion in pension assets. With the Japanese economy confronted by a declining population and an aging society, it is imperative that this wealth (financial assets) is steadily expanded.

In realizing sustainable asset formation for the nation, it is an extremely important policy issue for Japan to have a healthy and efficient capital market. Financial institutions, pension funds and other institutional investors must also advance their investment capabilities in order to maintain a vibrant capital market.

DBJAM acknowledges the importance of such policy objectives and believes that its services are well aligned with the public interest.

Strategy

DBJAM, as a fiduciary investment manager, works in the best interests of its institutional investor clients with the aim of achieving longer-term growth in returns on each investments, being aware of the profits flowing to the ultimate beneficiaries. DBJAM also works to help its clients increase their asset management capabilities.

To achieve these aims, DBJAM deeply understands financial standings, investment policies, and risk/return preferences of its clients through active, thorough and faithful engagement. DBJAM believes that such an attitude allows us to provide investment and asset management services which are truly optimized for the client.

Through the provision of dedicated and qualified investment management services, DBJAM contributes to the development of capital markets in Japan, as well as the transformation of the funds flow into more diversified and longer-term minded one which will ultimately lead to the promotion of the national wealth.

Case Study

DBJ Private REIT Co., Ltd.

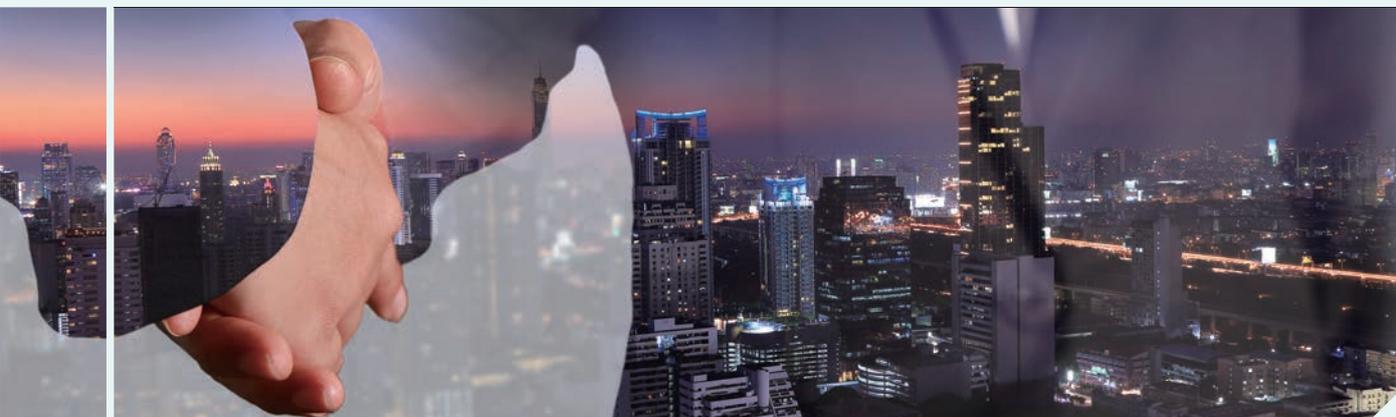
From an unbiased position and long-term standpoint, DBJAM provides qualified investment opportunities to clients such as regional financial institutions and pension funds. Through its services, DBJAM helps its clients diversify their investments and invigorate the real estate finance market. With this objective in mind, DBJAM set up a private REIT in August 2016.

DBJ Private REIT Co., Ltd. invests in properties that have received the DBJ Green Building Certification or other environmental certifications, contributing to the spread of sustainable real estate properties.



Function Strategy

Advisory Services



Vision

DBJ helps Japanese companies realize their growth strategies and improve their international competitiveness through support for M&A, backed by its extensive experience and track record around the world.

Outline

DBJ offers expert advice related to corporate M&A—ranging from the formulation of strategies, screening of acquisition candidates, and assessment of corporate value to negotiations, structure policy, and post-merger integration assistance—for a variety of situations, including industry restructuring, overseas business development, business domain expansion, business succession, as well as fund investments and exits.

Accomplishments and Initiatives to Date

Since it began offering advisory services in fiscal 2000, DBJ has supported a diverse range of projects inside and outside Japan. In fiscal 2015, DBJ created the Social Value and Capital Formation M&A Awards as a system for recognizing excellent M&A deals that create social value. In April 2016, DBJ established the Asia M&A Support Center in response to growing needs for business development overseas, as well as the Post-Merger Integration Support Center to assist with integration after mergers.

Strategy

Backed by its experience supporting projects and industry knowledge, DBJ takes an impartial approach to providing advisory services to Japanese companies by utilizing its far-reaching network with foreign companies and private equity funds. DBJ also addresses needs for multifaceted support in investments and loans for capital needs related to acquisitions.

Case Study

ANA Holdings Inc.'s strategic investment in Vietnam Airlines JSC

DBJ acted as the financial advisor to ANA Holdings Inc. for its strategic investment in Vietnam Airlines JSC. Helping the company execute its strategy in Asia, DBJ provided comprehensive advice, including investment schemes, calculations of corporate value, support for negotiating with the other party, and coordination of the drafting of the agreement.



Research & Consulting



Vision

DBJ helps its customers find solutions to problems through research and consulting services using techniques it has accumulated over the years, including far-sighted concept proposals from an impartial and objective standpoint and feasibility studies from a long-term standpoint.

Outline

Utilizing its extensive network of connections to universities, research institutions, experts, national governments, and local governments, DBJ provides support through surveys and problem-solving ideas related to business strategies and policy formation for urban development, regional development, social capital maintenance, energy, the economy, and industry.

Accomplishments and Initiatives to Date

Japan Economic Research Institute, Inc. is a comprehensive think tank that conducts research in the public, solutions and international fields. In the public-private partnership and project finance initiative fields, it has a top-class track record in Japan backed by unparalleled experience and know-how.

Value Management Institute, Inc. is also a comprehensive think tank that excels in analysis using proprietary economic models and insight into cutting-edge technologies. Its highly specialized knowledge encompasses a broad range of policy fields, including the formulation of integrated strategies for local governments across Japan.

Strategy

Amid accelerating change in industry, finance, and society that creates new risks and opportunities, DBJ will provide value-added research and consulting services that look beyond stereotypes. At the same time, DBJ Group aims to create new knowledge platforms in tune with the latest trends, backed by its ability to provide creative solutions.

Case Study

Support for Daisen City Hanabi Industry Concept

To support event commercialization and regional revitalization, Japan Economic Research Institute compiled a report on Growth Strategies for the Fireworks Industry for the Omagari Fireworks Festival in Akita, where Japan's best fireworks are on display in friendly competition. DBJ supplied risk capital to Hanabi Creative Enterprise, the entity behind the Daisen City Hanabi Industry Concept. DBJ Group will continue to provide new financial solutions through a combination of research and financing.



Omagari Fireworks Festival "Kanki"

Area Strategy

Region



March 31, 2017

Total number of business alliances with financial institutions

107

Vision

DBJ Group provides solutions for regional issues connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other.

Outline

DBJ Group provides services tailored to the characteristics of each region in Japan from 10 branches and eight representative offices across the country.

Investments and loans

Consulting services

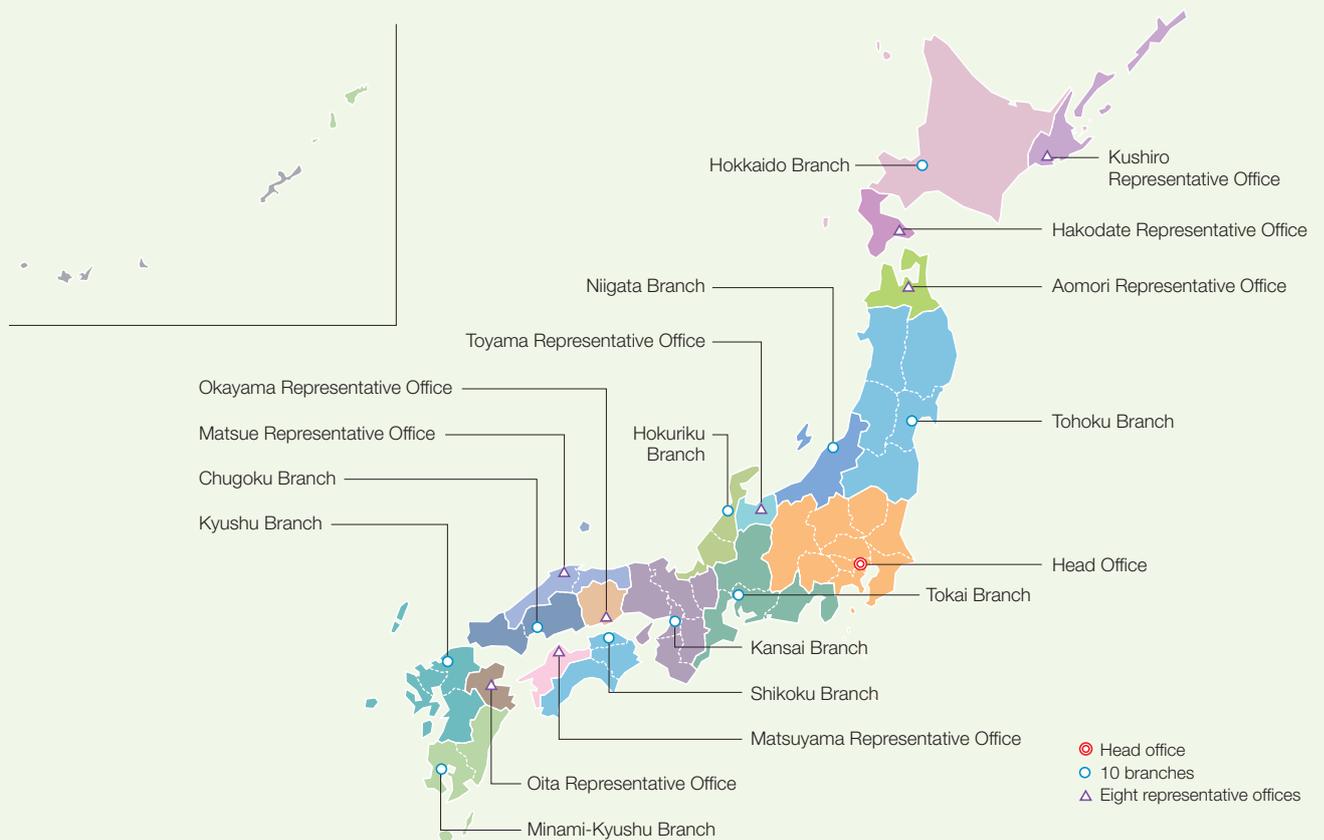
Planning and research services

Accomplishments and Initiatives to Date

DBJ Group has worked to invigorate the economies of regions dealing with various issues since the time it was the Hokkaido-Tohoku Development Finance Public Corporation and the Japan Development Bank. In recent years, DBJ has provided financing tailored to the characteristics of each region through its Regional Areas *Genki* Program (see page 40), co-investment for overseas business development, risk capital through joint funds with regional financial institutions, and consulting services to help create integrated regional strategies.

Through Crisis Response Operations, DBJ has also provided assistance for reconstruction in the wake of natural disasters in various regions, including the Great East Japan Earthquake and the Kumamoto earthquakes.

As of March 31, 2017, DBJ has entered into business alliances with a total of 107 financial institutions.



Longer-Term External Environment and Social Issues

The regional economic outlook is severe with declining household spending and weaker demand for loans alongside a long-term downtrend in their populations. As regional economies contract, regional enterprises need growth strategies that include overseas business development, measures to improve corporate value through business restructuring and succession, and ascertainment of good opportunities in asset management.

Strategy

DBJ will provide services with two objectives in mind—namely, to create value by connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other, and to solve problems through risk

capital and consulting. More specifically, while taking into account regional characteristics, the themes of key objectives entail improving the productivity and growth strategies of regional companies through business restructuring and overseas business development, respectively, and cooperating with regional financial institutions to create opportunities in asset management. As a part of these initiatives, DBJ created the Regional Investment Promotion Office in the Strategic Finance Department under the chief investment officer on April 1, 2017, for the purpose of facilitating the supply of risk capital to regional mid-tier companies and small and medium-sized enterprises.

By providing detailed solutions to regional problems, DBJ Group strives to increase the value of its human capital (e.g., the skills and experience of its managers and employees), and relationship capital (e.g., networks).

Area Strategy

Region

Innovative Initiatives at DBJ

Regional Areas *Genki* Program

Facing the challenges of population constraints, severe financial conditions, environmental restrictions and global competition, Japan's regions must coordinate with one another and implement diverse regional development schemes that capitalize on their respective strengths, competitive advantages, and latent potential.

In fiscal 2010, DBJ arranged a unique initiative, the Regional Areas *Genki* Program, to support regional growth that capitalizes on each region's respective strengths and potential from information and funding aspects. In addition, each DBJ branch focuses on its region's distinctive fields and businesses, based on its industrial structure, and partners with regional financial institutions to offer financial support.

To further promote these initiatives, DBJ periodically revises the content of programs set by each of its branches and has adopted nationwide the concepts of "enterprises that contribute to the region"^{*1} and "production bases that are vital to the region."^{*2} DBJ is helping foster a virtuous circle of *genki* between regions and enterprises.

*1 Enterprises that contribute to the region: Enterprises that create employment opportunities and utilize the region's personnel and resources, effectively employing people, physical goods, and money for the benefit of the region, including increasing its productivity. DBJ supports these enterprises by providing information and funding.

*2 Production bases that are vital to the region: Enterprises that support regions by keeping major manufacturing plants and R&D bases in their regions, thereby contributing to the creation of jobs, economic benefits, and brands in the region. DBJ supports these enterprises through its Mother Factory Support Program.

Areas Supported by DBJ's Head Office (as of April 2017)

Hokkaido Area	(Hokkaido)	<ul style="list-style-type: none"> ■ Strengthening of the food value chain to drive growth ■ Development of the tourism industry by communicating the area's attractions ■ Creation of an environment and the infrastructure to support sustainable growth
Tohoku Area	(Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima)	<ul style="list-style-type: none"> ■ "Creation of new business in Tohoku" program
Niigata Area	(Niigata)	<ul style="list-style-type: none"> ■ Improvement of the area's attractiveness by using regional resources ■ Advancement of innovation ■ Advancement of safety and security in regional development
Kanto-Koshin Area	(Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Yamanashi, and Nagano)	<ul style="list-style-type: none"> ■ Development of new market-creation businesses that fully leverage population and industry concentrations ■ Construction and renovation of infrastructure based on regional conditions ■ Development of businesses in manufacturing regions that boost competitiveness in response to globalization ■ Advancement of initiatives that contribute to higher labor productivity and an improved labor participation rate
Hokuriku Area	(Toyama, Ishikawa, and Fukui)	<ul style="list-style-type: none"> ■ Fostering of hospitable, technological and physical support for the Hokuriku area
Tokai Area	(Gifu, Shizuoka, Aichi, and Mie)	<ul style="list-style-type: none"> ■ Development of programs that advance the creation of next-generation industries ■ Development of programs that support efforts to make the Tokai area more appealing ■ Development of measures to prepare for a massive earthquake in the Nankai Trough
Kansai Area	(Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama)	<ul style="list-style-type: none"> ■ Development of programs that support leading-edge manufacturers ■ Development of a program to support the invigoration of commerce and distribution ■ Development of a program that aids efforts to help the tourism industry thrive
Chugoku Area	(Tottori, Shimane, Okayama, Hiroshima, and Yamaguchi)	<ul style="list-style-type: none"> ■ Promotion of the "Three arrows" initiative to invigorate the Chugoku area
Shikoku Area	(Tokushima, Kagawa, Ehime, and Kochi)	<ul style="list-style-type: none"> ■ Development of a program for Shikoku enterprises evolving at the top of their niches ■ Development of programs that support efforts to reinforce industrial clusters ■ Development of measures to prepare for a massive earthquake in the Nankai Trough
Kyushu Area	(Fukuoka, Saga, Nagasaki, Kumamoto, and Oita)	<ul style="list-style-type: none"> ■ Enhancement of the competitiveness of the Kyushu area as the door to Asia ■ Creation of a new growth engine for the Kyushu region ■ Development of measures to increase the competitiveness of area enterprises that have unique growth strategies
Minami-Kyushu Area	(Miyazaki, Kagoshima, and Okinawa)	<ul style="list-style-type: none"> ■ Development of a project to promote Minami-Kyushu as an advanced region in terms of food, health, and the environment and energy

Case Studies

Case Study 1 Supply of growth capital to Dai-Ichi Hotel

Dai-Ichi Hotel is a major operator of Japanese-style inns in the Tokachigawa hot springs area. With the aim of helping improve the attractiveness of the region by renovating hospitality facilities, DBJ supplied risk capital through Special Investment Operations by arranging syndicated loans to supply growth capital with North Pacific Bank, Ltd., including subordinated capital loans.



Garden-themed, outdoor hot spring bath

Case Study 3 Be Smile Project Co., Ltd. (Kamichiku Group)

Be Smile Project Co. Ltd. aims to move Kyushu's livestock sector to the sixth industrial tier (tier characterized by the added value resulting from vertical integration) by invigorating and sharpening the sector's competitiveness through expansion into the restaurant business. DBJ supports this effort by supplying risk capital through Special Investment Operations in cooperation with the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value Chain and Expansion in Japan, livestock feed producers, trading companies, and local financial institutions.



Case Study 2 Support for world's first university-affiliated joint-use medical facility dedicated to BNCT

DBJ arranged syndicated loans for a project to prepare the Kansai BNCT Medical Center (tentative name) with the Educational Foundation of Osaka Medical and Pharmaceutical University. The center is the world's first university-affiliated joint-use medical facility dedicated to boron neutron capture therapy (BNCT). It holds promise for leading the world in advanced cancer treatments through collaboration with research networks including Kyoto University Research Reactor Institute, Osaka University's Graduate School of Medicine, and Osaka Prefecture University's BNCT Research Center.



Rendering of completed facility

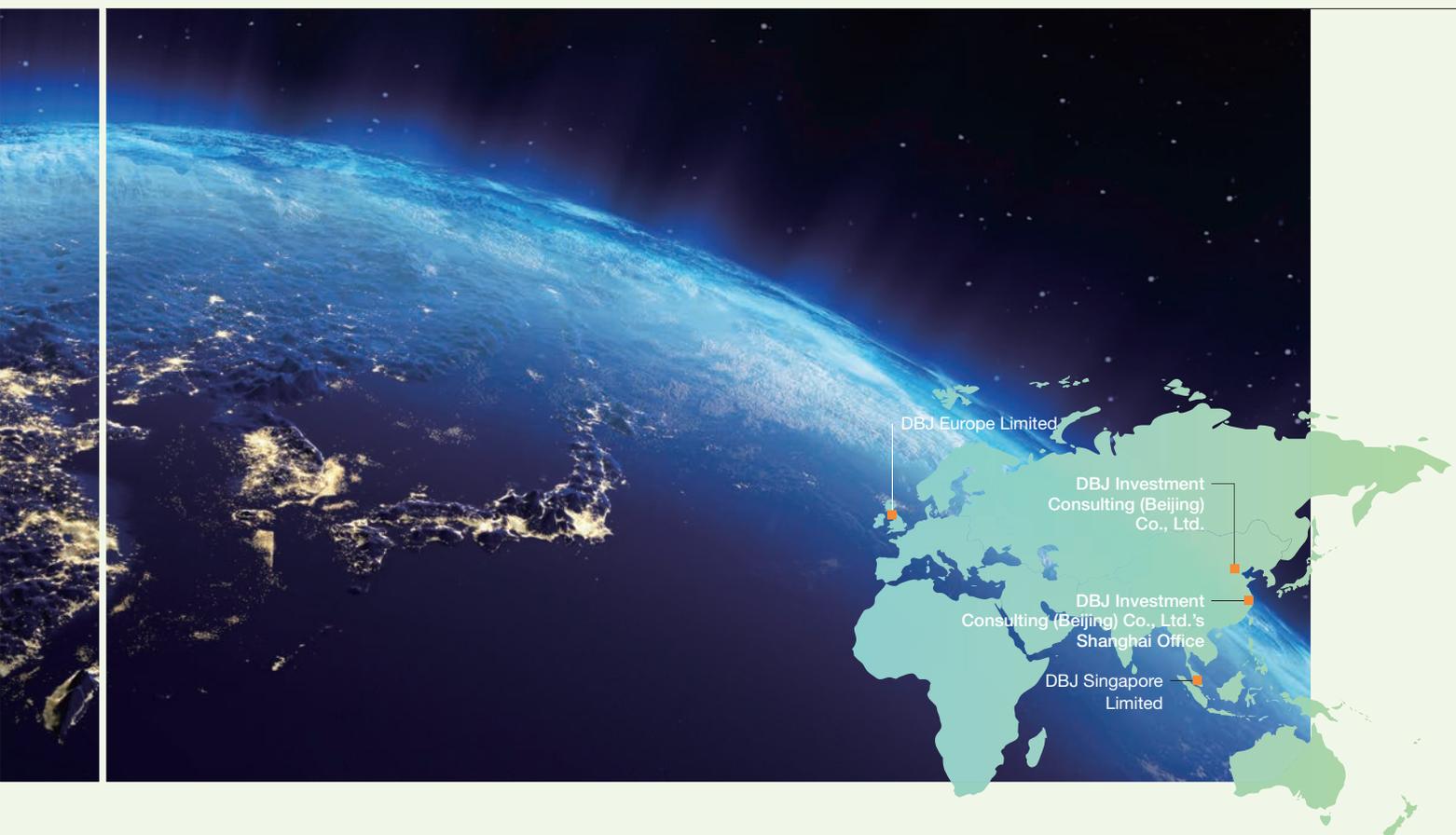
Case Study 4 Initiatives to promote Setouchi brands

DBJ set up the Setouchi Kanko Kasseika Fund and financing for Setouchi Brand Corporation to create a system for promoting Setouchi brands in collaboration with the Setouchi Tourism Authority as well as seven financial institutions in the region (Chugoku Bank, Hiroshima Bank, Yamaguchi Bank, Awa Bank, Hyakujushi Bank, Iyo Bank, and Minato Bank). This fund provides financial support to tourism-related businesses as the bearer of growth capital.



Area Strategy

Overseas



Vision

Positioning overseas operations within its sector strategies and function strategies, DBJ Group engages in global operations in sectors providing high added value.

Outline

DBJ engages in overseas operations in line with its sector strategies and function strategies. To coordinate these operations, it has subsidiaries in London, Singapore, and Beijing (including a branch office in Shanghai), as well as a representative office in New York.

Accomplishments and Initiatives to Date

When it first became a joint-stock company, DBJ began to extend corporate loans in advanced countries where it could ply its knowledge of industries in Japan. DBJ then gradually diversified into project finance, asset finance, and investment operations as business foundations were laid overseas in accordance with DBJ Group's sector strategies and function strategies.

In Singapore and China, DBJ set up an M&A advisory team to coordinate with the head office's Business Development Department in meeting the M&A needs of customers in the Asia region.

Longer-Term External Environment and Social Issues

Based on projections for continued growth in the world economy, DBJ Group is likely to see continued needs for global business development from its core customers in domestic industries. At the same time, demand for capital should increase strongly from the infrastructure and transportation

sectors against a backdrop of population growth and the increasing volumes of movement in people and physical goods. It is imperative that Japan's economy and industry sustain growth by effectively tapping into these overseas growth opportunities.



Strategy

DBJ will continue to engage in overseas operations in line with its sector strategies and function strategies.

- 1) In infrastructure fields such as energy and transportation, DBJ will provide investments and loans for the overseas development of Japanese industry and for projects that bring overseas knowledge to domestic markets.
- 2) DBJ will provide investment and advisory services to support the overseas industrial expansion needs of its customers, including customers headquartered regionally in Japan.
- 3) Group companies will manage investments in infrastructure assets and corporate assets for the purpose of providing Japanese investors with investment opportunities overseas.

Case Studies

Case Study 1 Participation in natural gas power plant project in New York State

DBJ participated in the financing of a project to construct and operate a natural gas power generation plant (output about 1.1 million kW) in New York, U.S.A., being promoted by lead investor JERA Co., Inc. We aim to acquire knowledge of finance in deregulated markets in the U.S., a pioneer in electric power deregulation, and bring this knowledge back to help

Japan's deregulated electricity market.



Rendering of completed facility

Case Study 2 Participation in biomass power plant project in the U.K.

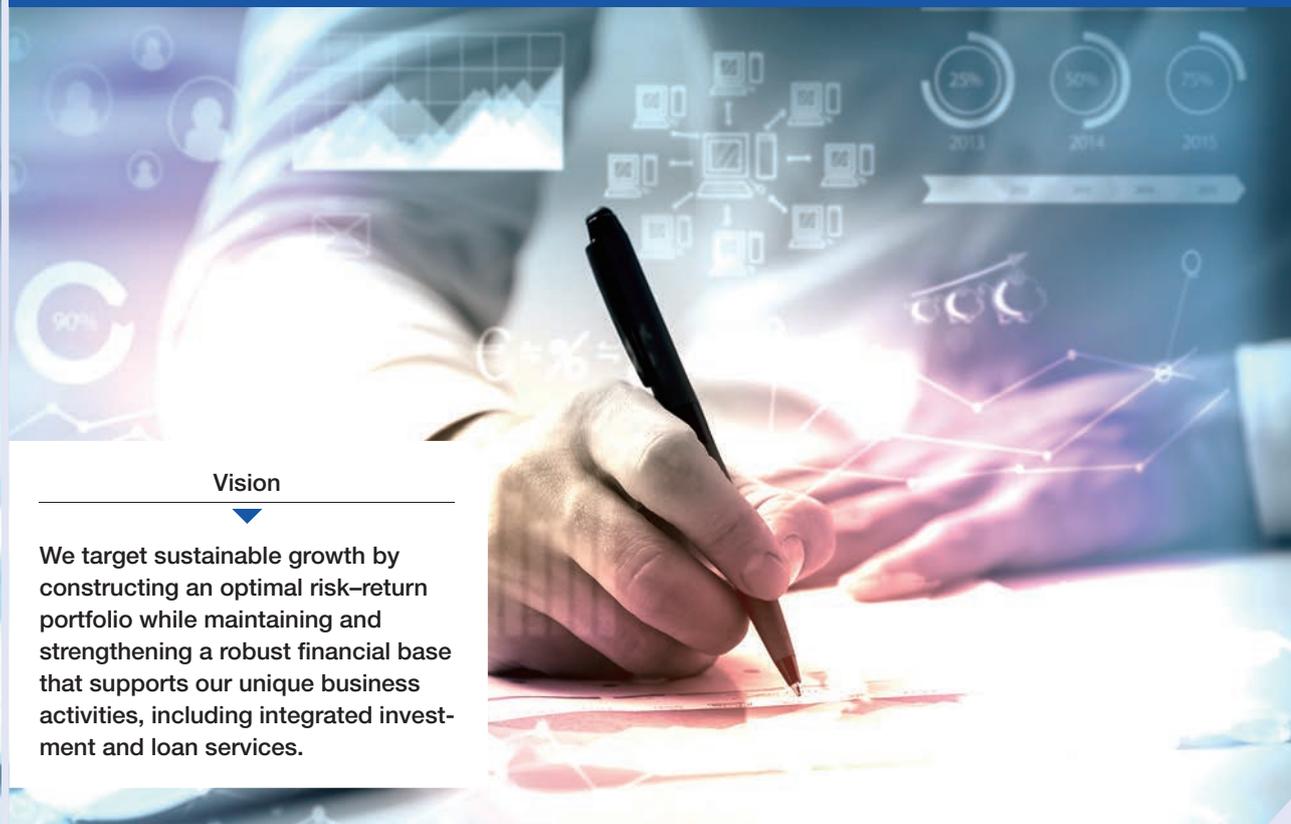
DBJ participated in project financing for one of the largest biomass power plants (output about 300,000 kW) in the U.K., which is scheduled to be constructed near Middlesbrough in central England. By acquiring knowledge in the financing and operation of the biomass power plant project, we will contribute to the spread of renewable energy in Japan.



Rendering of completed facility

Capital Strategy

Financial Capital



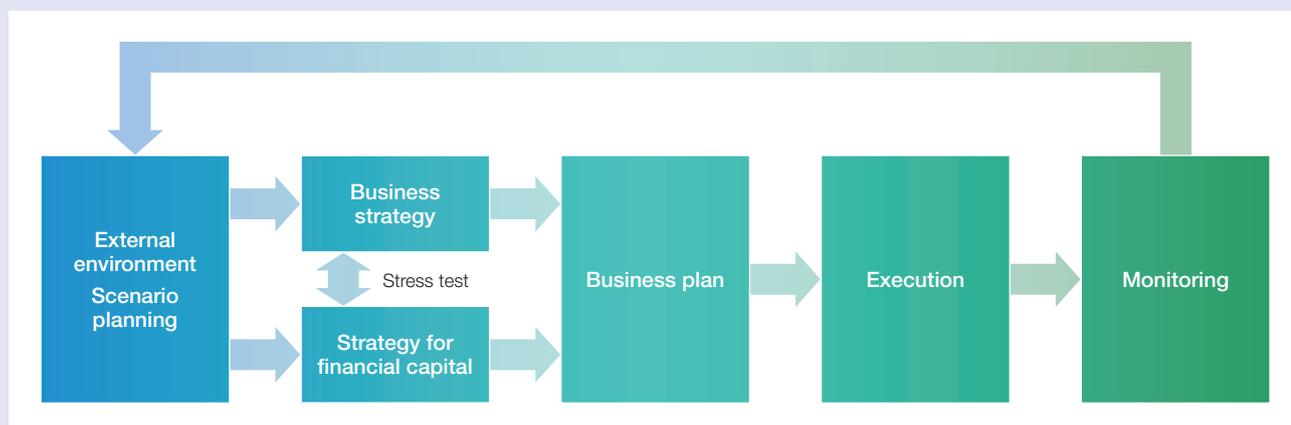
Vision

We target sustainable growth by constructing an optimal risk-return portfolio while maintaining and strengthening a robust financial base that supports our unique business activities, including integrated investment and loan services.

Basic Policy

Financial capital is a vital element of our business foundation implementing advanced business strategies centered on our sector strategy (see page 18) and function strategy (see page 28) under the Fourth Medium-Term Management Plan. A robust financial foundation of funds and capital is necessary for DBJ Group to execute its sector strategy, supply risk capital, and engage in Crisis Response Operations. We aim to

maintain and strengthen our financial capital by managing it within the context of a risk appetite framework based on sophisticated analysis of risks and returns with due consideration paid to regulatory capital (management focused on shareholders' equity ratios) and economic capital (management of capital using stress tests).



Specific Initiatives to Improve Value of Financial Capital

A pillar of DBJ Group's business strategy is to provide long-term financing for infrastructure projects. To do so, DBJ Group procures long-term funds through corporate bonds and the Fiscal Investment and Loan Program (FILP).

In recent years, DBJ has stably procured funds through FILP as well as by issuing corporate bonds, thereby augmenting its

fund procurement activities with diversified maturities and methods. In fiscal 2015, DBJ was the first Japanese issuer to issue sustainability bonds (see page 55), and it plans to strengthen efforts in this area. We intend to help invigorate the socially responsible investing bond market while diversifying our fund procurement base.

Capital Procurement (Non-Consolidated)

(¥100 million)

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Funds raised (flow)	2,544.2	3,027.7	4,012.6
Fiscal Investment and Loan Program	661.6	634.4	1,127.7
Of which, borrowings from FILP*	300.0	300.0	800.0
Of which, government-guaranteed bonds (domestic)	200.0	200.0	150.4
Of which, government-guaranteed bonds (overseas)	161.6	134.3	177.3
Corporate bonds (FILP bonds)	374.8	395.3	497.1
Long-term debt	378	358.2	861.5
Of which, recovered, etc.	1,129.9	1,639.7	1,526.1

* Borrowings from FILP in fiscal 2016 included ¥500 billion in the supplementary budget for "economic stimulus measures for investments in the future."

Injections of financial capital are periodically monitored and assessed, and are reflected in operational plans and financial capital plans.

Financial Soundness Indicators

Issuer ratings	A1 (Moody's), A (S&P), AA (R&I), AAA (JCR)	(As of March 31, 2017)
Common equity Tier 1 risk-weighted capital ratio	17.2%	(As of March 31, 2017)

Financial Targets of Fourth Medium-Term Management Plan

DBJ has set the following numerical targets and is keen to strengthen profitability further over the longer term.

(In the Third Medium-Term Management Plan, our target for net income was ¥70 billion in the final fiscal year.)

(Consolidated)	Third Medium-Term Management Plan		Fourth Medium-Term Management Plan	
	Actual (Average for fiscal 2014–2016)	Actual (Fiscal 2016)	Target (Fiscal 2019)	
	Gross ordinary income*1	¥182.6 billion	¥171.1 billion	¥190 billion
	Current net income	¥103 billion	¥87.6 billion	¥80 billion
	Of which, credit costs (negative = cost)*2	¥19.2 billion	¥4.5 billion	—
Profitability	Expense ratio*3	26%	30%	About 35%
	Total assets	—	¥16.5 trillion	¥16 trillion
	ROA*3*4	1.1%	1.1%	About 1%
	ROE*3*4	3.7%	3.0%	About 3%
Soundness	Capital adequacy ratio*5	—	17.2%	At least 14%

*1 Includes stock-related gains/losses, before credit costs and expense deductions

*2 Credit costs (negative = cost) = reversal of allowance for loan losses (negative = provision) + reversal of reserve for contingent losses (negative = provision) + loan write-offs (negative) + collection of written-off claims + gain on sale of claims (negative = loss)

*3 Expense ratio and ROA versus gross operating profit, ROE versus net income

*4 Average for fiscal 2014–2016 uses simple average of ROA and ROE for each fiscal year

*5 Common equity Tier 1 risk-weighted capital ratio

Capital Strategy

Financial Capital

Reference (Long-Term Profits / Losses, Financial Conditions)

	2008	2008–2010	
	Became a joint-stock company	First Medium-Term Management Plan CHALLENGE 2010	
	Fiscal 2008 (October 1, 2008 to March 31, 2009) (Six-month fiscal period)	Fiscal 2009 (April 1, 2009 to March 31, 2010)	Fiscal 2010 (April 1, 2010 to March 31, 2011)
Consolidated			
Total income	151.2	347.9	345.1
Income before income taxes	(121.6)	51.9	95.0
Of which, equity and fund-related gains/losses	N/A	(26.7)	(2.9)
Extraordinary profit/loss	3.5	(0.8)	9.3
Income before income taxes and minority interests	(118.1)	51.1	104.3
Total income taxes	(13.5)	(10.8)	(1.3)
Net income attributable to owners of the parent	(128.3)	39.8	101.5
Total dividend amount	—	10.0	50.0
Total assets	14,028.0	15,595.7	14,845.2
Loans	12,008.8	13,514.6	13,031.4
Securities	1,246.5	1,289.4	1,165.5
Total liabilities	11,941.6	13,268.2	12,435.2
Borrowed money	8,067.8	9,082.4	8,576.4
Debentures and corporate bonds	3,513.0	3,746.3	3,629.3
Total equity	2,086.4	2,327.5	2,409.9
Common stock	1,000.0	1,181.1	1,181.1
Total capital ratio (Basel II, BIS standard)	18.87%	19.13%	20.50%
Total capital ratio (Basel III, BIS standard)	—	—	—
Ratio of risk-monitored loans (Banking Act basis)	1.60%	5.07%	1.28%
Return on assets (ROA)	(0.92)%	0.27%	0.67%
Return on equity (ROE)	(6.06)%	1.82%	4.31%
Number of employees	1,096	1,181	1,203
Investment and fundraising flow (non-consolidated)			
Loans and investments (flow)	1,733.4	3,793.1	2,116.6
Loans	1,670.3	3,682.0	2,034.4
Investments	63.1	111.1	82.2
Funds raised (flow)	1,733.4	3,793.1	2,116.6
Of which, recovery, etc.	184.3	840.9	1,212.8

(¥100 million)

	2011–2013 Second Medium-Term Management Plan Endeavor 2013			2014–2016 Third Medium-Term Management Plan: Supporting Japan's Sustained Growth as a Global Innovator		
	Fiscal 2011 (April 1, 2011 to March 31, 2012)	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)	Fiscal 2014 (April 1, 2014 to March 31, 2015)	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
	318.7	340.0	361.6	339.0	358.6	285.4
	99.2	115.6	165.7	153.0	185.1	122.5
	(1.3)	30.0	30.3	32.1	70.8	41.1
	10.9	0.6	0.2	0.6	1.5	(0.0)
	110.2	116.2	166.0	153.6	186.7	122.4
	(31.9)	(44.5)	(40.8)	(58.9)	(57.6)	(34.6)
	77.3	71.3	124.3	92.7	128.9	87.6
	37.3	35.2	30.8	22.5	29.2	19.7
	15,579.8	16,248.7	16,310.7	16,360.6	15,907.1	16,570.4
	13,645.4	13,918.2	13,838.4	13,261.3	12,952.5	13,039.5
	1,176.6	1,357.0	1,637.5	1,887.9	1,803.0	1,750.3
	13,118.8	13,710.1	13,682.9	13,613.3	13,022.9	13,584.2
	9,170.5	9,448.3	9,182.6	8,598.2	7,892.1	8,472.3
	3,671.8	3,924.5	4,237.4	4,569.3	4,727.9	4,711.8
	2,461.0	2,538.5	2,627.7	2,747.2	2,884.2	2,986.2
	1,187.7	1,206.9	1,206.9	1,206.9	1,000.4	1,000.4
	18.56%	—	—	—	—	—
	—	15.52%	15.83%	16.80%	17.87%	17.47%
	1.47%	1.23%	0.99%	0.77%	0.64%	0.54%
	0.51%	0.45%	0.76%	0.57%	0.80%	0.54%
	3.18%	2.86%	4.83%	3.47%	4.60%	2.99%
	1,270	1,315	1,391	1,407	1,435	1,546
	2,927.0	2,652.4	2,943.3	2,544.2	3,027.7	4,012.6
	2,849.0	2,524.5	2,805.1	2,262.7	2,861.3	3,805.8
	78.0	127.8	138.2	281.4	166.3	206.7
	2,927.0	2,652.4	2,943.3	2,544.2	3,027.7	4,012.6
	691.7	502.2	1,307.5	1,129.9	1,639.7	1,526.1

Capital Strategy

Human Capital



Vision

We aim to become a “human resource development bank” with diverse human resources, and help employees develop skills while raising their motivation.

As of March 31, 2017

Number of employees (consolidated)	1,546
Number of employees (non-consolidated)	1,192
Average length of service (non-consolidated)	14.3 years



Basic Policy

We believe the sustained creation of economic and social value hinges on the hiring and training of talented personnel who can put into practice our unique business model of integrated investment and loan services, while sharing DBJ Group's corporate philosophy. It is also vital that we create

a framework where diverse personnel can engage in work with high levels of motivation. Under the Fourth Medium-Term Management Plan, we are advancing specific initiatives to improve the value of human capital as a high-priority issue.

Specific Initiatives to Improve Value of Human Capital

(1) Intensification of Hiring

DBJ will secure the personnel necessary across the entire Group to implement its sector strategy, function strategy, and area strategy.

(2) Skills Development

DBJ prioritizes human resource development across the Group.

- Help employees shape career paths for personalized growth
- Strategically rotate employees so they steadily develop highly specialized skills by gaining practical experience in multiple departments
- Develop skills through practical on-the-job training
- Dispatch employees to central government agencies, Group companies inside and outside Japan, and companies that have received investments
- Enhance quality and quantity of spending on human resource development (career development, management ability, global awareness, etc.)

- Provide abundant opportunities for training through combinations of rank-based training, business-related training, and self-improvement training
- Augment study abroad program at overseas universities and international training programs to nurture globally aware employees
- Implement measures to strengthen management abilities

(3) Motivation and Health Management

We focus efforts on promoting employee motivation and sound physical and mental health.

- Maintain an optimal human resource system, share our corporate philosophy, and focus on improving productivity as factors that affect motivation
- In addition to periodic health checkups, introduce counseling services staffed by external professionals as a part of management that cares for the physical and mental well-being of employees

DBJ's Human Resource Development System

Training by Rank		Business-Related Training	External Assignments, etc.	Business-Related (Self-Training)
Position ↑	Leadership program	<ul style="list-style-type: none"> Financial skill-related training (Valuation, corporate reorganization, real estate finance, accounting, monetary policy, corporate finance, etc.) 	Domestic and overseas exchange students, trainees, seconding, etc.	Common skill areas <ul style="list-style-type: none"> Communication Logical thinking Facilitation Presentation Design thinking English conversation, etc.
	Life plan training			
	Management training	Financial analysis training <ul style="list-style-type: none"> Bookkeeping and accounting knowledge Corporate analysis Individual company analysis Case studies 		
	Career development plan training			
	Manager training	Acquisition of financial skills, legal and financial accounting knowledge		
Introductory training for new employees				
Autonomous career track	Cultivation of management and leadership skills			
Planned and ongoing HR development				

DBJ's Work-Life Balance Systems

Pregnancy, Childbirth, and Child-Rearing

Balance support systems	Pregnancy and childbirth	Child-rearing
	<ul style="list-style-type: none"> Maternity leave before and after childbirth Special leave when spouse gives birth 	<ul style="list-style-type: none"> Leave for child-rearing Shortened working hours for childcare Flextime system for childcare Special vacation for helping with childcare Exemption from or reduction of overtime Time off for nursing babies
Training and support	Advice for returning to work after taking leave	
	Preparation seminars for returning to work	
	Seminars for managers with subordinates raising children	
	Return entry system (registration system for employees returning to work)	

Caring for Family Members

Balance support systems	Leave to care for the elderly
	Shortened working hours to care for the elderly
	Flextime system to care for the elderly
	Exemption from or reduction in overtime
	Nursing care leave
	Accumulation of unused paid vacation
Training and support	Nursing care seminars
	Return entry system
	System for rehiring retired employees

(4) Workstyle Reforms and Employee Diversity

The way people work has continued to evolve as productivity improves through business reforms, work-life balance becomes more important, and diverse human resources work together.

- Create Work Reform Project to improve productivity
- Enhance work and leave systems for childcare and elderly care (flextime system, leave for helping with childcare)
- Career training for supporting women in management positions, training for managers to support subordinates with childbirth and childcare issues, and seminars aimed at workstyle reforms for employees preparing to return to work after taking leave
- Set targets for empowering women, specifically for hiring women and promoting them to management positions

Note: Ratio of women in management positions: Target a 50% increase in the number of women in management positions by the end of fiscal 2018 compared with April 1, 2014, and target a ratio of 5% for women in management positions by the end of fiscal 2020

(5) Worry-Free Work Environments

We take proactive steps to maintain worry-free work environments.

- Proactively hire people with disabilities, maintain work environments for diverse human resources
- Raise awareness of measures to prevent sexual harassment and power harassment, set up a consultation service
- Mandate human rights training to deepen understanding of human rights issues, compliance training, and information security training, and focus on improving morale

Capital Strategy

Intellectual Capital



Vision

DBJ aims to build on strengths in knowledge, the wellspring for value-added operations such as research, analyses, and risk management, as well as strengths in frameworks, including processes, information and communication technology (ICT) systems, and organizations.

Basic Policy

(1) Knowledge

We strive to improve skills as a core element of operations necessary to differentiate our business model through surveys, research, analyses, and risk management centered on industry.

(2) Processes

We will improve operations, including via investments in ICT, by clarifying and simplifying business processes from the customer's standpoint in order to rapidly and properly address customer needs.

Specific Initiatives to Improve Value of Intellectual Capital

(1) Knowledge

Industry analysis

In April 2017, DBJ established the Chief Research Officer and placed under it the Economic & Industrial Research Department and the Sustainability Planning & Support Department (formerly the Environmental Initiative & Corporate Social Responsibility–Support Department). We provide knowledge-based solutions to customers in various industries, including from an ESG perspective, based on our broad knowledge of industry.

Research Institute of Capital Formation

The Research Institute of Capital Formation (RICF) was established in 1964 with Dr. Osamu Shimomura, who advocated for the principles behind Japan's stage of high economic growth after the 1940s, as its first executive director. The institute serves as a venue for creating intellectual capital through

cooperation and collaboration between DBJ and external experts at universities and other organizations. Research focuses on the formation of a sustainable economy and society from an academic and liberal standpoint. The outcomes of this research are reflected back in the operations of DBJ Group and shared with the general public with the aim of creating both economic and social value. RICF, a pioneer in identifying issues, is highly regarded by academia for its impartiality and the robustness of its research. It is well known as a center for industry, academia, and government knowledge. In recent years, the institute has expanded the means for creating intellectual capital by establishing new committees for researching sustainability, publishing research papers through Springer, an international academic publishing company, and holding international academic conferences in conjunction with foreign academic journals and think tanks.

Screening

While engaging in high-risk operations, such as integrated investment and loan services and crisis response, DBJ Group must have excellent screening capabilities to evaluate corporations and businesses, in addition to economic and industry analysis, in order to continue carrying out its mission. To enhance the value of this intellectual capital, arguably the biggest distinguishing factor for a financial institution, DBJ offers a variety of training programs for new employees, including financial analysis training. As employees gain experience in financing deals and share it with others, they become the screening ability of DBJ as it addresses social issues.

(2) Processes, etc.

Business processes

DBJ established the Work Reform Project in fiscal 2016 to look into measures to enhance productivity and increase added value for customers, including reforming workstyles, streamlining how meetings are run, and reviewing the decision-making process.

Rebuilding of backbone systems

DBJ is advancing projects to rebuild backbone systems, including core systems for financing and decision-making.

Case Studies

Case Study 1 Analysis of economic and industrial trends

In addition to analyzing macroeconomic and financial trends around the world, DBJ conducts industry surveys and research about market trends inside and outside Japan through its network of contacts in the industry, as well as surveys about the latest technological developments and the international competitive landscape. DBJ puts its findings in research reports and disseminates them to customers as well as investment and loan departments and offices.

Research about the aerospace industry, the IoT, "Industry 4.0"

Lately, we have been following the latest trends in the aerospace industry, which shows promise as a growth field, while publishing reports containing the entire Group's cumulative knowledge of the aerospace industry. We have also conducted field research on the latest IoT trends and the "Industry 4.0" initiative, and shared this information with our customers and the general public through discussions, study sessions, and lectures. In May 2017, DBJ set up the Cross-Sector Conference as a platform for sharing information about the entire industry, including our periodical reports on industry trends and sector analysis.



These reports are available on DBJ's website.

Case Study 2 Capital Investment Planning Survey

With a history of more than 60 years (since 1956), DBJ's Capital Investment Planning Survey looks at trends in corporate capital investment in Japan, capital investment overseas, and spending on R&D. The results of the survey are used for many purposes, such as furthering education at universities and research at R&D organizations, in addition to serving as a reference for national economic policy and corporate planning.

Fiscal 2016 Capital Investment Planning Survey, 60th anniversary symposium

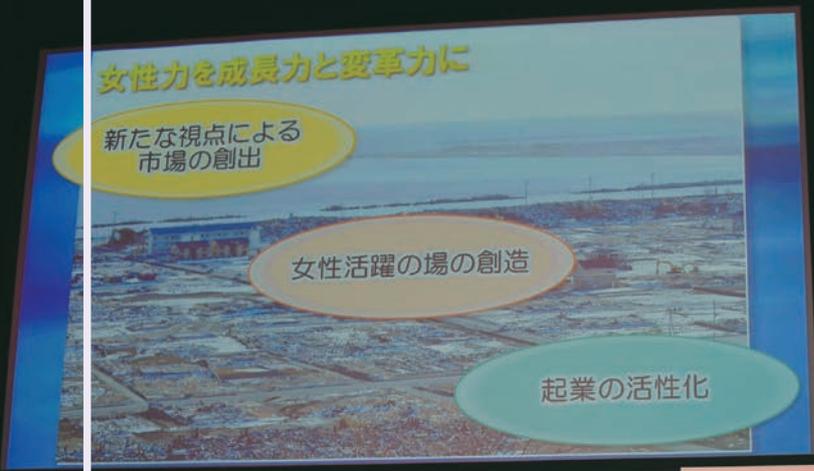
In fiscal 2016, the survey was designed to illuminate corporate activities based on the "broad definition of investment," covering intangible fixed asset investment in Japan and overseas, as well as spending on R&D, M&A, and human resources. This was a new trial aligned with current corporate activities that split budgets between investments and corporate acquisitions flexibly—that is, without setting specific amounts. The results of the survey will be reflected in future surveys after a frank exchange of opinions between management at DBJ and corporate managers.

On September 16, 2016, in celebration of the 60th anniversary of the Capital Investment Planning Survey, DBJ and *Nihon Keizai Shimbun* sponsored the "How Investment for the Future Is Changing the Japanese Economy" symposium, with this "broad definition of investment" as the main topic.



Capital Strategy

Relationship Capital



Vision

DBJ aims to create value by cooperating with other parties to enhance the value of its network and brand.

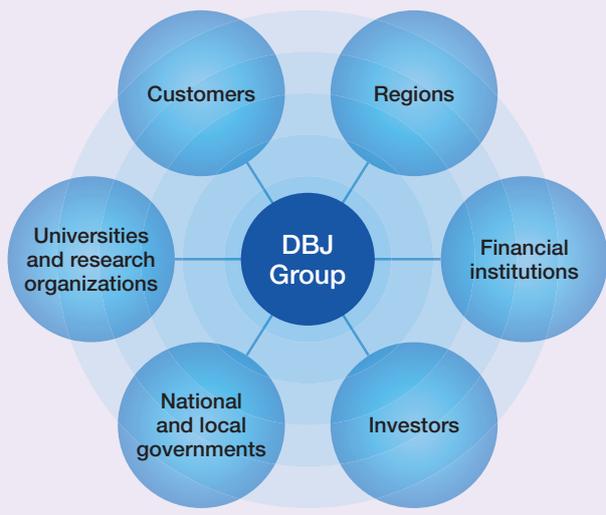
Basic Policy

(1) Networks and Relationships

DBJ Group has built diverse networks with customers, financial institutions, investors, and national and local government agencies for the purpose of exchanging information and avoiding conflicts of interest. DBJ Group utilizes its unique networks to identify issues affecting the economy and society and to conduct investment and loan operations.

(2) Brand and Reputation

We aim to maintain our reputation and improve our brand value through the services DBJ Group provides to customers.



Specific Initiatives to Improve Value of Relationship Capital

Regional Financial Institutions

In fiscal 2007, DBJ began borrowing money from local financial institutions as a part of its credit-raising activities. In addition to its fund-raising relationships, DBJ has enhanced and diversified its network of relationships by establishing

collaborative funds and introducing investment products such as syndicated loans. As a part of initiatives to revitalize regions, DBJ creates M&A opportunities for local companies through its network of regional banks (75 regional banks as of March 31, 2017). DBJ also helps local companies get a foothold in Asian

markets through its Asia Financial Support Center (67 regional banks as of March 31, 2017). Moreover, DBJ has formed a total of 20 funds with regional financial institutions through initiatives to supply risk capital to regions. Lately, DBJ has promoted new money flows by creating diverse investment opportunities for regional financial institutions, jointly investing in overseas private equity funds along with six regional financial institutions through its overseas private equity investment program.

National and Local Governments

With the aim of solving regional issues, DBJ has deepened its relationships with leading organizations and broadened the scope of its relationships by planning and holding seminars at its PPP/PFI Academy for local governments and regional financial institutions, as well as by putting in place platforms for local industry, government, and academia collaboration with the national government. In its fifth year, the PPP/PFI Academy counts 63 local governments and 125 people as participants (as of March 31, 2017). DBJ also supports the public asset management functions of a number of local governments through advisory services and help creating PPP/PFI projects.

Universities and Research Organizations

Our network of over 430 academics at 115 universities around the world, centered on the social science field, helps with our research activities and human resource training. From an early stage, we have worked to internationalize our network. Our guest foreign researcher system, which began in 1991, has welcomed 34 researchers from the U.S., Canada, the U.K., Germany, Denmark, Singapore, Malaysia, Thailand, China, South Korea, Taiwan, Australia, and New Zealand. Leveraging this diverse relationship capital, DBJ invited around 50 foreign professors from over 20 universities in six countries and regions, including Japan, to give lectures at seminars and conferences held in fiscal 2016. The events were uniformly hailed as excellent venues for sharing research outside the university setting. The DBJ Financial Academy is a part of our human resource training program that focuses on advanced financial operations for DBJ employees as well as students accepted from outside the Bank. Over the past 10 years, the DBJ Financial Academy has welcomed over 550 students from outside the Bank and 20 guest professors from 11 universities who represent their respective fields.

iHub (innovation Hub)

Along with Japan Economic Research Institute, DBJ engages in management of technology training and innovation Hub (iHub) activities. Using its impartial position and broad network, DBJ aims to resolve social issues through logical and innovative business solutions.



DBJ Women Entrepreneurs Center (DBJ-WEC)

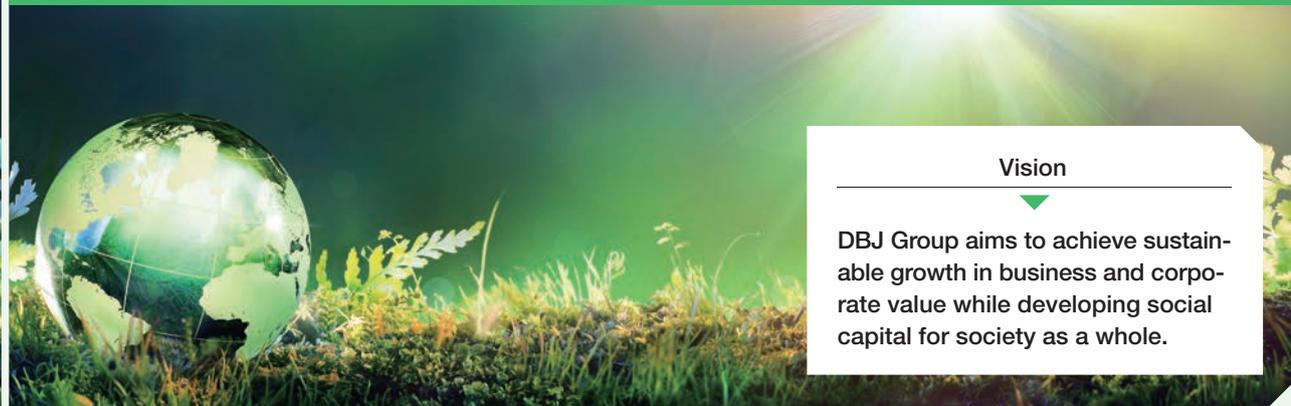
DBJ provides comprehensive support, including entrepreneurial know-how and networking opportunities, to nurture growth businesses led by women from new vantage points that could change society and the economy for the better. As a part of these efforts, DBJ holds a business plan competition every year for women entrepreneurs. New business ideas that evince excellent business potential and innovativeness are awarded business grants of up to ¥10 million. After the competition finishes, the winners are connected with outside experts and venture capitalists who help them turn their business plans into reality by supporting the growth and development of their business ideas. More than 1,800 business plans have been submitted over the past five competitions, expanding the scope of opportunity for women entrepreneurs.

More information is on the Women Entrepreneurs Center website (<https://www.jeri.or.jp/wec/>).



Capital Strategy

Social Capital



Vision

▼

DBJ Group aims to achieve sustainable growth in business and corporate value while developing social capital for society as a whole.

Basic Policy

DBJ Group defines social capital as a resource shared across society that underpins the foundations of market economics. Increasing the value of social capital is a basic tenet for realizing a sustainable society. DBJ specifically engages in unique initiatives within the context of (1) the natural environment, (2) social infrastructure, and (3) system capital.

Social capital	Details	Example of initiatives
(1) Natural environment	Forests, mountains, rivers, lakes, soil, air	Environmentally Rated Loan Program DBJ Green Building Certification
(2) Social infrastructure	Energy, transportation, urban infrastructure, industrial value chains	Loans and investments for infrastructure and industrial projects BCM Rated Loan Program
(3) System capital	Stabilization and stimulation of the financial system, development and invigoration of financial markets	Crisis Response Operations Supply of risk capital Socially responsible investing bond issuance

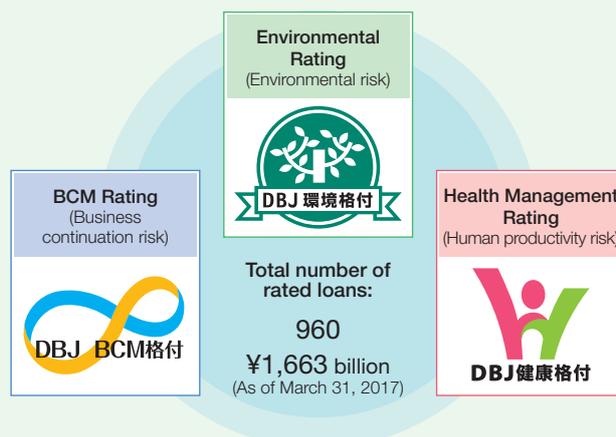
Specific Initiatives to Improve Value of Social Capital

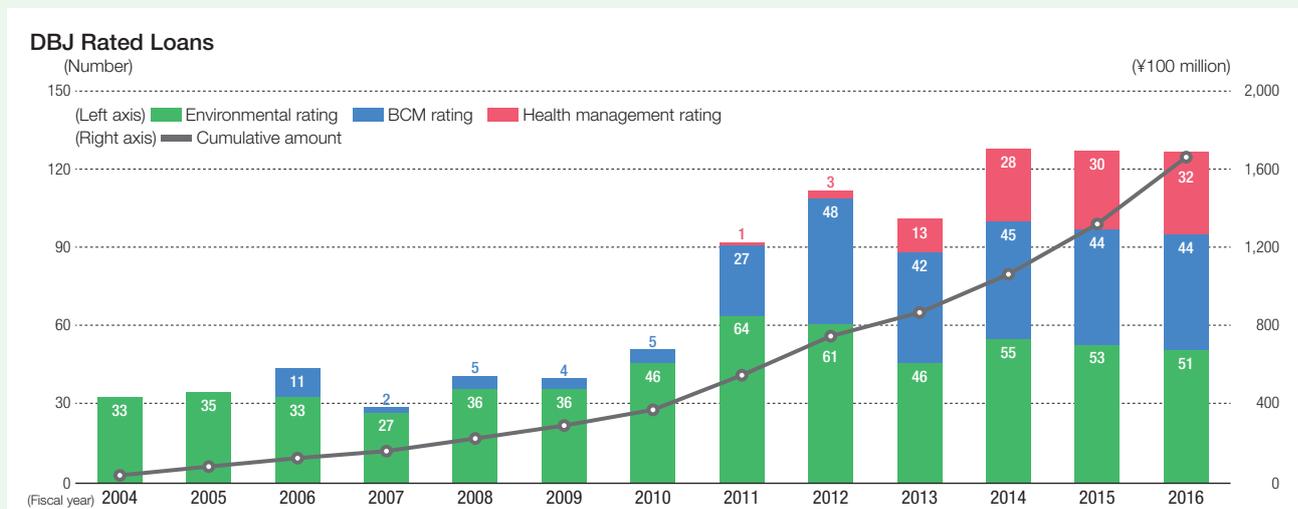
DBJ undertakes the following unique initiatives to support a sustainable society through loan and investments for infrastructure and industrial projects and its legally mandated Crisis Response Operations and Special Investment Operations.

DBJ Certification Programs

DBJ has more than 40 years of experience facilitating over ¥3 trillion in financing for environmental conservation projects. Using this knowledge, we launched the Environmentally Rated Loan Program in 2004, the first such program in the world. Using an independently developed screening system, DBJ evaluates companies' track records in environmental management. The environmental rating system entails the setting of loans' terms and conditions based on their environmental ratings. In 2006, DBJ launched the BCM Rated Loan Program to evaluate disaster preparedness and measures to ensure business continuation. We help companies devise comprehensive crisis management policies in addition to providing loans for disaster prevention measures and disaster recovery for critical social infrastructure. In 2012, DBJ began to offer the Employees' Health Management Rated Loan Program, which assesses a company's efforts at health management to

improve the productivity of its employees through workstyle reforms and measures to raise employee awareness of health issues. Our screening sheet for rating loans was created with the cooperation of public institutions, experts, and top runner companies. This screening sheet is revised every year by a panel of advisors consisting of external experts with due attention paid to the latest issues and trends around the world.





DBJ has provided over 900 rated loans to customers while engaging in dialogue with them to broadly support their environmental, social, and governance (ESG) initiatives. These loans have contributed to increasing the value of social infrastructure and natural capital through sustainable corporate activities.

DBJ certification programs facilitate dialogue and coordination between companies and their stakeholders with the aim of encouraging financial markets to appreciate companies based on their long-term growth potential.

DBJ Green Building Certification

Applying the expertise and networks accumulated over many years of real estate financing, DBJ inaugurated DBJ Green Building Certification in fiscal 2011. Real estate that takes environmental and societal considerations (green buildings) is comprehensively evaluated for its environmental performance, disaster preparedness, and community considerations, including engagement with various stakeholders. The real estate is assessed and certified based on this evaluation within the context of social and economic needs. Along with Japan Real Estate Institute, DBJ currently certifies four types of properties comprising office buildings, logistics centers, retail facilities, and residences. Moreover, in 2014 DBJ became an investor member in the Global Real Estate Sustainability Benchmark (GRESB),* a first in Japan, and was appointed to GRESB's Real Estate Advisory Board in 2016. Through its Green Building Certification system, DBJ will promote sustainability and ESG investment in the real estate industry.



* GRESB is a benchmark for assessing the sustainability performance of real estate firms and asset managers. It was created by major pension funds in Europe in 2009. GRESB's Real Estate Advisory Board provides diverse information to GRESB management that is pertinent to strategy formulation and product development.

DBJ Socially Responsible Investment Bond (SRI Bond)

In 2014, DBJ became the first issuer in Japan to issue a green bond. Also, DBJ has issued DBJ Sustainability Bond each year since 2015. The raised funds are allocated toward the creation of a sustainable society through DBJ Green Building Certification and the Environmentally Rated Loan Program. DBJ has contributed to the development of the SRI bond market in various ways. In January 2017, DBJ became an issuer member, the first Japanese firm with an issuer status, of the Green Bond Principles* and in March participated on a committee created by the Ministry of the Environment to draw up the Green Bond Guidelines, 2017. DBJ will continue to support the sustainable growth of this market by continuing to issue SRI bonds as well as proactively engaging in the international and/or domestic initiatives.

Issuance of SRI bonds
(As of March 31, 2017)

\$500 million in 2016
€300 million in 2015
€250 million in 2014

* Green Bond Principles
The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. Members consist of the International Capital Market Association, investors, issuers, and underwriters across the globe. The GBP are updated annually and intended for broad use by the market. The official link is <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

Details about these initiatives are available on DBJ's website.

Fiscal 2016 Topics

2016

April

Established the Kumamoto Recovery Office within the Kyushu Branch to support the restoration and reconstruction of regions affected by the Kumamoto earthquakes

May

Former President Toru Hashimoto awarded the ADFIAP Distinguished Person Award in the individual category of the ADFIAP Awards 2016, which took place at the annual meeting of the Association of Development Financing Institutions in Asia and the Pacific

Ceremony for Second Social Value and Capital Formation M&A Awards

Winner: Shizuoka Gas Co., Ltd.
Special mention: Sekishinkai

June

Held Fifth DBJ Women Entrepreneurs New Business Plan Competition award ceremony



July

Created Kumamoto Reconstruction Assistance Fund

August

Released survey results for 60th Capital Investment Planning Survey (national and by region)

September

Appointed to Global Real Estate Sustainability Benchmark's Real Estate Advisory Board

Held "How Investment for the Future Is Changing the Japanese Economy" symposium to commemorate 60th anniversary of the DBJ Capital Investment Planning Survey

October

Issued second DBJ Sustainability Bond

Held Invest in Japan 2030–2050 at annual conference of Young Global Leaders at World Economic Forum

December

Became signatory of Principles for Responsible Investment



Participated in Eco-Products 2016, one of the largest environmental exhibitions in Japan (16 years running)



2017

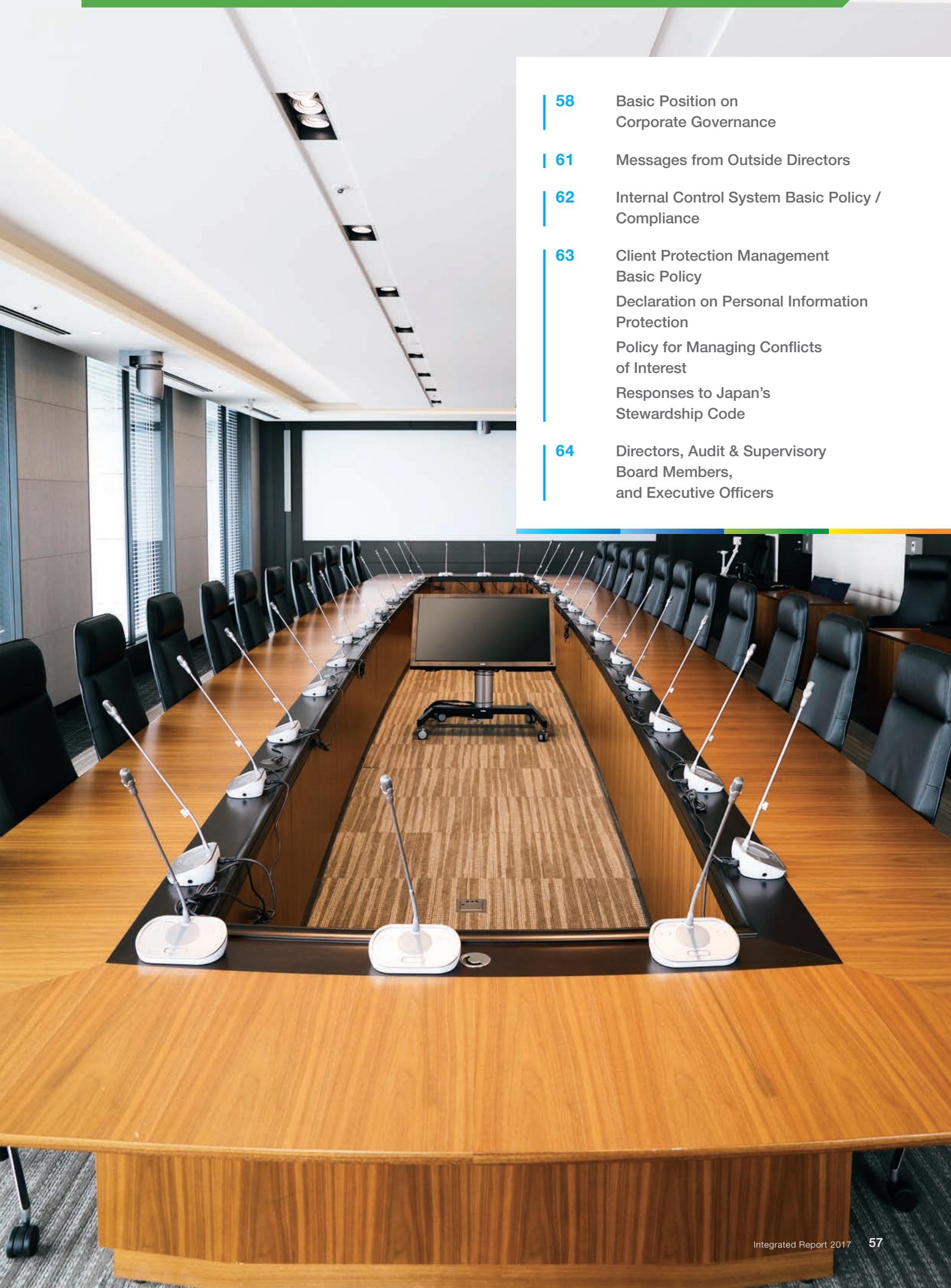
January

Became an issuer member of the Green Bond Principles



Received two awards as an exemplary financial institution that contributes to regional revitalization from the Cabinet Office's Creation of Towns, Human Resources, and Employment Secretariat

- Support for PPP/PFI and public asset management
- Creation of a collaboration framework for invigorating the tourism industry in the Setouchi region



- 58** Basic Position on Corporate Governance
- 61** Messages from Outside Directors
- 62** Internal Control System Basic Policy / Compliance
- 63** Client Protection Management Basic Policy
Declaration on Personal Information Protection
Policy for Managing Conflicts of Interest
Responses to Japan's Stewardship Code
- 64** Directors, Audit & Supervisory Board Members, and Executive Officers

Basic Position on Corporate Governance

DBJ is governed by the Development Bank of Japan Inc. Act (DBJ Act) in accordance with the following objective.

Article 1

Development Bank of Japan Inc. (hereinafter referred to as the “Corporation”) shall be a joint-stock company (*kabushiki-kaisha*) whose objective is to contribute to the smooth supply of funds to those needing long-term business funds, as well as to the sophistication of financial functions.

DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board) through a business model built upon features such as integrated investments and loans and proper execution of the preceding objective in order to raise the value of tangible and intangible management resources to be invested and to realize sustainable management that aims for both economic and social value.

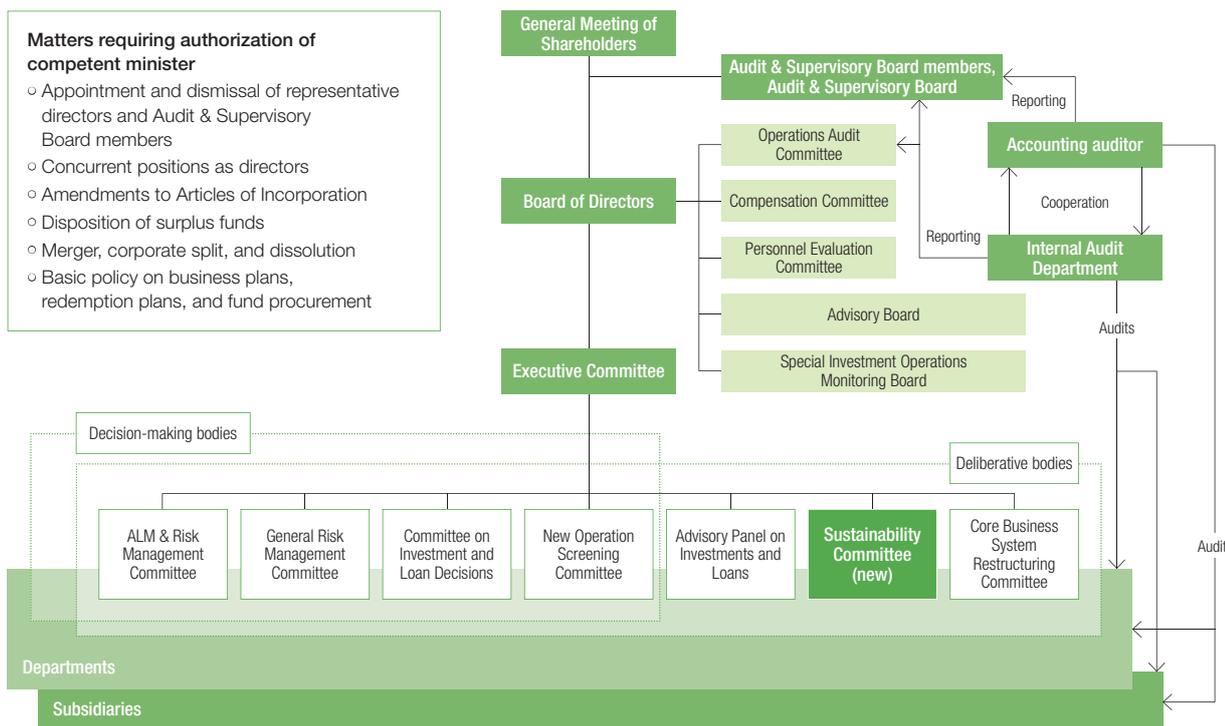
Specifically, the 2015 revisions to the DBJ Act established the creation of Special Investment Operations and obligatory measures to be considered, requiring that DBJ conduct its operations in a manner that does not obstruct appropriate competitive relations with other entities, in particular, applying these requirements to the Advisory Board, made up of outside experts and directors, and the Special Investment Operations Monitoring Board, composed of outside experts, which function as advisory bodies to the Board of Directors. These bodies provide advice on DBJ's overall management and

deliberate and evaluate business results, including consistency with the policy objectives of Special Investment Operations, ensuring that appropriate competitive relations are maintained with private financial institutions.

DBJ's Corporate Governance System

Institutional design configuration	A company with a board of directors and company auditors (Audit & Supervisory Board)
Number of directors	10
Of whom are outside directors	2
Number of Board of Directors' meetings this fiscal year	13
Number of Audit & Supervisory Board members	5
Of whom are outside Audit & Supervisory Board members	3
Number of Audit & Supervisory Board meetings this fiscal year	14
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu Limited

Overview of DBJ's Corporate Governance System



Audit & Supervisory Board Members, Audit & Supervisory Board

The Audit & Supervisory Board comprises five members. The Companies Act prescribes that a majority of Audit & Supervisory Board members be outside members (in DBJ's case, three of the five). DBJ offices contribute three members (two members proper to DBJ and one an outside member). Also, DBJ has created the Audit & Supervisory Board Office, which under the board's direction, assists board members, including outside members, in performing their duties. The

Audit & Supervisory Board and Audit & Supervisory Board members audit the execution of duties by directors, based on their audit policy and audit plans.

Audit & Supervisory Board members attend Board of Directors' and other important meetings and may query the execution of business by directors, peruse documents, and conduct branch audits.

Advisory Bodies to the Board of Directors

In pursuit of sustainability management and DBJ's corporate objectives, the following committees have been established as advisory bodies to the Board of Directors for the purpose of maintaining transparency in management and to reflect the knowledge of outside experts.

Operations Audit Committee

The Board of Directors has established the Operations Audit Committee, delegating to this body the authority to deliberate important matters related to internal audits. This committee met two times during the fiscal year ended March 31, 2017.

Compensation Committee

The Compensation Committee, whose members include outside directors, considers the type of executive compensation structure that befits DBJ from the standpoint of ensuring transparency and objectivity regarding compensation.

Personnel Evaluation Committee

The Personnel Evaluation Committee, composed of outside directors and other outside experts, evaluates personnel proposals on the selection of directors and Audit & Supervisory Board members.

Advisory Board

Since DBJ's establishment as a joint-stock company in October 2008, the Advisory Board has been in place as an advisory body to advise the Executive Committee, providing advice on overall management. Revisions in 2017 to the DBJ Act stipulate for an indefinite period obligatory measures to be considered, in particular, requiring that DBJ conduct its operations in a manner that would not obstruct appropriate competitive relations with other entities. Accordingly, this board is positioned anew as an advisory body to the Board of Directors. As one of its roles, even more than before, the Advisory Board is tasked with deliberating and evaluating important affairs related to ensuring that appropriate competitive relations are maintained with private financial institutions. This board convened twice during the fiscal year ended March 31, 2017. This board is composed of the following outside directors and experts in fields including manufacturing, infrastructure, regional communities, and finance.

Outside Experts

Reiko Akiike, Senior Partner and Managing Director,
The Boston Consulting Group

Masayuki Oku, Honorary Advisor of
Sumitomo Mitsui Financial Group, Inc.

Kazuaki Kama, Executive Corporate Advisor, IHI Corporation

Katsunori Nakanishi, Chairman and CEO,
The Shizuoka Bank Ltd.

Yoshizumi Nezu, President, Tobu Railway Co., Ltd.

Note: Sakie Fukushima-Tachibana, president of G&S Global Advisors Inc., left the Advisory Committee on June 29, 2017, to be replaced by Reiko Akiike on the same day.

Outside Directors

Akio Mimura, Senior Advisor, Honorary Chairman of
Nippon Steel & Sumitomo Metal Corporation

Kazuo Ueda, Professor and Head of Office for New Department
Planning, Kyoritsu Women's University,
Faculty of International Studies

Special Investment Operations Monitoring Board

One of the measures of the 2015 revisions to the DBJ Act was in regard to Special Investment Operations. The act stipulates the establishment of a Special Investment Operations Monitoring Board as an advisory body to the Board of Directors. This monitoring board is tasked with deliberating projects and evaluating their performance in terms of appropriateness against policy objectives and with emboldening private-sector enterprises and complementing their operations while maintaining appropriate competitive relations. This board, whose members include outside experts in fields such as manufacturing, infrastructure, regional communities, and finance, convened twice during the fiscal year ended March 31, 2017.

In order to examine whether appropriate competitive relations with other entities are being maintained, roundtable discussions are held regularly with the Japanese Bankers Association, the Regional Banks Association of Japan, and the Second Association of Regional Banks, including these

entities' private financial institution members. Each group met twice in fiscal 2016, for a total of six meetings. Disputes and opinions raised in these meetings are reported to and deliberated by the Advisory Board and the Special Investment Operations Monitoring Board.

Outside Experts

- Masayuki Oku, Honorary Advisor of Sumitomo Mitsui Financial Group, Inc.
- Shin Takagi, Vice Chairman & Senior Executive Director of Japanese Bankers Association
- Katsunori Nakanishi, Chairman and CEO, The Shizuoka Bank Ltd.
- Takashi Yamanouchi, Advisor, Mazda Motor Corporation
- Keisuke Yokoo, Vice Chairman & President of Japan Association of Corporate Executives
- Fumiaki Watari, Honorary Executive Consultant of JXTG Holdings, Inc.

Executive Committee

The Board of Directors has vested in the Executive Committee decision-making authority regarding the execution of business. Accordingly, the Executive Committee makes important management decisions. The committee met 36 times during the fiscal year ended March 31, 2017.

Committees under the Executive Committee

Name	Role
ALM & Risk Management Committee	This committee deliberates and makes decisions pertaining to portfolio risk management and asset-liability management.
General Risk Management Committee	This committee deliberates and makes decisions on important items related to operational risk management, system risk management, legal compliance, responses to antisocial forces, client protection management, and other important items.
Committee on Investment and Loan Decisions	This committee handles, deliberates, and makes decisions related to investments and loans, overseas business strategy, and operations and management conditions.
New Operation Screening Committee	This committee deliberates and makes decisions on the commencement of initiatives involving new businesses.
Advisory Panel on Investments and Loans	This panel handles the advance deliberation on and monitoring of investments and loans as well as deliberations on overseas business strategy and operations and management conditions.
Sustainability Committee	This committee deliberates on items related to both economic and social value as well as dialogues with stakeholders.
Core Business System Restructuring Committee	This committee deliberates items related to policies for restructuring core business systems.

DBJ established the Sustainability Committee, which will operate from fiscal 2017 onward, as part of efforts to contribute to a sustainable society, in accordance with DBJ's Basic Policy on Sustainability (please refer to page 12). This committee will approach important social issues from an ESG perspective and incorporate this attitude into business activities, including investments and loans as well as asset management.

Matters Requiring Authorization of Competent Minister

The DBJ Act prescribes matters for which Minister of Finance authorization is required. Major items requiring such authorization are as follows:

- Appointment and dismissal of representative directors and Audit & Supervisory Board members
- Amendments to Articles of Incorporation
- Disposition of surplus funds; Merger, corporate split, and dissolution; Basic policy on business plans, redemption plans, and fund procurement

Outside Director

Akio Mimura



- April 1963: Joined Fuji Iron & Steel Co., Ltd.
- April 2000: Representative Director and Executive Vice President of Nippon Steel Corporation
- April 2003: Representative Director and President of Nippon Steel Corporation
- April 2008: Representative Director and Chairman of Nippon Steel Corporation
- October 2008: Director at DBJ (current position)
- October 2012: Director, Member of the Board and Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
- June 2013: Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
- November 2013: Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (current position)
Chairman of the Japan Chamber of Commerce & Industry (current position)
Chairman of the Tokyo Chamber of Commerce & Industry (current position)

Strengthening Corporate Governance in Pursuit of DBJ's Fourth Medium-Term Management Plan

I have served as an outside director for DBJ since it made a new start as a joint-stock company in 2008. I have also recently become a member of the Advisory Board, a part of DBJ's own corporate governance, tasked with incorporating the knowledge of outside experts into management. The Advisory Board has played an important role of not only evaluating whether appropriate competition with private financial institutions are maintained, but also checking if the management and the governance system are

effective for the goal of creating both economic and social value from a third-party perspective. For fulfilling the DBJ's role in this time of drastically changing economic and social environments, I believe that it is dispensable for the DBJ management to adequately incorporate the knowledge of outside experts—who are also stakeholders in DBJ—in the fields of manufacturing, infrastructure, regional communities, and finance.

Outside Director

Kazuo Ueda



- July 1980: Assistant professor at the University of British Columbia, School of Economics
- April 1982: Assistant professor at Osaka University, School of Economics
- April 1989: Assistant professor at Tokyo University, School of Economics
- March 1993: Professor at Tokyo University, School of Economics
- April 1998: Deliberative member of the Bank of Japan's Policy Board
- April 2005: Professor at Tokyo University, School of Economics
- October 2008: Outside director at DBJ (current position)
- April 2017: Professor and Head of Office for New Department Planning, Kyoritsu Women's University, Faculty of International Studies (current position)
Director of Tokyo University's Center for Advanced Research in Finance (current position)

Strengthening Corporate Governance in Pursuit of Sustainability Management

DBJ operates under the belief that to realize a modern, sustainable society, corporations will have to establish helpful stances and initiatives. Examples of such initiatives that DBJ has pursued to promote ESG activities from a financial perspective include building cutting-edge financial platforms, such as financial systems based on evaluations and certifications, and offering risk management via Special Investment Operations conducted thanks to complementary relationships with private financial institutions.

DBJ undertakes said initiatives with an eye to continuous economic and social development over the medium to long term. To support these goals, DBJ has included a Monitoring Board and an Advisory Board in its corporate governance system. As a member of the latter, I provide advice on overall management together with outside experts.

I will do my part in pursuit of sustainable social development and the sustainability management that DBJ strives for.

Internal Control System Basic Policy

DBJ has established the following internal controls to ensure operational soundness, with the Board of Audit, Ministry of Finance, Financial Services Agency, and other institutions also conducting examinations of overall management.

Status of Internal Control System

In accordance with the Companies Act, the Board of Directors has established an internal control system under the Internal Control System Basic Policy. Specifically, this system is designed to determine the status of legal compliance, risk management, and internal audits, as well as other items of importance to management. The internal control system is designed to confirm applicable regulations and the status of their implementation in various departments.

The full text of the Internal Control System Basic Policy is also available on the DBJ website.

Internal Audits

DBJ has established the Internal Audit Department under the direct supervision of the president of DBJ and independent from other operating departments. The department conducts inspections to ensure the appropriateness and effectiveness of internal controls, including overall operational compliance and risk management, and performs evaluations and recommends improvements. The Operations Audit Committee deliberates and decides audit plans, audit reports, and other important matters related to internal audits, and this information is reported to the Board of Directors. As of the end of June 2017, 21 people belonged to the Internal Audit Department.

Accounting Audits

DBJ has in place an agreement whereby Deloitte Touche Tohmatsu LLC conducts accounting audits as its accounting auditor.

Three-Pronged Auditing Approach

DBJ's Audit & Supervisory Board members, Internal Audit Department, and accounting auditor periodically and as necessary exchange opinions and information, and communicate in an effort to ensure effective and appropriate audits.

Compliance

DBJ recognizes compliance as one of its most important management issues. As basic policies to ensure that the execution of duties by directors and regular employees complies with laws and regulations and the Articles of Incorporation, we have formulated a corporate philosophy, a Basic Compliance Policy and other compliance-related regulations. In addition to its basic regulations on compliance, DBJ has created and provided notice throughout the organization of a Compliance Manual and a compliance program. We seek to thoroughly implement the compliance activities outlined below.

Compliance Principles

DBJ has formulated the compliance principles indicated below as part of its creation of compliance regulations.

1) DBJ's executives and employees are keenly aware of DBJ's social mission and responsibilities as a public-sector bank and recognize that illegal acts or improper business operations harm the reputation of DBJ and interfere significantly with DBJ's ability to fulfill its objectives under the new DBJ Act. We also realize DBJ's need to always conduct activities appropriately and in compliance with the law.

- 2) DBJ's executives and employees are well aware that DBJ must conduct its businesses legally and appropriately and be responsible for explaining its actions to the general public.
- 3) DBJ refuses all advances from anti-social forces and cooperates with police and other related institutions to prevent any sort of relationship with such elements.

Compliance System

DBJ has established the Legal and Compliance Department to take overall responsibility for planning, preparing, and adjusting compliance activities. In addition, DBJ has established the General Risk Management Committee to reflect on legal compliance matters, determine the extent of compliance, and deliberate on improvements to DBJ's internal system. One specific initiative is the establishment of a compliance hotline. The objective of this internal reporting system is to swiftly identify and resolve any legal violations. DBJ is also preparing Conflicts of Interest Management Regulations as a basic policy in addition to systems to manage conflicts of interest.

Client Protection Management Basic Policy / Declaration on Personal Information Protection / Policy for Managing Conflicts of Interest

The establishment and maintenance of systems for client protection management and the protection of personal information are vital because doing so protects the people who use the financial institution's systems and raises their level of convenience. DBJ recognizes the extreme importance of such systems from the standpoint of operational soundness and appropriateness. DBJ has formulated a Client Protection Management Basic Policy to ensure strict compliance with laws and regulations, protect the interests of its clients, and raise the level of client convenience. We have also created internal regulations based on this policy, which we employ in briefings to raise in-house awareness.

We have incorporated a declaration on our policies into our Declaration on Personal Information Protection.

DBJ is a registered financial institution under the Financial Instruments and Exchange Act. In accordance with this act and the Cabinet Office Ordinance on Financial Instruments Business, etc., DBJ has drawn up a policy introduced for the management of conflicts of interest and provides an overview of the publicly announced policy.

The Client Protection Management Basic Policy, Declaration on Personal Information Protection, and Policy for Managing Conflicts of Interest can also be found on the DBJ website.

Responses to Japan's Stewardship Code

In August 2014, DBJ stated its acceptance of the "Principles for Responsible Institutional Investors (Japan's Stewardship Code)" (the "Code"). Under the Code, stewardship responsibilities refers to the responsibilities to enhance the medium- to long-term investment return for clients and beneficiaries by improving and fostering investee enterprises' corporate value and sustainable growth through constructive "purposeful dialogue" (engagement), based on an in-depth understanding of the investee enterprises and their business environments. DBJ recognizes that, in addition to operational selection and focus and the realization of growth strategies, calls for corporate governance are growing. Recognizing the importance of the meaning of equity, in our equity investments we support the long-term advancement of the investee enterprises that are our clients, taking particular note of their social responsibilities. When making investments, we endeavor to gain an in-depth understanding of investee enterprises, their business

environments, and their management teams' intention and to share with investee enterprises in their long-term strategies. After investing, we leverage our networks and strengths in information, industry research, and financing technologies to provide total financing solutions that address the issues they face. Through dialogue with investee enterprises, we work to realize their long-term development and maximize their corporate value over the long term.

DBJ believes that its investment operations have been conducted in close affinity with the spirit of the Code. In providing risk capital and knowledge, we consider the appropriate fulfillment of stewardship responsibilities by institutional investors to be of service from the perspective of working with diverse financial players to ensure the smooth formulation of financial and capital markets. Accordingly, we are in agreement with the meaning of the principles provided in the Code.

Directors, Audit & Supervisory Board Members, and Executive Officers

(as of the End of June 2017)

Directors



President and CEO

Masanori Yanagi

1974: Joined The Japan Development Bank
2015: President and CEO of DBJ



Director and Managing Executive Officer

Satoshi Tomii

In charge of Strategic Finance Department Growth & Cross Border Investment Department
1985: Joined The Japan Development Bank
2015: Director and Managing Executive Officer of DBJ



Deputy President

Yasushi Kinoshita

1979: Joined the Ministry of Finance
2015: Deputy President of DBJ



Director and Managing Executive Officer

Kenkichi Fukuda

In charge of Credit Analysis Department, Accounting Department, Economic & Industrial Research Department
1983: Joined The Japan Development Bank
2016: Director and Managing Executive Officer of DBJ



Deputy President

Hajime Watanabe

1981: Joined The Japan Development Bank
2015: Deputy President of DBJ



Director and Managing Executive Officer

Koji Narita

In charge of Treasury Department, Syndication & Credit Trading Department, Sustainability Planning and Support Department
1987: Joined the Ministry of Finance
2017: Director and Managing Executive Officer of DBJ



Director and Managing Executive Officer

Shin Kikuchi

In charge of Corporate Planning & Coordination Department, Information Resources Department, General Affairs Department
1984: Joined The Japan Development Bank
2015: Director and Managing Executive Officer of DBJ



Outside Director

Akio Mimura

Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation; Chairman of Tokyo Chamber of Commerce and Industry; Chairman of Japan Chamber of Commerce and Industry
2008: Director at DBJ



Director and Managing Executive Officer

Hideo Oishi

In charge of Business Planning and Coordination Department, Financial Institutions Department, International Strategy & Coordination Department, Research Institute of Capital Formation
1985: Joined The Japan Development Bank
2015: Director and Managing Executive Officer of DBJ



Outside Director

Kazuo Ueda

Professor and Head of Office for New Department Planning, Kyoritsu Women's University, Faculty of International Studies; Director of Tokyo University's Center for Advanced Research in Finance
2008: Director at DBJ

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Atsushi Kurashige

1986: Joined The Japan Development Bank
2017: Audit & Supervisory Board Member at DBJ



Audit & Supervisory Board Member

Mitsue Kurihara

1987: Joined The Japan Development Bank
2015: Audit & Supervisory Board Member at DBJ



Outside Audit & Supervisory Board Member

Tatsuya Tsuboi

1978: Joined Sumitomo Trust and Banking Co., Ltd.
2009: Audit & Supervisory Board Member of Sumitomo Trust and Banking
2013: President and CEO of Sumitomo Mitsui Trust Research Institute Co., Ltd.
2014: Audit & Supervisory Board Member at DBJ



Outside Audit & Supervisory Board Member

Makoto Ito

Advisor at Nagashima Ohno & Tsunematsu; Visiting Professor, Nihon University Law School
2008: Audit & Supervisory Board Member at DBJ



Outside Audit & Supervisory Board Member

Shinji Hatta

Professor of Graduate School of Professional Accountancy, Aoyama Gakuin University
2008: Audit & Supervisory Board Member at DBJ

Executive Officers (excluding those who are concurrently directors)

Managing Executive Officer

Ikuro Hirozane

In charge of Corporate Finance Department: Division 5

Managing Executive Officer

Hisanobu Sekine

In charge of Corporate Finance Department: Division 6, Hokkaido Branch, Tohoku Branch, Niigata Branch

Managing Executive Officer

Takao Kaizu

In charge of Risk Management Department, Legal Affairs & Compliance Department

Managing Executive Officer

Makoto Anayama

In charge of Corporate Finance Department: Divisions 1 and 2

Managing Executive Officer

Seiji Jige

In charge of Regional Planning Department, Structured Finance Department, Hokuriku Branch, Tokai Branch, Kyushu Branch, Minami-Kyushu Branch

Managing Executive Officer

Taketsugu Shinobe

In charge of Corporate Finance Department: Division 4

Managing Executive Officer

Yoshinao Ikeda

In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Managing Executive Officer

Masayuki Tsuda

In charge of Urban Development Department, Real Estate Finance Department, Corporate Finance Department: Division 3

Executive Officer

Masafumi Aizawa

In charge of Financial Institutions Department

Executive Officer

Takeshi Kiriya

Head of Growth & Cross Border Investment Department

Executive Officer

Norifumi Sugimoto

Head of Corporate Planning & Coordination Department

Executive Officer

Hiroshi Shimizu

Head of Business Planning & Coordination Department

Executive Officer

Ryusei Segawa

In charge of Internal Audit

Executive Officer

Tsutomu Murakami

Head of Human Resources Management Department

Executive Officer

Keisuke Takegahara

Deputy Chief Research Officer, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department

Notes: Of the 15 directors and Audit & Supervisory Board members, 14 are male and one is female, leaving the female to male ratio at 6.7%.

Standards and policies related to independence in the selection of outside directors and outside Audit & Supervisory Board members are not applicable.

Akio Mimura, Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation, is an outside director of DBJ. DBJ has no special relationship with Mr. Mimura, and its business with Nippon Steel & Sumitomo Metal Corporation is conducted normally. DBJ has no special-interest relationship with any other of its outside directors or outside Audit & Supervisory Board members.

DBJ has signed liability limitation agreements with its outside directors and outside Audit & Supervisory Board members, based on Paragraph 1, Article 427, of the Companies Act.

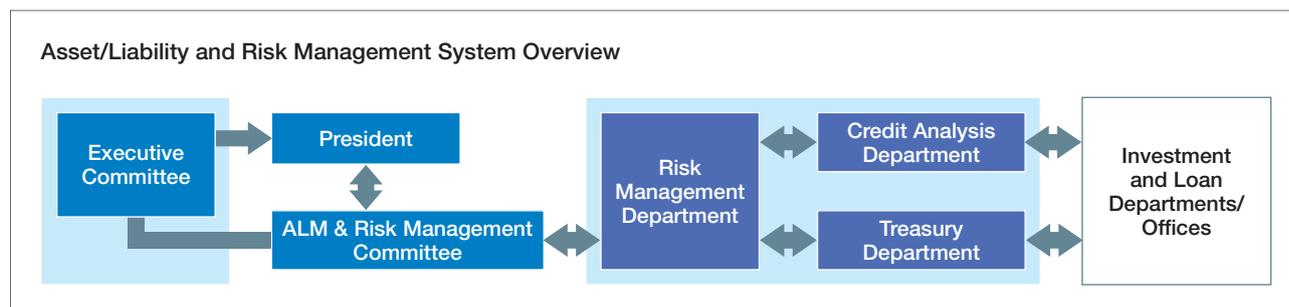
- | 67 Risk Management System
- | 67 Comprehensive Risk Management
- | 70 Business Continuity Initiatives



Risk Management System

DBJ conducts risk management from the perspective of ensuring management soundness. To ensure appropriate management of individual risk categories, DBJ has developed a vital risk management system that specifies and evaluates manageable risks and clarifies which department is responsible for each type of risk. The Risk Management Department oversees comprehensive risk management activities.

The ALM & Risk Management Committee and the General Risk Management Committee deliberate on important matters concerning risks and conduct regular monitoring, in line with the basic policy related to comprehensive risk management approved by the Board of Directors.



Comprehensive Risk Management

The Risk Management Department assesses both comprehensive and individual risks. Based on risk guidelines that weigh Executive Committee business plans and the results of stress tests, the Risk Management Department controls the amount of comprehensive risk and that of individual risk

categories at a determined level. Furthermore, the Corporate Planning & Coordination Department has begun efforts to measure risk–return by such means as risk-adjusted return on capital.

1. Credit Risk Management

Credit risk refers to the risk of sustaining losses resulting from a decline in or loss of the value of assets due to deterioration in the financial condition of the borrower. DBJ provides corporate loans and non-recourse loans, making credit risk acquisition a source for profits. As such, it represents a significant risk category, with DBJ conducting credit management of individual projects as well as bank-wide portfolio management, accordingly.

i. Credit Administration of Individual Loans

When making an investment or loan, DBJ examines the entity's project viability and the project's profitability from a fair and impartial standpoint. DBJ is not subject to the Banking Act or the Act on Emergency Measures for the Revitalization of the Financial Functions (Act No. 132 of 1998), but carries out independent asset assessments in line with internal policies

for self-assessment of credit quality based on the Financial Services Agency's Financial Inspection Manual. The results of self-assessments are subject to an audit by an auditing corporation and are reported to management. Credit risk and amounts are monitored to confirm that they are within the limits established for individual borrowers.

The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual projects, 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 operation of individual projects.

These mutual checking functions serve to ensure the appropriateness of the finance operation and management system.

Borrower Rating System

DBJ’s borrower rating system measures creditworthiness by combining an evaluation point rating and a borrower category rating with the results quantifying a potential client’s credit circumstances.

The evaluation point rating selects indicator and evaluation categories that are common across all industries, scoring the creditworthiness of the potential borrower quantitatively and qualitatively. On the other hand, the borrower category rating measures specific items related to the borrower, looking at the borrower’s realistic financial condition, cash flows, and debt repayment history, generating a comprehensive assessment of a borrower’s repayment capacity.

Asset Self-Assessment System

Asset self-assessments are used to define asset classifications that will offset recoverability risk or the degree of risk of value loss based on the borrower rating, the corresponding borrower category, and the collateral or guarantee status. Such assessments help DBJ establish timely and appropriate amortization schedules and reserve levels.

Borrower Rating Classifications

Borrower Category	Borrower Rating	Definition	Claims Classified under the Financial Revitalization Act
Normal borrowers	1–8	Borrowers with favorable business conditions who have been confirmed to have no particular problematic financial circumstances.	Normal claims
Borrowers requiring caution	9–11	Borrowers experiencing weak business conditions, are unstable, or have issues with their finances. These borrowers need to be managed with caution.	
Substandard borrowers	12	Either some or all of the debt of these borrowers requiring caution is under management.	Substandard claims
Borrowers in danger of bankruptcy	13	Borrowers in this category are having financial difficulties but are not bankrupt. Management improvement plans and the like are progressing poorly, and these borrowers are highly likely to fall into bankruptcy.	Doubtful claims
Effectively bankrupt borrowers	14	Although not legally or formally in bankruptcy, these borrowers are experiencing severe financial difficulties and are realistically falling into bankruptcy as their lack of potential for restructuring has been confirmed.	Claims in bankruptcy, reorganization claims, and similar claims
Bankrupt borrowers	15	These borrowers are in bankruptcy, legally and formally. Specifically, these borrowers are in bankruptcy or liquidation, under corporate reorganization, bankruptcy proceedings or civil rehabilitation, or have had transactions suspended by a bill clearinghouse.	

ii. Portfolio Management

DBJ performs a comprehensive analysis of data based on borrower ratings and calculates the loan portfolio’s overall exposure to credit risk. Credit risk exposure can be classified as (1) expected loss (EL), the average loss expected during a specific loan period; and (2) unexpected loss (UL), the

maximum loss that could be incurred at a certain rate of probability minus the EL. The EL and UL calculations are reported to the ALM & Risk Management Committee.

Through such monitoring and the consideration of countermeasures, DBJ is committed to controlling risk and devising effective measures to improve risk return.

2. Investment Risk

Investment risk refers to the risk of sustaining losses resulting from a decline in or loss of the economic value of assets due to worsening financial conditions for entities receiving funds and to changing market environments. DBJ’s investments include the provision of mezzanine and equity financing, particularly to unlisted entities, such as corporations, funds, infrastructure, and real estate. As a source of profits, investments represent one of DBJ’s most significant risk categories. DBJ makes investment decisions and manages individual investments as well as its bank-wide portfolio accordingly.

In addition to investment analysis and management in line with credit risk management, investment decisions based on target returns in accordance with investment category and regular monitoring are utilized to manage individual investments. In terms of portfolio management, we conduct risk measurement that applies credit and market risk assessment methods, with a focus on differences between investment categories and recovery methods.

3. Market Risk

The primary focuses in terms of market risk management are interest rate risk and exchange risk. DBJ classifies market risk as passive risk pertaining to investment and loan activities and implements management in the manner detailed below. DBJ does not have any trading-related risk because it does not engage in trading (specified transactions).

i. Interest Rate Risk

Interest rate fluctuations can create mismatches on rates of interest on assets and liabilities or on interest periods, creating the risk of reduced profits or the risk of losses. Interest rate risk can reduce the economic value of DBJ's assets or interest income.

Based on monitoring through multifaceted indexes, such as value at risk (VaR) and interest rate sensitivity analyses (basis point value), as well as ALM policies established by the Executive Committee, DBJ conducts comprehensive management of current assets and liabilities to optimize net interest expenses and economic value by adequately controlling

interest rate risk and financial liquidity risk. In regard to controlling interest risk, a portion of the interest rate risk is covered through interest rate swaps.

ii. Exchange Risk

Exchange risk is the risk of loss due to volatility in exchange rates, and this risk affects entities holding a net excess of assets or liabilities denominated in foreign currencies. DBJ's exchange risk derives from financing in foreign currencies and issuing foreign currency bonds. However, DBJ uses exchange swaps and other instruments to limit this risk in terms of assets and liabilities denominated in foreign currencies at a net-base position.

DBJ uses swap transactions to manage counterparty risk by continuously monitoring the creditworthiness of all parties and by setting a limit to financing for each counterparty. DBJ also conducts risk management through margin transfers by means of a centralized exchange and mutual credit support annex.

4. Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised or of an unexpected outflow of funds, causing differences in the flow of funds (cash liquidity risk). Such situations make securing funds difficult and create situations in which interest rates on borrowed funds are substantially higher than usual rates. At other times, because of market complexities, entities in these circumstances may become unable to participate in market transactions, compelling them to conduct transactions under substantially less favorable terms than otherwise would be the case. The risk of losses for these reasons is known as market liquidity risk.

As its main methods of acquiring funds, in addition to issuing corporate bonds and taking out long-term loans, DBJ

relies on the stable procurement of long-term funds from the Japanese government's Fiscal Investment and Loan Program and government-guaranteed bonds rather than on short-term funds such as deposits. Contingency plans are established as appropriate to meet unexpected short-term funding requirements and cash flow shortfalls.

Additionally, DBJ maintains daytime liquidity by using the Bank of Japan's real-time gross settlement system, whereby settlement is made instantly for each transaction. Every effort is made to ensure that settlement conditions are managed appropriately.

In addition to credit risk, the ALM & Risk Management Committee deliberates DBJ's market risk and liquidity risk.

5. Operational Risk Management

DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from external events. DBJ works to establish a risk management system to minimize risk and prevent

potential risks from materializing. The General Risk Management Committee has been established to deliberate topics concerning operational risk management.

Within operational risk management, DBJ conducts administrative risk management and systems risk management as described below.

i. Administrative Risk Management

Administrative risk refers to the risk of sustaining losses resulting from employees neglecting to perform their duties correctly or from accidents, fraud, and the like. To reduce or prevent administrative risk, DBJ prepares manuals, performs checks on administrative procedures, provides education and training, and uses systems to reduce the burden of administrative duties.

ii. System Risk Management

System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer use. DBJ has implemented the following internal processes to optimize system risk management and properly manage risk with regard to systems risk. The System Risk Management Division is responsible for managing DBJ's system risk centrally, based on its system risk management regulations. By determining security standards from a variety of viewpoints—from information system planning and development to operation and use—the department extends the risk management system bank-wide and addresses appropriate system risk management operations.

Business Continuity Initiatives

DBJ prepares a business continuity plan (BCP) to protect the interests of its stakeholders, including its clients, its shareholder, and its executives and employees, as well as to fulfill its social mission. The BCP aims to ensure the continuity and rapid recovery of core operations in the event of emergencies, such as natural disasters (in particular, large-scale earthquakes), influenza and other pandemics, system failures, and power outages.

When formulating policies to ensure the continuity and recovery of core operations, we took the approach of considering responses to cases in which important management resources were damaged due to a large-scale disaster, affecting head office (1) buildings and facilities, (2) executives and employees, and (3) systems, instead of considering responses to individual events such as earthquakes and fires.

Measures to Ensure Business Continuity

We have prepared a variety of measures to ensure business continuity.

Enhanced System Robustness

We ensured advanced security levels at the main center and created a backup center to operate in the event that the main center ceases to operate.

Multilayered Communication Procedures

We introduced a safety confirmation system to quickly determine the whereabouts and status of executives and employees even at night and on holidays. In addition, we distributed satellite telephones to key locations and personnel to ensure multilayered communication procedures.

Chain of Command and Delegation of Authority

To assure that decision-making concerning the continuity of core operations is prompt and certain, in the event that the Disaster Response Committee is established, we have put in place a chain of command and an alternative hierarchy by which authority can be delegated.

Clarification of Initial Response and Procedures for Continuing or Recovering Core Operations

For individual business units, we have established in advance the procedures for the initial response and the continuation or recovery of core operations so that relevant divisions can respond quickly and with certainty on core operations even when in a state of confusion.

Initiatives to Maintain or Improve BCP Viability

DBJ conducts various types of instruction and training of executives and regular employees to maintain or improve the viability of its BCP. Furthermore, employing a Plan-Do-Check-Act

cycle, we revise the BCP to reflect training results and recent information, and the Executive Committee reviews it regularly and amends it as necessary.

- | 72 Timeline
- | 73 Shareholder
Summary of Changes to the DBJ Act after Conversion to a Joint-Stock Company
- | 74 Organizational Structure
- | 75 Initiatives Addressing ESG Issues
- | 76 Column:
DBJ's Connection to Sustainability



Timeline

The Japan Development Bank, the Hokkaido-Tohoku Development Finance Public Corporation, and the Development Bank of Japan

Year	Month	Event
1951	April	The Japan Development Bank (JDB) established
1952		JDB branches opened in Osaka (now the Kansai Branch), Sapporo (now the Hokkaido Branch), Nagoya (now the Tokai Branch), and Fukuoka (now the Kyushu Branch)
1956	June	The Hokkaido Development Finance Public Corporation established
1957	April	The Hokkaido Development Finance Public Corporation, reorganized as the Hokkaido-Tohoku Development Finance Public Corporation (HTDFP) branches, opened in Sapporo (now the Hokkaido Branch) and Sendai (now the Tohoku Branch)
1960		JDB branch opened in Takamatsu (now the Shikoku Branch)
1961		JDB branches opened in Hiroshima (now the Chugoku Branch) and Kanazawa (now the Hokuriku Branch)
1962	April	JDB representative office opened in New York
1963		JDB representative offices opened in Kagoshima (renamed Minami-Kyushu Branch in October 1999) and Matsue
1964	July	JDB representative office opened in London
1972	January	HTDFP representative office opened in Niigata (renamed Niigata Branch in July 1989)
1985	June	The Japan Development Bank Law revised 1) Investment function (pertaining to business in such areas as research and development, urban development, and energy use stipulated by government ordinance) added 2) R&D fund investment function added
1987	September	Low interest rate loan system funded partially by sale of NTT shares created by JDB and HTDFP
1989		JDB representative offices opened in Oita, Matsuyama, Okayama, and Toyama HTDFP representative offices opened in Hakodate and Aomori
1995	February	JDB loans to assist disaster recovery commenced
1997	September	Bill entitled "Pertaining to Consolidation and Rationalization of Special-Purpose Companies, etc." approved by the Cabinet (decision dissolving JDB and HTDFP and consolidating them as a new bank approved)
1998	December	JDB and HTDFP loans in response to changes in the financial environment commenced (March 31, 2001, sunset clause introduced)
1999	June	The Development Bank of Japan Law (Law No. 73 of 1999) approved
	October	All rights and responsibilities of JDB and HTDFP and all financing operations of Japan Regional Development Corporation and Japan Environment Corporation transferred to the Development Bank of Japan DBJ representative offices opened in Kushiro and Singapore
2002	May	The Development Bank of Japan Law revised (additional spot inspections by the Financial Services Agency introduced)
2005	December	Important Policy of Administrative Reform approved by the Cabinet
2006	May	The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) approved
	June	Policy-Based Financing Reform Plan decided upon by DBJ head office for the Implementation of Policy Finance Reform
2007	June	The Development Bank of Japan Inc. Act (Act No. 85 of 2007) approved

Development Bank of Japan Inc.

Year	Month	Event
2008	October	Development Bank of Japan Inc. (DBJ) established (Capital: ¥1 trillion)
		Crisis Response Operations begun by DBJ as a designated financial institution
	December	DBJ Singapore Limited launched
2009	June	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 67 of 2009) approved
	September	Capital increased to ¥1,103,232 million
	November	DBJ Europe Limited launched
2010	March	Capital increased to ¥1,181,194 million
2011	May	The Development Bank of Japan Inc. Act partially amended based on establishment of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)
	December	Capital increased to ¥1,187,364 million
2012	March	Capital increased to ¥1,187,788 million
	June	Capital increased to ¥1,198,316 million
	December	Capital increased to ¥1,206,953 million
2014	June	DBJ Investment Consulting (Beijing) Co., Ltd. (formerly Japan Asia Investment Consulting (Beijing) Co., Ltd.) converted to wholly owned subsidiary
2015	May	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015) approved Special Investment Operations started Advisory Board positioned as an advisory body to the Board of Directors Special Investment Operations Monitoring Board established
	August	Capital reduced by ¥206,529 million, and crisis response reserve increased by the same amount

As of March 31, 2017

Name	Address	Number of shares held (thousands of shares)	Percentage of total equity (%)
Finance Minister	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	43,632	100.00
Total	—	43,632	100.00

Summary of Changes to the DBJ Act after Conversion to a Joint-Stock Company

On October 1, 2008, DBJ transitioned from a special public corporation to a joint-stock company. In preparation for full-scale privatization following the disposal of all Japanese government-owned shares, DBJ has continued working to enhance its corporate value through integrated investment and loan services. These activities include providing long-term loans; equity, mezzanine financing and other types of risk capital; and M&A advisory services.

On the other hand, shortly after DBJ's conversion to a joint-stock company, the global financial crisis and the Great East Japan Earthquake occurred. The Japanese government called on DBJ to steadily mount large-scale Crisis Response Operations. Due to these crises, the Development Bank of Japan Inc. Act (Act No. 85 of 2007: "DBJ Act") was amended twice, with DBJ accepting an additional increase in Japanese government capital. Also, by the end of fiscal 2014, the Japanese government was to review DBJ's organization, including its shareholdings, as stipulated by the revision.

Based on the deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, the Act for Partial Amendment of the Development Bank of Japan Inc. Act, which was enacted on May 20, 2015, maintains the direction toward full-scale privatization. At the same time, in order to fully ensure the provision of funding in

response to large-scale disasters and economic crises, the amending act makes DBJ's Crisis Response Operations obligatory for an indefinite period. From the perspective of promoting the provision of growth capital to revitalize regional economies and increase the competitiveness of enterprises, the amending act calls for DBJ to accept a certain amount of capital from the Japanese government (industrial investment). This investment is to be used for a new scheme, Special Investment Operations, to strengthen and develop the Fund for Japanese Industrial Competitiveness. In addition, with regard to the application of DBJ's investment and loan functions toward crisis response and the provision of growth capital, measures were introduced obliging the Japanese government to hold at least a certain percentage of DBJ's shares.

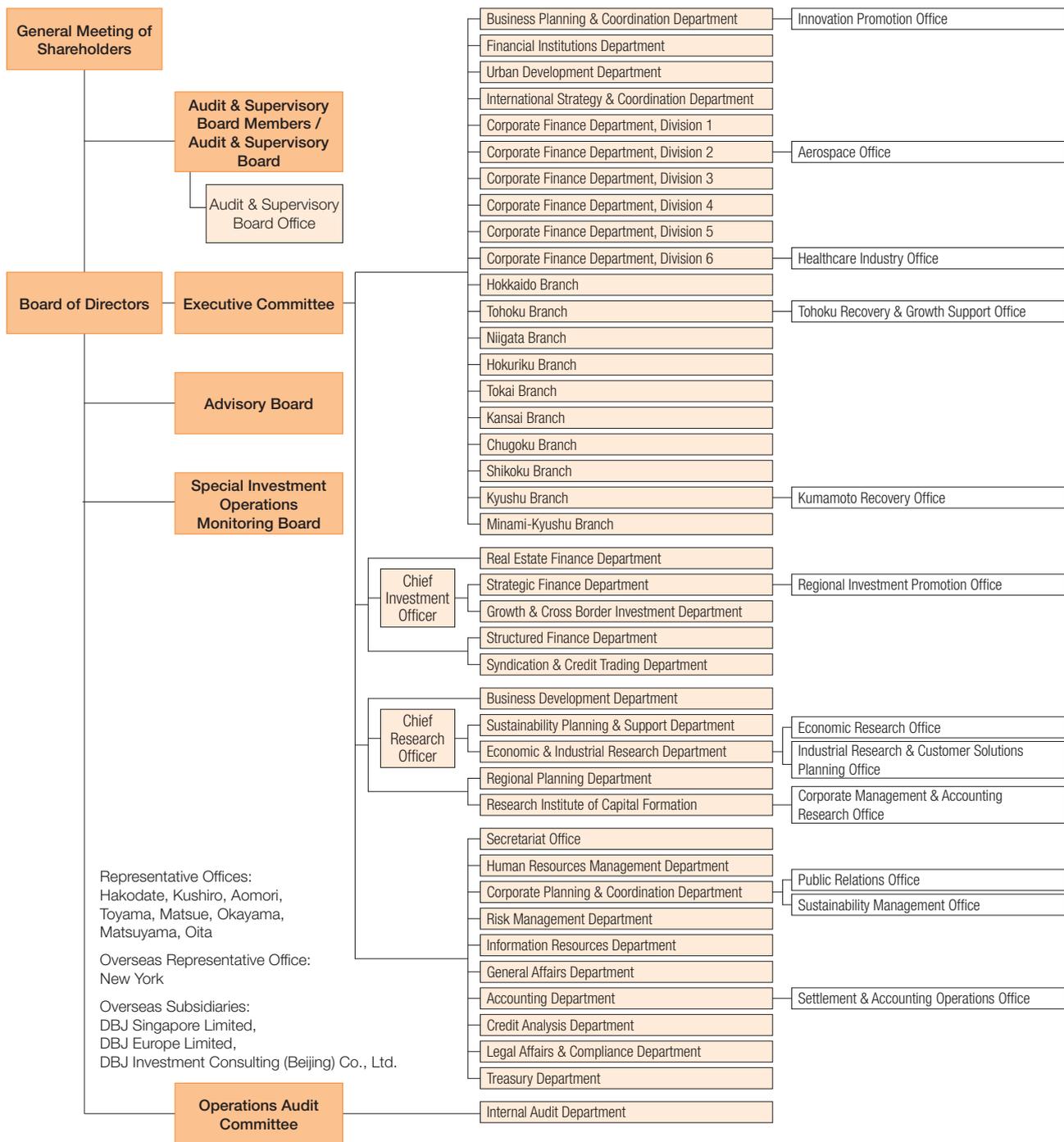
As part of this structural revision, deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding covered such topics as DBJ's proper implementation of Crisis Response Operations, the importance of initiatives for providing growth capital (equity and mezzanine financing) to address shortages in Japanese financial and capital markets, and an evaluation of DBJ's initiatives following its conversion to a joint-stock company.

Note: For the full text of the DBJ Act, please refer to the data section

Highlights of 2015 Revisions to the DBJ Act

1. Measures maintaining direction toward full-scale privatization	
Before revision	Full-scale privatization and disposal of all Japanese government-held shares, targeting around five to seven years from April 1, 2015
After revision	<ul style="list-style-type: none"> No changes in the main provisions, including Article 1, which stipulates DBJ's objectives Disposal of shares as soon as practicable (considering its effect on achieving DBJ's objectives as well as on the market situation)
2. Measures ensuring appropriate implementation of Crisis Response Operations	
Before revision	<ul style="list-style-type: none"> Conducting Crisis Response Operations as a designated financial institution Enabling Japanese government recapitalization in crisis response by March 31, 2015
After revision	<ul style="list-style-type: none"> Assuming responsibility for Crisis Response Operations for an indefinite period (at the same time reflecting this obligation in the Articles of Incorporation) Extending for an indefinite period the scope of the Japanese government's recapitalization securing DBJ's financial structure, with the Japanese government having such obligations as holding more than one-third of DBJ's shares
3. Measures establishing new Special Investment Operations scheme to temporarily provide growth capital in a concentrated manner	
Before revision	Provision of risk capital through the Fund for Japanese Industrial Competitiveness
After revision	<ul style="list-style-type: none"> Reinforcement of the Fund for Japanese Industrial Competitiveness (a portion of the financial resources for which are provided through measures for industrial investment); implementation of Special Investment Operations as a measure for a limited period of time, through fiscal 2025 (at the same time reflecting this obligation in the Articles of Incorporation, complementing and encouraging private-sector enterprises, etc.) Obligation that the Japanese government shall hold one-half or more of shares until the conclusion of Special Investment Operations
4. Provisions referencing consideration for private financial institutions through ongoing Japanese government involvement	
Before revision	As per the Third Medium-Term Management Plan, sustenance of close communications, maintaining a focus on operations in collaboration with other financial institutions
After revision	<ul style="list-style-type: none"> The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not affect its appropriate competitive relationships with other business entities The Japanese government shall hear the opinions of representatives of ordinary financial institutions and other relevant persons concerning Japanese government revisions on an as-needed basis regarding Crisis Response Operations and Special Investment Operations

Organizational Structure (as of April 1, 2017)



Group Companies

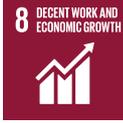
DBJ Group offers diverse services in accordance with client needs.

Overseas locations	DBJ Singapore Limited	Current subsidiary based in Singapore
	DBJ Europe Limited	Current subsidiary based in London
	DBJ Investment Consulting (Beijing) Co., Ltd.	Current subsidiaries based in Beijing and Shanghai
Investments and loans Asset management	DBJ Capital Co., Ltd.	Venture capital to support the establishment of start-ups that apply a hands-on approach to increasing corporate value
	DBJ Investment Advisory Co., Ltd.	Company that performs advisory functions related to DBJ's value-added equity investment
	DBJ Securities Co., Ltd.	Subsidiary providing a securities function to complement DBJ Group's investment and loan functions
	DBJ Asset Management Co., Ltd.	Asset management company focused on real estate, private equity, etc.
Research Consulting	Japan Economic Research Institute Inc.	Comprehensive think tank that primarily conducts surveys and provides consulting services
	Value Management Institute, Inc.	Comprehensive think tank with analytical capabilities characterized by cutting-edge technical knowledge and original economic models
Real estate management/ services, etc.	DBJ Real Estate Co., Ltd.	Company that takes on administrative functions for DBJ Group
	Consist Inc.	Company that performs functions from consulting to development, maintenance, and operation of information systems

Initiatives Addressing ESG Issues

To bring about a sustainable society and achieve both economic and social value, each and every employee at DBJ Group takes on business activities with an awareness of environmental, social, and governance (ESG) issues. The following table presents DBJ initiatives from an ESG standpoint. In pursuit of

Vision 2030, we are conducting Plan-Do-Check-Act cycles in accordance with targets for important economic issues that must be addressed in relation to the Fourth Medium-term Management Plan.

Issue	Main Initiative	Association with the Sustainable Development Goals
Offering financial services to help address social issues	<ul style="list-style-type: none"> • Enhancements to the transportation network (pages 20–21) • Maintenance, renovation, and expansion of urban functions (pages 22–23) • Support for transforming and growing industrial structures (pages 24–27) • Creation of a resilient society through the Enterprise Disaster Resilience Rated Loan Program (pages 54–55) • Improvements in companywide productivity through the Employees' Health Management Rated Loan Program (pages 54–55) 	 
Provision of risk capital	<ul style="list-style-type: none"> • Crisis Response Operations (pages 32–33) • Special Investment Operations (pages 30–31) 	 
Development of human resources with an emphasis on diversity	<ul style="list-style-type: none"> • Development of human resources, improvements in motivation, and reforming of workstyles (pages 48–49) 	
Contribution to a low-carbon society through investments and loans	<ul style="list-style-type: none"> • Support for spreading the use of renewable energy (pages 18–19) • Environmentally Rated Loan Program (pages 54–55) • DBJ Green Building Certification (page 55) 	 
Consideration for the environment in all of our business activities	<ul style="list-style-type: none"> • Issue of DBJ Sustainability Bond (page 55) • Promotion of environmental management (DBJ website) 	 

Corporate governance	Risk management
<ul style="list-style-type: none"> • Advisory Board (page 59) • Special Investment Operations Monitoring Board (page 60) 	<ul style="list-style-type: none"> • Enhancements to comprehensive risk management (pages 67–70) • Business continuity initiatives (page 70)

COLUMN

DBJ's Connection to Sustainability

Sustainability Report

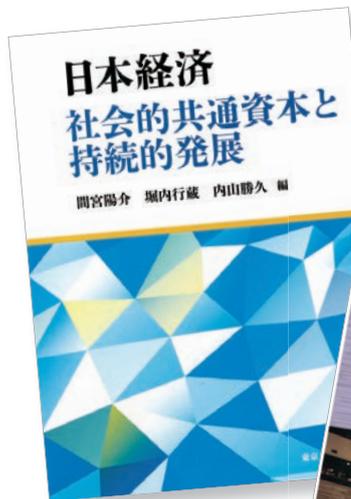
DBJ issued the *Environmental Report for a Sustainable Society* in 2003 as a way to communicate with its diverse stakeholders, a first for a state-run financial institution. In 2004, the name was changed to the *Sustainability Report*, showing DBJ's strong desire to use finance as a tool to contribute to the creation of a sustainable society. From then on, DBJ has not only remained compliant with laws and regulations while engaging in social contribution activities, it has conducted corporate social responsibility through its business operations. Based on its aspirations to realize a sustainable society, DBJ Group has united as one in the pursuit of business activities, with its current corporate philosophy as the foundation of the value system they reflect, through both its executives and its regular employees.



Sustainability Research

DBJ's Research Institute of Capital Formation has been tackling sustainability from an academic standpoint for many years. Dr. Osamu Shimomura, who lent theoretical support to Japan's rapid growth following World War II and worked as the institute's first director, developed the "zero growth theory" after the first oil crisis as an approach to maintaining a sustainable economy under resource constraints. Furthermore, the world-renowned theoretical economist Dr. Hirofumi Uzawa, who worked as an advisor to the research institute for nearly 50 years, argued for an economy that allowed the natural environment and society to coexist in his 1974 work entitled "The Social Cost of Automobiles" and advocated for social common capital, an indispensable element to creating a sustainable society as the basis for a market economy.

The institute has inherited and developed similar lines of research with the cooperation of a number of scholars. For instance, it was responsible for the establishment of a climate change research center in 1993. In this way, the Research Institute of Capital Formation has led the way in research on sustainable economics and corporate management.



| 78 The Development Bank of Japan Inc. Act

| 97 Financial Condition

The Development Bank of Japan Inc. Act

(Act No. 85 of 2007)

Promulgated : June 13, 2007 by Act No. 85 of 2007
 Enforced : April 1, 2017
 Last Amended : June 3, 2016 by Act No. 62 of 2016

Chapter I	General Provisions (Article 1 and Article 2)
Chapter II	Business Operations (Article 3 through Article 25)
Chapter III	Miscellaneous Provisions (Article 26 through Article 29)
Chapter IV	Penal Provisions (Article 30 through Article 35)
	Supplementary Provisions

Chapter I General Provisions

Article 1 Purpose

Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint stock company (*kabushiki-kaisha*) whose object is to maintain the foundations of investment and financing functions of long-term business funds as the Development Bank of Japan by conducting business activities utilizing the methods of combining investments and financing and other sophisticated financial methodologies, while maintaining the autonomy of management with the goal of realizing full-scale privatization, thereby contributing to smooth supply of

funds to those who need long-term business funds, as well as to the sophistication of financial functions.

Article 2 Restriction on Use of Trade Name

1. Any entity other than the Corporation shall not use the characters of Development Bank of Japan Inc. (*Kabushiki Kaisha Nippon Seisaku Toshi Ginko*), in its trade name.
2. The provision of Article 6, Paragraph 2 of the Banking Act (Act No. 59 of 1981) shall not apply to the Corporation.

Chapter II Business Operations

Article 3 Scope of Business Operations

1. The Corporation shall engage in the following business operations to attain its objectives:
 - (1) To accept deposits (limited to certificates of deposit (CDs) and other deposits stipulated in the Cabinet Order);
 - (2) To lend money;
 - (3) To make capital contributions;
 - (4) To guarantee the due performance of debts and obligations;
 - (5) To sell and purchase Securities (other than those that fall within monetary claims represented by certificates set forth in Item (7), Short-term Notes, Etc.; the same in Item (8)) (other than those that fall within securities-related derivatives transactions (the securities-related derivatives transactions set forth in Article 28, Paragraph 8, Item (6) of the Financial Instruments and Exchange Act (Act No. 25 of 1948); hereinafter in this Item and Item (11) the same), or enter into securities-related derivatives transactions (limited to those made for investment purposes), except in cases where these business operations fall within those operations referred to in Item (3);
 - (6) To lend Securities;
 - (7) To acquire or transfer monetary claims (including claims represented by certificates stipulated in the Ministry of Finance Ordinance such as negotiable bank deposit certificates);
 - (8) To subscribe for Specified Bonds or Preferred Investment Securities issued by a Specified Purpose Company (limited to the cases where the Specified Purpose Company acquires only designated monetary claims or beneficial interests in trusts with which designated monetary claims are entrusted with cash proceeds derived from issue of those Specified Bonds or Preferred Investment Securities as set forth in the Asset Liquidation Plans, and except for, in case of Specified Bonds, Specified Short-term Notes), and other similar securities stipulated in the Ministry of Finance Ordinance (hereinafter in this Item referred to as the "Specified Bonds") (except in cases where it is intended for secondary distribution (*uridashi*)), or to handle primary offering (*boshu*) of the Specified Bonds so subscribed;
 - (9) To acquire or transfer Short-term Notes, Etc.;
 - (10) To act as an agent or intermediary for execution of agreements which provides for lending money on behalf of banks (the banks set forth in Article 2, Paragraph 1 of the Banking Act (Act No. 59 of 1981); hereinafter the same) and other entities engaged in the financial business stipulated in the Cabinet Order;
 - (11) To enter into derivatives transactions set forth in Article 2, Paragraph 20 of the Financial Instruments and Exchange

Act (other than those that fall within the securities-related derivatives transactions), except in cases where these business operations fall within those operations referred to in Item (7);

- (12) To do the activities referred to in Article 2, Paragraph 8, Item (7) of the Financial Instruments and Exchange Act;
 - (13) To do the activities referred to in Article 2, Paragraph 8, Item (9) of the Financial Instruments and Exchange Act (limited, in the case of the handling of primary offering or secondary distribution, to those to be conducted upon entrustment by financial instruments firms engaged in the type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Act (the financial instruments firms set forth in Article 2, Paragraph 9 of the Financial Instruments and Exchange Act; hereinafter the same), and for such financial instruments firms);
 - (14) To do the activities referred to in Article 2, Paragraph 8, Item (11) of the Financial Instruments and Exchange Act;
 - (15) To do the activities referred to in Article 2, Paragraph 8, Item (13) of the Financial Instruments and Exchange Act;
 - (16) To do the activities referred to in Article 2, Paragraph 8, Item (15) of the Financial Instruments and Exchange Act;
 - (17) With respect to securities (including, if such securities are not issued, rights to be represented by such securities) or transactions referred to in each Item of Paragraph 2 of Article 33 of the Financial Instruments and Exchange Act, to do the activities set forth in each Item of the said Paragraph (other than those referred to in Items (3), (5), (7) through (9), (11) and (13));
 - (18) To provide other entities with consulting services regarding business transfer, merger, corporate split, share-for-share exchange (*kabushiki kokan*) or share transfer (*kabushiki iten*), or to act as a broker for these transactions;
 - (19) To provide other entities with consulting services regarding management, and to conduct investigations or provide information as required for the business operations of other entities;
 - (20) To conduct investigations, research or training regarding financial and other economic issues; and
 - (21) To do activities incidental to each of the foregoing Items.
2. In addition to the business operations of the preceding Paragraph, the Corporation may engage in such business activities as necessary to attain its object, subject to authorization of the Minister of Finance.
 3. "Securities" in Items (5) and (6) of Paragraph 1 and Paragraph 5 mean the securities set forth in Article 2, Paragraph 1 of the

Financial Instruments and Exchange Act, and the rights which are deemed as securities as set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act.

4. "Short-term Notes, Etc." in Items (5) and (9) of Paragraph 1, and the next following Paragraph mean:

- (1) Short-term notes Etc. set forth in Article 66, Item (1) of the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc. (Act No. 75 of 2001);
- (2) Short-term investment corporation notes set forth in Article 139-12, Paragraph 1 of the Act Concerning Investment Trusts and Investment Corporations (Act No. 198 of 1951);
- (3) Specified short-term notes set forth in Article 2, Paragraph 8 of the Act concerning Liquidation of Assets (Act No. 105 of 1998);
- (4) Rights to be indicated on debt securities (other than those having the nature of corporate debentures with stock acquisition rights (*shinkabu-yoyaku-ken-tsuki shasai*)) to be issued by foreign corporations, the ownership rights of which shall be determined based on the entries or recordings in the central depository account register as prescribed by the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc., which satisfy all of the following requirements:
 - a. The amount of each right is not less than JPY100 million;
 - b. It is stipulated that the principal amount of such debt securities shall be redeemed on a definitely specified date which occurs a year after the date on which the aggregate amount of such rights is paid, and further that no payment shall be made in installments; and
 - c. It is stipulated that interest shall become due and payable on the same date as the maturity date of the principal amount in Sub-item b.

5. The business operations referred to in Paragraph 1, Item (7) (in the case of monetary claims represented by the certificates set forth in the said Item which fall within Securities) and the business operations referred to in Paragraph 1, Item (9) (in the case of Short-term Notes, Etc.) shall include the business operations to do the activities referred to in Article 2, Paragraph 8, Items (1) through (6), and (8) through (10) of the Financial Instruments and Exchange Act.

6. The terms "Specified Purpose Company," "Asset Liquidation Plan," "Specified Bonds," "Specified Short-term Notes" or "Preferred Investment Securities" referred to in Paragraph 1, Item (8) mean the specified purpose company, asset liquidation plan, specified bonds, specified short-term debentures or preferred investment securities set forth in Article 2, Paragraphs 3, 4 or 7 through 9 of the Act concerning Liquidation of Assets, respectively.

7. If the Corporation engages in the business activity referred to Paragraph 1, Item (10), the provision of Article 52-36, Paragraph 1 of the Banking Act and other provisions equivalent to that provision of the said Paragraph which apply to those who engage in the financial business stipulated in the Cabinet Order set forth in Paragraph 1, Item (10) and are prescribed in the Cabinet Order, shall not apply.

Article 4 Application by Changing the Provisions of the Financial Instruments and Exchange Act to Read

1. For the purpose of application of the provisions of the Financial Instruments and Exchange Act to the Corporation, the words and phrases indicated in the center columns of the table below in the provisions of that Act in the left columns shall be changed to read the words and phrases indicated in the right column, respectively:

Article 2, Paragraph 8	(referred to as the "Cooperative Financial Institutions")	(referred to as the "Cooperative Financial Institutions"), Development Bank of Japan Inc.
------------------------	---	--

Article 2, Paragraph 11; Article 27-28, Paragraph 3; Article 28, Paragraph 4; Article 33, Paragraph 1; Article 33-5, Paragraph 2; Article 33-7; Article 58; Article 60-14, Paragraph 1; Article 66, and Article 202, Paragraph 2, Items (1) and (2)	Cooperative Financial Institutions	Cooperative Financial Institutions, Development Bank of Japan Inc.
Article 33-8, Paragraph 1	are the financial institutions	are the financial institutions, or if Development Bank of Japan Inc. conducts the business activity referred to in Article 3, Paragraph 1, Item (16) of The Development Bank of Japan Inc. Act (Act No. 85 of 2007)

2. Any directors, accounting counsel (*kaikei sanyo*) (including, if an accounting counsel is a firm, its members who should perform the duties as such; hereinafter in this Paragraph the same), statutory auditors, executive officers (*shikkoyaku*) or employees shall notify the Minister of Finance without delay as set forth in the Minister of Finance Ordinance if they take up a position of director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm (limited to the firms that engages in the securities-related business set forth in Article 28, Paragraph 8 of the Financial Instruments and Exchange Act; hereinafter in this Paragraph the same) (including the cases where a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm come to concurrently hold a position of director, accounting counsel, statutory auditor or executive officer of the Corporation), or they resign a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm.

Article 5 Issue of the Development Bank of Japan Bonds

1. The Corporation may issue the Development Bank of Japan Bonds.
2. The provision of Article 702 of the Companies Act (Act No. 86 of 2005) shall not apply where the Corporation issues the Development Bank of Japan Bonds.
3. Only with respect to the Development Bank of Japan Bonds issued outside of Japan, the Corporation may issue certificates representing the Development Bank of Japan Bonds (including interest coupons appertaining thereto; hereinafter in this Paragraph, and Article 13, Paragraphs 3 and 4, Item (1), the same), as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.

Article 6 Method of Issue of the Development Bank of Japan Bonds

1. If the Corporation issues certificates representing the Development Bank of Japan Bonds, such certificates shall be in bearer form; provided, however, that the Corporation may issue those certificates in registered form upon request of a subscriber or owner of the Bonds.
2. If the Corporation issues the Development Bank of Japan Bonds, the Corporation shall not enter into a custody agreement with a subscriber of the Bonds in which matters set forth in the Ministry of Finance Ordinance and the Cabinet Office Ordinance are contained.

3. The Corporation may issue certificates representing the Development Bank of Japan Bonds by way of a secondary distribution (*uridashi*). In that case, the Corporation shall determine the distribution period.
4. If the Corporation issues certificates representing the Development Bank of Japan Bonds, the Corporation shall indicate the following matters on the face of those certificates:
 - (1) Trade name of the Corporation;
 - (2) Amount of the Bonds represented by the certificate;
 - (3) Interest rates on the Development Bank of Japan Bonds represented by the certificate;
 - (4) Method of redemption and maturity date of the Development Bank of Japan Bonds represented by the certificate; and
 - (5) Numbers of the certificate.
5. If the Corporation intends to issue the Development Bank of Japan Bonds by way of a secondary distribution, the Corporation shall give public notice of the following matters:
 - (1) Distribution period;
 - (2) Aggregate amount of the Development Bank of Japan Bonds;
 - (3) If payment for the Development Bank of Japan Bonds is made in more than one installment, the amount of, and time schedule for, such payments;
 - (4) Issue price or minimum price of the Development Bank of Japan Bonds;
 - (5) If the Corporation intends to issue the Development Bank of Japan Bonds, the ownership rights of which shall be determined based on the entries or recordings in the central depository account register as prescribed by the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc., description to the effect that the Development Bank of Japan Bonds are subject to the said Act; and
 - (6) Matters referred to in Items (1) through (4) of the immediately preceding Paragraph.
6. The Corporation may issue the Development Bank of Japan Bonds at a discount.

Article 7 Extinctive Prescription of the Development Bank of Japan Bonds

The extinctive prescription periods of the principal of, and interest on, the Development Bank of Japan Bonds to be issued by the Corporation shall be fifteen (15) years and five (5) years, respectively.

Article 8 *Mutatis Mutandis* Application of the Currency and Securities Counterfeiting Control Act

The Currency and Securities Counterfeiting Control Act (Act No. 28 of 1895) shall be applied *mutatis mutandis* to the counterfeiting of certificates representing the Development Bank of Japan to be issued by the Corporation.

Article 9 Special Rules When Starting Acceptance of Deposits, Etc.

1. If the Corporation intends to start acceptance of deposits set forth in Article 3, Paragraph 1, Item (1) or issue of the Development Bank of Japan Bonds, the Corporation shall obtain the prior approval of the Minister of Finance.
2. If the Minister of Finance intends to give the approval referred to in the preceding Paragraph, the Minister of Finance shall, in advance, have a discussion with the Prime Minister and obtain his/her consent.
3. The Prime Minister may request the Minister of Finance to provide the Prime Minister with the required materials and explanations, whenever the Prime Minister deems necessary after the discussion referred to in the immediately preceding Paragraph.
4. The Prime Minister may request the Corporation to cooperate with the Prime Minister such as providing materials and explanations, to the required extent, whenever the Prime Minister deems

especially necessary after the discussion referred to in Paragraph 2.

5. The provisions of Article 4, Paragraph 1 of the Banking Act and Article 4, Paragraph 1 of the Long-Term Credit Bank Act (Act No. 187 of 1952) shall not apply to the business operations to be conducted by the Corporation in the case that the Corporation obtains the approval referred to in Paragraph 1.

Article 10 *Mutatis Mutandis* Application of the Banking Act

1. The provisions of Articles 12-2 (other than Paragraph 3), 13, 13-2, 13-4, 14, 14-2, 20, 21, 23 and 57-4 (limited to the portions relating to Item (1)) of the Banking Act shall apply *mutatis mutandis* to the Corporation when the Corporation obtains the approval referred to in Paragraph 1 of the immediately preceding Article. For this purpose, references to the “Prime Minister” and “Cabinet Office Ordinance” in these provisions (other than the second sentence of Article 13-4 and Article 20, Paragraph 7 of the Banking Act) shall be changed to read the “Minister of Finance and the Prime Minister” and the “Ministry of Finance Ordinance and the Cabinet Office Ordinance,” respectively, and reference to “Article 38, Items (1) and (2), and Article 38-2” in Article 13-4 of the Banking Act shall be changed to read “Article 38-2,” and other necessary technical changes to read shall be prescribed in the Cabinet Order.
2. For the purpose of application of the provisions of the Financial Instruments and Exchange Act which shall be applied *mutatis mutandis* after changing to read in Article 13-4 of the Banking Act which is applied *mutatis mutandis* after changing to read in the preceding Paragraph, reference to the “Cabinet Office Ordinance” in those provisions shall be changed to read the “Ministry of Finance Ordinance and Cabinet Office Ordinance.”
3. If the Government stipulates an ordinance pursuant to the provisions of the Banking Act which shall be applied *mutatis mutandis* after changing to read in Paragraph 1, the Government shall pay attention so that interests of users of business operations of the Corporation such as money lending, when it gives the approval referred to in Paragraph 1 of the immediately preceding Article may not be unreasonably infringed.

Article 11 Fiscal year

The fiscal year of the Corporation shall commence on April 1 of each year and end on March 31 of the following year.

Article 12 Shares

1. If the Corporation intends to solicit those who will subscribe for shares offered for sale set forth in Article 199, Paragraph 1 of the Companies Act (Act No. 86 of 2005) (hereinafter in Article 34, Item (4) referred to as the “Shares Offered for Sale”) or stock acquisition rights offered set forth in Article 238, Paragraph 1 of the Companies Act (hereinafter in Article 34, Item (4) referred to the “Stock Acquisition Rights Offered”), or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, the Corporation shall obtain authorization of the Minister of Finance.
2. Without delay after the delivery of shares upon exercise of stock acquisition rights, the Corporation shall submit a report thereon to the Minister of Finance.

Article 13 Corporate Debentures, Development Bank of Japan Bonds and Borrowings

1. Prior to the beginning of each fiscal year, the Corporation shall prepare its basic policy regarding the issue of corporate debentures (*shasai*) (other than the Development Bank of Japan Bonds, “Corporate Debentures”; hereinafter the same) and the Development Bank of Japan Bonds (excluding the short-term notes set forth in Article 66, Item (1) of the Act Concerning the Central Depository System of Corporate Debentures, Shares, Etc. (Act No. 75 of 2001) from both the Corporate Debentures and the Development Bank of Japan Bonds, respectively; hereinafter in this Article and Article 18 the same), as well as

regarding the borrowings (limited to those with more than one year to maturity; hereinafter in this Article and Article 18 the same), which provides for matters relating to the issue of the Corporate Debentures and the Development Bank of Japan Bonds, and the borrowing of money, such as the amounts of issue and borrowings, denominated currency of the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings, as stipulated in the Ministry of Finance Ordinance, and obtain authorization of the Minister of Finance. If the Corporation intends to revise it, the same shall apply.

2. If the Corporation issues the Corporate Debentures or the Development Bank of Japan Bonds, or borrows money, the Corporation shall submit a report thereon to the Minister of Finance without delay, as stipulated in the Minister of Finance Ordinance.
3. Only with respect to the Corporate Debentures issued outside of Japan, the Corporation may issue certificates representing the Corporate Debentures, as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.
4. The provisions of the second sentence of Paragraph 1, and Paragraph 2 shall not apply to the following cases:
 - (1) When the Corporation issues certificates representing the Corporate Debentures or the Development Bank of Japan Bonds (hereinafter in the following Item and Article 25, Paragraph 2 referred to as the "Bond Certificates, Etc.") upon request for reissue which will be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act; and
 - (2) When the Corporation issues the Bond Certificates Etc. as set forth in Article 5, Paragraph 3 or the immediately preceding Paragraph.

Article 14 Limits on Borrowing and Limitation on Extension of Credit

1. The aggregate amount of the items identified below shall not exceed the amount equal to fourteen (14) times the total amount of paid-in capital and reserves (capital reserve and earned surplus reserve; hereinafter in this Article the same); provided, however, that if it is necessary, to refinance the issued old bank debentures (the bank debentures set forth in Article 43, Paragraph 1 of the Development Bank of Japan Act (Act No. 73 of 1999; hereinafter referred to as the "Old DBJ Act") before abolishment as set forth in Article 26 of the Supplementary Provisions which were issued pursuant to the provision of Article 43, Paragraph 1 or Paragraph 4 of the Old DBJ Act, the "Old Bank Debentures"; hereinafter the same), the Corporate Debentures or the Development of Bank of Japan Bonds, the Corporation may issue the Corporate Debentures and the Development Bank of Japan Bonds, in excess of such amount only within the period of time required for such refinancing:
 - (1) Outstanding amount of deposits;
 - (2) Outstanding amount of borrowings;
 - (3) Outstanding amount of funds deposited pursuant to the provision of Article 42, Paragraph 5 of the Old DBJ Act;
 - (4) Outstanding amount of the obligations representing the principals of the Old Bank Debentures;
 - (5) Outstanding amount of the obligations representing the principals of the Corporate Debentures and the Development Bank of Japan Bonds issued; and
 - (6) Outstanding amount of those items which have the same economic nature as those referred to in each of the foregoing, howsoever described.
2. The aggregate amount of the items identified below shall not exceed the sum of: (i) the amount of paid-in capital and reserves and (ii) the upper limit set forth in the main sentence of the preceding Paragraph:
 - (1) Outstanding amount of the amounts of loans made and claims acquired (other than those relating to Securities set forth in Item (3));
 - (2) Outstanding amount of obligations of guarantee;

- (3) Outstanding amount of Securities acquired (the Securities set forth in Article 3, Paragraph 3 and exclude the Securities referred to in Article 2, Paragraph 1, Items (1) and (2) of the Financial Instruments and Exchange Act (including the rights to be represented on such securities when such Securities are not issued), and those relating to capital contributions under the next following Item); and
- (4) Outstanding amount of capital contributions.

Article 15 Resolution for Election of Representative Directors and Other Officers

Resolutions for appointment and dismissal of the representative directors or representative executive officers of the Corporation, appointment and dismissal of statutory auditors, or appointment and dismissal of audit committee members (*kansaiin*) shall not become effective without authorization of the Minister of Finance.

Article 16 Authorization of Concurrent Positions of Directors

1. Any director (or, if the Corporation is a company maintaining committees (*jinkai secchi kaisha*), any executive officer) who performs the day-to-day business of the Corporation shall not perform the day-to-day business of any other corporation without authorization of the Minister of Finance.
2. The Minister of Finance shall, upon receipt of an application for the authorization referred to in the preceding Paragraph, grant his/her authorization, except in cases where it is determined that any matter so applied may interfere with sound and proper management of the Corporation.

Article 17 Business Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out a business plan for the new fiscal year and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

Article 18 Redemption Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out redemption plans for the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

Article 19 Subsidiaries Subject to Authorization

1. If the Corporation intends to make any of the following entities (other than individuals in the cases of those referred to in Items (3), (4) and (7); hereinafter referred to as the "Subsidiaries Subject to Authorization") its subsidiary (the subsidiary set forth in Article 2, Item (3) of the Companies Act), the Corporation shall obtain authorization of the Minister of Finance in advance:
 - (1) Banks;
 - (2) Long-term credit banks (the long-term credit banks set forth in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952));
 - (3) Financial Instruments Firms (limited to those who engage in type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Act);
 - (4) Money lenders (the money lenders set forth in Article 2, Paragraph 2 of the Money Lending Business Act (Act No. 32 of 1983), and exclude those who concurrently conduct the business referred to in the preceding Items or fall within other requirements stipulated in the Ministry of Finance Ordinance);
 - (5) Trust companies (the trust companies set forth in Article 2, Paragraph 2 of the Trust Business Act (Act No. 154 of 2004));
 - (6) Insurance companies (the insurance companies set forth in Article 2, Paragraph 2 of the Insurance Business Act (Act No. 105 of 1995)); and

- (7) Those stipulated by the Ministry of Finance Ordinance as those who are similar to each of the foregoing.

Article 20 Amendment to the Articles of Incorporation, Etc.

- Resolutions for amendment to the Articles of Incorporation of the Corporation, disposition of surplus funds (other than disposition of losses) such as distribution, merger, corporate split, and dissolution shall not become effective without authorization of the Minister of Finance.
- If the Minister of Finance intends to grant the authorization referred to in the preceding Paragraph (limited to resolutions for merger, corporate split and dissolution), the Minister of Finance shall have a discussion with the Minister of Land, Infrastructure and Transport.

Article 21 Submission of Balance Sheet and Other financial Statements

For each fiscal year, the Corporation shall submit to the Minister of Finance, as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for the interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year.

Article 22 Special Exemptions from Management of Fiscal Loan Funds

Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Act (Act No. 100 of 1951), the fiscal loan funds (the fiscal loan funds set forth in Article 2 of the Fiscal Loan Funds Act; hereinafter the same) may be appropriated for loans (hereinafter in Article 24 referred to simply as the "Loans") to the Corporation when the Corporation borrows money for appropriation for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.

Article 23

- Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Act, the fiscal loan funds may be appropriated for the Corporate Debentures and the Development Bank of Japan Bonds (hereinafter in the following Paragraph, immediately following Article and Article 25, Paragraph 1 referred to as the "Debentures, Etc.") to be issued by the Corporation to

appropriate the resulting proceeds for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.

- If the fiscal loan fund is invested in the Debentures, Etc. or the Old Bank Debentures, the fiscal loan fund shall not be used to underwrite, subscribe for or purchase (limited, in the case of the Old Bank Debentures, to purchase; hereinafter in this Paragraph referred to as the "Subscribe") the Debentures, Etc. or the Old Bank Debentures in excess of five-tenths (5/10) of the outstanding amount of the Debentures, Etc. and the Old Bank Debentures or six-tenths (6/10) of the total amount of the Debentures, Etc. to be issued by the Corporation at a time. In this case, the Debentures, Etc. or the Old Bank Debentures to be Subscribed with the fiscal loan funds shall be the same as those otherwise Subscribed for with respect to the terms such as interest rate, collateral, method of redemption and maturity.

Article 24

For the purpose of application of the provisions of the Act Concerning Special Measures for Long-term Management of Fiscal Loan Funds (Act No. 7 of 1973) to the fiscal loan funds to be invested in making loans as set forth in Article 22 or the fiscal loan funds to be invested in the Debentures, Etc. as set forth in Paragraph 1 of the immediately preceding Article, the Corporation shall be deemed as the corporation set forth in Article 10, Paragraph 1, Item (7) of the Fiscal Loan Funds Act.

Article 25 Guarantee of Obligations

- Notwithstanding the provision of Article 3 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations (Act No. 24 of 1946), the Government may enter into a guarantee agreement for the obligations relating to the Debentures, Etc., to the extent of the amount approved by the resolutions of the Diet.
- In addition to the provision of the preceding Paragraph, the Government may enter into a guarantee agreement for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation upon request for reissue to be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act, for delivery to those who have lost the Bond Certificates, Etc., or for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation as set forth in Article 5, Paragraph 3 or Article 13, Paragraph 3.

Chapter III Miscellaneous Provisions

Article 26 Supervisory Measures

- The competent minister shall oversee and supervise the Corporation in accordance with the provisions of this Act.
- Whenever the competent minister deems necessary to secure sound and proper management of the Corporation in light of the condition of the business operations or properties of the Corporation, or the properties of the Corporation and its subsidiaries (which are limited to those subsidiaries set forth in Article 2, Item (3) of the Companies Act, which fall within the Subsidiaries Subject to Authorization; hereinafter in Paragraphs 2 and 5 of the immediately following Article, and Article 33, Paragraph 2, the same) or to otherwise effectuate this Act, the competent minister may request the Corporation to submit an improvement plan to secure its sound management by indicating those matters for which the Corporation should take measures and the deadline for submission or direct the Corporation to revise the improvement plan once submitted, or direct, to the extent necessary, the Corporation to suspend its business operations in whole or in part during the designated period of time or to deposit its properties to the competent deposit office, or give other orders concerning business necessary for supervision.

Article 27 Reports and Inspections

- If the competent minister deems necessary to secure sound and

proper management of the Corporation and otherwise deems necessary to effectuate this Act, the competent minister may cause the Corporation to make a report, or have any of officials of the competent ministry enter into premises of the Corporation such as its office to inspect the condition of business or books, documents and other properties required.

- If the competent minister deems especially necessary to secure sound and proper management of the Corporation and otherwise deems especially necessary to effectuate this Act, the competent minister may, to the extent necessary, cause any of the subsidiaries or entities engaged by the Corporation for any services of the Corporation (hereinafter in this Paragraph, Paragraph 5 and Article 33, Paragraph 2 referred to as the "Contractors") to make reports relevant to the condition of business of the Corporation or have any officials of the competent ministry enter into offices or other premises of the subsidiaries or the Contractors of the Corporation to inspect the condition of business or books, documents and other properties required which may serve as reference relating to the condition of business of the Corporation.
- When the officials conduct on-site inspection pursuant to the provisions of the preceding two Paragraphs, those officials shall carry a certificate showing their identities and present it to the parties concerned.

4. The authority of the officials to conduct on-site inspections pursuant to the provisions of Paragraphs 1 and 2 shall not be interpreted as that for a criminal investigation.
5. The subsidiaries and the Contractors of the Corporation may reject the report or on-site inspection pursuant to the provision of Paragraph 2, if there is any reasonable cause.

Article 28 Delegation of Authority

1. The Minister of Finance may delegate a part of the authority to conduct on-site inspections pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article to the Prime Minister, as stipulated in the Cabinet Order.
2. If the Prime Minister has had the on-site inspections conducted pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article based on the delegation of the authority under the preceding Paragraph, the Prime Minister shall promptly report the Minister of Finance on results of such inspections.
3. The Prime Minister shall delegate the authority delegated pursuant to the provision of Paragraph 1 and the authority pursuant to the provision of the immediately preceding Paragraph to the Commissioner of the Financial Services Agency.
4. The Commissioner of the Financial Services Agency may delegate all or a part of the authority delegated pursuant to the provision of the immediately preceding Paragraph to the director of the competent local financial bureau or local finance branch bureau, as stipulated in the Cabinet Order.
5. If the Corporation obtains the approval referred to in Article 9, Paragraph 1, each provision of the preceding Paragraphs shall not apply.

Article 29 Competent Ministers

1. The competent minister under this Act shall be the Minister of Finance provided, however, that in the case that the Corporation obtains the approval referred to in Article 9, Paragraph 1, the competent ministers for the following matters shall be the Minister of Finance and the Prime Minister:
 - (1) Matters regarding the provisions of the Banking Act which are applied *mutatis mutandis* after changing to read in Article 10;
 - (2) Matters regarding the directions and orders under Article 26, Paragraph 2 (limited to those to be given when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph);
 - (3) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 1 (limited to those to be made and conducted when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph); and
 - (4) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 2 (limited to those to be made and conducted when it is deemed especially necessary to secure sound and proper management of the Corporation set forth in the said Paragraph).

2. The Minister of Finance or the Prime Minister shall not be precluded from individually exercising the authority relating to the matters referred to in Item (3) or (4) of the preceding Paragraph as set forth in the proviso of the preceding Paragraph.
3. If each minister referred to in each of the following Items exercises his/her authority pursuant to the provision of the immediately preceding Paragraph, he/she shall promptly inform the results thereof to the minister set forth opposite to him/her in each of the following Items:
 - (1) Minister of Finance: Prime Minister
 - (2) Prime Minister: Minister of Finance
4. In the cases stipulated in the proviso of Paragraph 1, reference to the "Minister of Finance" in Article 3, Paragraph 2 shall be changed to read the "Minister of Finance and the Prime Minister"; reference to the "Minister of Finance" in Article 13, Paragraph 2 shall be changed to read the "Minister of Finance (or, in relation to issue of the Development Bank of Japan Bonds, the Minister of Finance and the Prime Minister)"; reference to the "Minister of Land, Infrastructure and Transport" in Article 20, Paragraph 2 shall be changed to read the "Minister of Land, Infrastructure and Transport and the Prime Minister"; reference to the " " , as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year" in Article 21 shall be changed to read the " " , as stipulated in the Ministry of Finance Ordinance (or, in relation to the fiscal year and interim fiscal year (the period from April 1 to September 30 of the current fiscal year; hereinafter in this Article the same) in and after the fiscal year in which the date on which the approval referred to in Article 9, Paragraph 1 is obtained is included, the Minister of Finance Ordinance and the Cabinet Officer Ordinance), its balance sheet, profit and loss statement and business report for interim fiscal year of the current fiscal year", and reference to the "Minister of Finance" in Article 21 shall be changed to read the "Minister of Finance (or, in relation to the fiscal year and interim fiscal year in after the fiscal year in which the date on which the approval referred to in the said Paragraph is obtained is included, the Minister of Finance and the Prime Minister)."
5. In the case of the proviso of Paragraph 1, if the Minister of Finance intends to amend the Minister of Finance Ordinance referred to in Article 3, Paragraph 1, Item (7) or (8) he/she shall obtain the prior consent of the Prime Minister.
6. The Prime Minister shall delegate the authorities under this Act (other than those authorities pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article, and other authorities set forth in the Cabinet Order) to the Commissioner of the Financial Services Agency.
7. The Commissioner of the Financial Services Agency may delegate a part of the authorities delegated to him/her pursuant to the provision of the immediately preceding Paragraph to the director of local finance bureau or local finance branch bureau.

Chapter IV Penal Provisions

Article 30

1. If any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikai sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees accept, solicit or promise to accept a bribe in connection with their duties, they shall be punished by imprisonment with work for not exceeding three (3) years. If they conduct improper activities or fail to conduct proper activities with the bribe, they shall be punished by imprisonment with work for not exceeding five (5) years.
2. In the case of the immediately preceding Paragraph, the bribe accepted by the criminal person shall be confiscated. If the bribe in whole or in part cannot be confiscated, such amount shall be collected.

Article 31

1. Any person who gives, offers or promises to give a bribe referred to in Paragraph 1 of the immediately preceding Article shall be punished with imprisonment for not exceeding three (3) years or a fine not exceeding 1,000,000 yen.
2. If the person who committed the crime referred to in the immediately preceding Paragraph surrendered to justice, his/her penalty may be reduced or he/she may be exempted from the punishment.

Article 32

1. The crime referred to in Article 30, Paragraph 1 shall comply with Article 4 of the Criminal Code (Act No. 45 of 1907).
2. The crime referred to in Paragraph 1 of the immediately preceding Article shall comply with Article 2 of the Criminal Code.

Article 33

1. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the Corporation who fail to make reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 1, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.
2. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the subsidiaries of the Corporation or the Contactors who fail to make reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 2, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.

Article 34

In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) or its members who should perform the duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:

- (1) When he/she has conducted business activities in violation of the provision of Article 3, Paragraph 2;
- (2) When he/she has not notified of his/her concurrent position in violation of the provision of Article 4, Paragraph 2;
- (3) When he/she has started acceptance of deposits or issue of the Development Bank of Japan Bonds in violation of the provision of Article 9, Paragraph 1;
- (4) When he/she has solicited those who will subscribe for Shares Offered for Sale or Stock Acquisition Rights Offered,

- or delivered shares or stock acquisition rights in connection with a share-for-share exchange in violation of the provision of Article 12, Paragraph 1;
- (5) When he/she has not submitted a report on the delivery of shares in violation of the provision of Article 12, Paragraph 2;
- (6) When he/she has not obtained authorization for its basic policy in violation of the provision of Article 13, Paragraph 1;
- (7) When he/she has not submitted a report on issue of the Corporate Debentures or the Development Bank of Japan Bonds, or borrowing money in violation of the provision of Article 13, Paragraph 2;
- (8) When he/she has exceeded the limit or the total referred to in Article 14, Paragraph 1 or Paragraph 2 in violation of the provision thereof;
- (9) When he/she has not obtained authorization for his/her concurrent position in violation of the provision of Article 16, Paragraph 1;
- (10) When he/she has not obtained authorization for its business plan in violation of the provision of Article 17;
- (11) When he/she has not obtained authorization for its redemption plans in violation of the provision of Article 18;
- (12) When he/she has made Subsidiaries Subject to Authorization its subsidiary in violation of the provision of Article 19;
- (13) When he/she has not submitted its balance sheet, profit and loss statement or business report, or has submitted the one which includes false statements or records in violation of the provision of Article 21;
- (14) When he/she has violated the orders referred to in Article 26, Paragraph 2.

Article 35

Any person who violates the provision of Article 2, Paragraph 1 shall be punished with a non-penal fine not exceeding 100,000 yen.

Supplementary Provisions (Extract)

Article 1 Enforcement Date

This Act shall come into force from the date of promulgation; provided, however, that the provisions set forth in the following Items shall take effect from the date set forth in each Item:

- (1) The provisions of Paragraph 1, Items (5), and (11) through (17), Paragraph 3, Paragraph 4, Item (2), Paragraph 5 of Article 3, Article 4, Article 10, Article 14, Paragraph 2, Item (3), Article 19, Item (3), and Article 21 of the Supplementary Provisions: Date on which the Act Concerning Amendment to Parts of the Securities and Exchange Act (Act No. 65 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
- (2) Provision of Article 19, Item (4): Date on which the Act Concerning Amendment to Parts of the Act Concerning the Regulations on the Money Lending Business (Act No. 115 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
- (3) Provisions of Articles 26 through 60 and 62 through 65 of the Supplementary Provisions: October 1, 2008.

Article 2 Disposition of Government-Owned Shares

1. Pursuant to the provision of Article 6, Paragraph 2 of the Act Concerning Promotion of Administrative Reform for Realizing the Simple and Effective Government (Act No. 47 of 2006), the Government shall make efforts to reduce the number of shares held by it in the Corporation (hereinafter in the following Paragraph and the Article 3 of the Supplementary Provisions referred to as "Government-Owned Shares"), taking into account the effect on the attainment of the objectives of the Corporation, as well as the market situation, and shall dispose all of them as soon as practicable.
2. For a period from the effectuation of this Act until the Government disposes of all of the Government-Owned Shares,

the Government shall from time to time review matters, such as matters regarding the method in which the Government-Owned Shares should be disposed of and take the required measures based on the result of such review, so that the foundation of the Corporation's investment and financing functions for long-term business funds will be maintained.

Article 2-2 Capital Contribution by the Government

The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary, until March 31, 2012.

Article 2-3 Issue of the Government Bonds

1. The Government may issue the government bonds to use for securement of capital that become necessary to secure soundness of financial conditions of the Corporation in performing crisis response business set forth in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007) (hereinafter referred to as the "crisis response business"), until March 31, 2012.
2. The Government, as set forth in the immediately preceding Paragraph, shall issue the government bonds and deliver them to the Corporation, to the extent of the amount approved by the budget.
3. The government bonds to be issued as set forth in Paragraph 1 shall be non interest-bearing.
4. The government bonds to be issued as set forth in Paragraph 1 may not be transferred, pledged as security, or otherwise disposed.
5. In addition to those set forth in the preceding three Paragraphs, other matters necessary for the government bonds to be issued as set forth in Paragraph 1 shall be stipulated by the Ministry of Finance Ordinance.

Article 2-4 Redemption of the Government Bonds

1. The Corporation may request the redemption of the government bonds delivered as set forth in Paragraph 2 of the immediately preceding Article, only within the amount calculated as stipulated by the Ministry of Finance Ordinance that become necessary as the amount of the capital in response to the increase of assets related to its crisis response business (limited to those conducted by March 31, 2012).
2. If the Government is requested by the Corporation to redeem all or a part of the government bonds delivered pursuant to the provision of Paragraph 2 of the immediately preceding Article, the Government shall promptly redeem them.
3. When the redemption has been made pursuant to the provision of the immediately preceding Paragraph, the amount of the capital of the Corporation shall be the aggregate sum of the amount of the capital immediately preceding such redemption and the amount of such redemption.
4. As for application of the provision of Article 445, Paragraph 1 of the Companies Act in the case where the provision of the immediately preceding Paragraph applies, "Unless it is otherwise provided for in this Act" therein shall be deemed to be changed to read "Unless it is otherwise provided for in this Act and in cases where the provision of Article 2-4, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) applies."
5. In addition to those set forth in each of the preceding Paragraphs, other matters required for the redemption of the government bonds delivered by the Government as set forth in Paragraph 2 of the immediately preceding Article, shall be stipulated in the Ministry of Finance Ordinance.

Article 2-5 Return of the Government Bonds

1. If there are any government bonds delivered as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, those which are not redeemed as of July 1, 2012, the Corporation shall return the unredeemed government bonds to the Government.
2. The Government shall immediately cancel the government bonds when the government bonds are returned as set forth in the immediately preceding Paragraph.
3. In addition to those set forth in the preceding two Paragraphs, other matters required for the return and the cancellation of the government bonds delivered by the Government as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, shall be stipulated in the Ministry of Finance Ordinance.

Article 2-6 Special Rules for Taxation of the Registration License Tax

In case of the investment as set forth in Article 2-2 of the Supplementary Provisions, or the redemption as set forth in Article 2-4, Paragraph 2 of the Supplementary Provisions, no registration license tax shall be assessed on registration of the increase in the amount of the capital of the Corporation, limited to only those registered as set forth in the Minister of Finance Ordinance.

Article 2-7 Corporation's Obligation to Conduct Crisis Response Business

The Corporation shall, in order to attain its objectives, in accordance with the provisions set forth in Articles 2-10, 2-11, 2-22 and Articles 2-24 to 2-30 of the Supplementary Provisions, be obligated to conduct crisis response business, for an indefinite period, to secure a smooth supply of funds to those who need funds to address the damages set forth in Article 2, Item (4) of the Japan Finance Corporation Act.

Article 2-8 Government's Holding of Shares with Regard to Crisis Response Business

With a view to ensure proper conduct of crisis response business by the Corporation, the Government shall, for an indefinite period, hold more than one-third of the total number of issued shares of the Corporation (excluding shares in respect of which

voting rights may not be exercised for all matters that may be resolved at a general meeting of shareholders; the same shall apply in Article 2-13 of the Supplementary Provisions).

Article 2-9 Capital Contribution by the Government with Regard to Crisis Response Business

The Government may, for an indefinite period, make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of crisis response business by the Corporation.

Article 2-10 Implementation of Crisis Response Business

1. The Corporation shall conduct crisis response business at the head office or any other office designated by the Minister of Finance (hereinafter in the following Paragraph and Article 2-31, Paragraph 1, Item (1) of the Supplementary Provisions referred to as the "designated office").
2. The Corporation shall neither suspend nor cease to conduct crisis response business at the designated office, except in cases where crisis response business is temporarily suspended, in whole or in part, at the designated office due to Acts of God or other reasons beyond control, as stipulated in the Ministry of Finance Ordinance.

Article 2-11 Special Provisions, Etc. on Business Plan with Regard to Crisis Response Business

1. The Corporation shall include an implementation policy for its crisis response business in its business plan provided for in Article 17, as stipulated in the Ministry of Finance Ordinance.
2. The Corporation shall include the implementation status of its crisis response business, based on the implementation policy set forth in the immediately preceding Paragraph, in its business report provided for in Article 21, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of crisis response business shall be included or recorded in the Articles of Incorporation of the Corporation.

Article 2-12 Special Investment Operations

1. The Corporation shall, in order to attain its objectives, conduct special investment operations, in accordance with the provisions set forth in this Article, Articles 2-15 to 2-20, and Articles 2-23 to 2-30 of the Supplementary Provisions.
2. In this Article and up to Article 2-20 of the Supplementary Provisions, as well as in Articles 2-23, 2-25, 2-27 and 2-31 of the Supplementary Provisions, "special investment operations" means, among the investment businesses in special business activities, those that are deemed to particularly contribute to the facilitation of supply of funds by financial institutions and others, for the revitalization of business activities taking advantage of regional characteristics that contribute to autonomous development of local economies, or for the enhancement of competitiveness of Japanese companies that contribute to the improvement of socioeconomic vitality and sustainable development of Japan, as well as for special business activities, and those of which the business entities that will receive funds from the said investment business and the particulars of such supply are decided during the period from the date on which the authorization specified in Article 2-17, Paragraph 1 of the Supplementary Provisions is obtained through March 31, 2021, and any other businesses incidental thereto (including those conducted on and after April 1, 2021).
3. "Special business activities" set forth in the immediately preceding Paragraph means the following business activities:
 - (1) Business activities conducted by Japanese business entities with the aim of improving productivity and profitability by cultivating new business through effective use of insufficiently its management resources not sufficiently used, or by

promoting management innovation mainly through co-ordinated alignment with business entities in different fields and effective combination of management resources; and

- (2) Business activities that provide funds to the business activities set forth in the preceding Item.
4. "Investment business" set forth in Paragraph 2 means the following businesses concerning supply of funds:
- (1) To lend money through subordinated loans (which means loans made under loan agreements with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance);
 - (2) To make capital contributions;
 - (3) To acquire subordinated corporate debentures (which means corporate debentures with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance); and
 - (4) In addition to those set forth in the preceding three Items, to provide funds in the manner approved in advance by the Minister of Finance.

Article 2-13 Government's Holding of Shares with Regard to Special Investment Operations

With a view to ensure proper implementation of special investment operations by the Corporation, the Government shall hold one-half or more of the total number of issued shares of the Corporation, until the Corporation completes the special investment operations.

Article 2-14 Capital Contribution, Etc. by the Government with Regard to Special Investment Operations

1. The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of special investment operations by the Corporation, until March 31, 2021.
2. The Corporation shall not appropriate money provided through capital contributions provided for in the preceding Paragraph to any funds other than funds for special investment operations.

Article 2-15 Supplement or Encouragement of Financing Conducted by Financial Institutions, Etc. in Special Investment Operations

The purpose of the Corporation in conducting special investment operations shall be to supplement or encourage financing conducted by financial institutions and investment conducted by private sector.

Article 2-16 Special Investment Guidelines

1. Guidelines to be followed by the Corporation in conducting special investment operations (in the following Paragraph and Paragraph 1 of the immediately following Article referred to as the "special investment guidelines") shall be established and issued by the Minister of Finance.
2. The special investment guidelines shall provide for the following matters:
 - (1) Standards to be followed in deciding the business entities that will receive funds from the special investment operations and the particulars of such supply of funds;
 - (2) Matters regarding appropriate financial management of the special investment operations;
 - (3) Matters regarding securing of appropriate competitive relationships between the Corporation and other business entities;
 - (4) Matters regarding the system to be established to evaluate and supervise the implementation status of special investment operations;
 - (5) Matters regarding reporting to the Minister of Finance on the implementation status of special investment operations; and
 - (6) Any other matters necessary to ensure proper implementation of special investment operations.

Article 2-17 Special Investment Operations Rules

1. The Corporation shall set rules regarding special investment operations (in the following Paragraph referred to as the "special investment operations rules") in line with the special investment guidelines, with respect to matters concerning implementation of special investment operations stipulated in the Ministry of Finance Ordinance, and shall obtain authorization therefor from the Minister of Finance. If the Corporation intends to revise such rules, the same shall apply.
2. The Minister of Finance may order the Corporation to revise the special investment operations rules authorized pursuant to the provision of the preceding Paragraph, if he/she deems that such rules have become inappropriate for the proper implementation of special investment operations by the Corporation.

Article 2-18 Special Provisions, Etc. on Business Plan with Regard to Special Investment Operations

1. The Corporation shall include the implementation policy for the special investment operations in its business plans provided for under Article 17, as stipulated in the Ministry of Finance Ordinance, until the completion of the special investment operations.
2. The Corporation shall include the implementation status of the special investment operations based on the implementation policy provided for under the immediately preceding Paragraph, in its business reports provided for under Article 21 for each fiscal year up to the fiscal year including the date of completion of the special investment operations, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of special investment operations shall be included or recorded in the Articles of Incorporation of the Corporation, until the completion of the special investment operations.

Article 2-19 Status of Income and Expenditure with Regard to Special Investment Operations, Etc.

For each fiscal year, the Corporation shall, as stipulated in the Ministry of Finance Ordinance, submit to the Minister of Finance and publish documents stating the status of income and expenditure of the following businesses by category for each fiscal year up to the fiscal year including the date of completion of the special investment operations:

- (1) Special investment operations; and
- (2) Businesses other than those listed in the preceding Item.

Article 2-20 Completion of Special Investment Operations

1. The Corporation shall, taking into account economic conditions, the state of business of the business entities that will receive funds from special investment operations, and other circumstances, transfer or otherwise dispose of all of the securities (which means the securities listed in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act, and the rights which are deemed as securities pursuant to the provision of Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) and receivables held by it in the special investment operations, and seek to complete the special investment operations, by March 31, 2026.
2. When the special investment operations are completed, the Corporation shall promptly notify the Minister of Finance to that effect.
3. The Minister of Finance shall, when notified pursuant to the provision of the immediately preceding Paragraph, give public notice to that effect.

Article 2-21 Securing of Appropriate Competitive Relationships

1. The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not upset its appropriate competitive relationships with other business entities.

2. The Corporation shall, for an indefinite period, include, in its business plans provided for under Article 17, a policy concerning securing of appropriate competitive relationships with other business entities as stipulated in the Ministry of Finance Ordinance.
3. The Corporation shall, for an indefinite period, describe, in its business reports provided for under Article 21, the state of implementation of its business based on the policy mentioned in the immediately preceding Paragraph as stipulated in the Ministry of Finance Ordinance.

Article 2-22 Crisis Response Reserve

1. The Corporation shall establish a crisis response reserve and appropriate to such reserve the amount contributed by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions.
2. When the capital contributions have been made by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions, the Corporation shall, notwithstanding the provisions of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-9 of the Supplementary Provisions as the amount of the crisis response reserve. For this purpose, reference to “this Act” in Article 445, Paragraph 1 of the said Act shall be changed to read “this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007).”

Article 2-23 Special Investment Reserve and Special Investment Surplus Funds

1. The Corporation shall establish a special investment reserve and appropriate to such reserve an amount equal to the total of the amount contributed by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the amount by which the amount of paid-in capital or reserves is reduced pursuant to the provision of Paragraph 3 of this Article and the amount reduced from the amount of surplus funds pursuant to the provision of Paragraph 4 of this Article.
2. When the capital contributions have been made pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the Corporation shall, notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions as the amount of the special investment reserve. For this purpose, reference to “this Act” in Article 445, Paragraph 1 of the said Act shall be changed to read “this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007).”
3. The Corporation may reduce the amount of its paid-in capital or reserves and increase the amount of its special investment reserve, whenever the Corporation deems necessary in order to implement the special investment operations properly. For the purpose of application of the provisions of Article 447 through Article 449 of the Companies Act in this case, reference to “is to be appropriated to reserves” in Article 447, Paragraph 1, Item (2) of the said Act shall be changed to read “is to be appropriated to reserves or to special investment reserve under Article 2-23, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (hereinafter referred to as the “special investment reserve” in this Item, Paragraph 1, Item (2) of the following Article and Article 449, Paragraph 1),” reference to “the amount to be appropriated to reserves” in the same Item shall be changed to read “the amount to be appropriated to reserves or special investment reserve,” reference to “the paid-in capital” in Article 448, Paragraph 1, Item (2) of the said Act shall be changed to read “the paid-in capital or special investment reserve,” and reference to “is appropriated to paid-in capital” in Article 449, Paragraph 1 of the said Act shall be changed to read “is appropriated to paid-in capital or special investment reserve.”
4. The Corporation may reduce the amount of surplus funds and increase the amount of its special investment reserve, whenever the Corporation deems this necessary in order to implement the

special investment operations properly. For this purpose, the following matters shall be determined:

- (1) The amount by which the amount of surplus funds will be reduced; and
 - (2) The date on which the increase in the amount of the special investment reserve will become effective.
5. The determination of the matters referred to in each Item of the immediately preceding Paragraph shall be made by resolution of a shareholders' meeting.
 6. The amount provided for under Paragraph 4, Item (1) of this Article may not exceed the amount of surplus funds as of the date provided for under Item (2) of the said Paragraph.
 7. The Corporation shall establish the special investment surplus funds and record the amount of profit or loss resulting from the calculation of profits and losses pertaining to the special investment operations for each fiscal year as stipulated in the Ministry of Finance Ordinance.

Article 2-24 Special Provisions on Limits on Borrowing and Limitation on Extension of Credit

For the purpose of application of the provision of Article 14, when the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds is recorded, the total of the amounts so recorded shall be included in the amount of paid-in capital and reserves.

Article 2-25 Amount of Surplus Funds, Etc.

1. For the purpose of calculation of surplus funds, the Corporation shall include the aggregate amount of the crisis response reserve, the special investment reserve and the special investment surplus funds as of the last day of the most recent fiscal year (the most recent fiscal year set forth in Article 2, Item (24) of the Companies Act; the same in the following Paragraph) in the total amount of paid-in capital and reserves.
2. For the purpose of calculation of surplus funds, the Corporation shall include the aggregate amount of the amounts set forth in Items (1) through (3) and the aggregate amount of the amounts set forth in Items (4) through (6), in the aggregate amount of the amounts set forth in Article 446, Items (1) through (4) of the Companies Act and the aggregate amount of the amounts set forth in Items (5) through (7) of the said Article, respectively:
 - (1) The amount by which the amount of the crisis response reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the crisis response reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions), if any;
 - (2) The amount by which the amount of the special investment reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions which has been paid to the national treasury), if any;
 - (3) The amount by which the amount of the special investment surplus funds has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment surplus funds provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions that have been paid to the national treasury), if any;
 - (4) The amount by which the amount of paid-in capital or reserves has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any;
 - (5) The amount by which the amount of surplus funds has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any; and
 - (6) In addition to those listed in the preceding two Items, the total amount of the amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

3. If the Corporation calculates the distributable amount under Article 461, Paragraph 2 of the Companies Act (which shall, in Article 2-27, Paragraph 6 of the Supplementary Provisions, be referred to as the "Distributable Amount"), the Corporation shall deduct, from the total of the amounts set forth in Article 461, Paragraph 2, Items (1) and (2) of the said Act, the total of the amounts recorded to each account as the amount of profit pertaining to the special investment operations for the period set forth in Article 441, Paragraph 1, Item (2) of the Companies Act in the case where the Corporation obtains the approval referred to in Paragraph 4 of the said Article (or, in cases set forth in the proviso to the said Paragraph, the approval under Paragraph 3 of the said Article) of the temporary financial statements referred to in Paragraph 1 of the said Article and any other amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

Article 2-26 Reduction in Amount of Crisis Response Reserve, Etc. When Deficit is Covered

1. If the amount of capital reserve and the amount of earned surplus reserve have become zero, the Corporation may reduce the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds (limited, as regards the amount of the special investment surplus funds, to the case where such amount exceeds zero). For this purpose, the following matters shall be determined by resolution of a shareholders' meeting:
 - (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds will be reduced; and
 - (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds will become effective.
2. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
3. The amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds under Paragraph 1, Item (1) of this Article may not exceed the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds, respectively, as of the date set forth in Item (2) of the said Paragraph.
4. The aggregate of the amount of the crisis response reserve, the amount of the special investment reserve and the amount of the special investment surplus funds as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount of deficit as of the date of the shareholders' meeting referred to in the said Paragraph.
5. If the amount of the special investment surplus funds is not exceeding zero, the amount of the special investment reserve as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount by which the amount of the special investment reserve may be reduced.
6. If the amount of surplus funds of the Corporation exceeds zero after a reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds pursuant to the provision of Paragraph 1 of this Article, the Corporation shall increase, in an amount equivalent to such excess, the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds until the time when the cumulative amount of the amounts of the increases in the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds pursuant to the provision of this

Paragraph equals the cumulative amount of amounts of reductions, as prescribed by the Minister of Finance Ordinance.

Article 2-27 Payment to National Treasury

1. If it is deemed that the financial basis necessary for proper implementation of the crisis response business has been sufficiently secured, the Corporation shall pay to the national treasury an amount equivalent to all or a part of the amount of the crisis response reserve. In that case, the Corporation shall reduce the crisis response reserve by the amount equivalent to such amount to be paid to the national treasury.
2. If it is deemed unnecessary to maintain the current level of the special investment reserve for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment reserve in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
3. If, in cases where the amount of the special investment surplus funds exceeds zero, it is deemed unnecessary to maintain the current level of the special investment surplus funds for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment surplus funds in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
4. In the case of the preceding three Paragraphs, the following matters shall be determined by resolution of a shareholders' meeting:
 - (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds is reduced; and
 - (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus funds becomes effective.
5. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
6. The aggregate of the amounts to be paid pursuant to the provision of Paragraphs 1 through 3 of this Article may not exceed the Distributable Amount as of the date provided for under Paragraph 4, Item (2) of this Article.

Article 2-28

1. If the Corporation goes into liquidation and there still remains any residual property after performance of its obligations, the Corporation shall pay to the national treasury an amount equivalent to the total amount (if the amount of such residual property is less than the aggregate of the amount of the crisis response reserve and the amount calculated as described below, an amount of such residual property) calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the aggregate of the amount of the crisis response reserve as of the date of such liquidation (if, after reductions of the amount of the crisis response reserve pursuant to the provision of Article 2-26, Paragraph 1 of the Supplementary Provisions, the cumulative amount of the

amounts of increases in the amount of the crisis response reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of the amounts of such reductions, an amount after adding the shortfall) and the amount of the special investment reserve and the special investment surplus funds as of the same date (if, after reductions of the amount of the special investment reserve pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, or if, after reductions of the amount of the special investment surplus funds pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment surplus funds pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, an amount after adding the respective shortfalls), that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.

2. The payment under the preceding Paragraph shall be made in advance of the distribution of the residual property to shareholders.
3. The payment procedures or any other matters necessary in connection with the payments to be made pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article and Paragraph 1 of this Article shall be prescribed in the Cabinet Order.

Article 2-29 Special Rules of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations

Notwithstanding the provision of Article 1 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations, the Corporation shall comply with the preceding two Articles with respect to the dividend or distribution of profit or surplus funds to the capital contributions under Article 2-9 of the Supplementary Provisions or the capital contributions under Article 2-14, Paragraph 1 of the Supplementary Provisions.

Article 2-30 Mutatis Mutandis Application of the Companies Act

1. The provisions of Article 449, Paragraph 6 (limited to the portions relating to Item (1)) and Paragraph 7, and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve, the amount of special investment reserve or the amount of special investment surplus funds is reduced as set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions. For this purpose, references to "paid-in capital" in Article 449, Paragraph 6, Item (1) of the said Act shall be changed to read the amount of crisis response reserve set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in Article 828, Paragraph 1, Item (5) the same), the amount of special investment reserve (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Item the same), or special investment surplus funds (special investment surplus funds set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Item the same); "Article 447, Paragraph 1, Item (3)" shall be changed to read "Article 2-26, Paragraph 1, Item (2) of the Supplementary Provisions of the said Act"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "the amount of crisis response reserve, the

amount of special investment reserve, or special investment surplus funds set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said crisis response reserve, the amount of special investment reserve, or the amount of special investment surplus funds"; and references to "the trustee in bankruptcy or a creditor, who did not give approval to the reduction in the amount of paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "or the trustee in bankruptcy."

2. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve is reduced as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "crisis response reserve as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where..."; "of Paid-In Capital, Etc." shall be changed to read "of crisis response reserve"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "crisis response reserve"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "crisis response reserve"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said crisis response reserve"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."
3. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment reserve is reduced as set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "special investment reserve as set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated

to the paid-in capital” shall be changed to read “In cases where...”; “of Paid-In Capital, Etc.” shall be changed to read “of special investment reserve”; references to “Paid-In Capital, Etc.” in Paragraph 2, Item (1) of the said Article shall be changed to read “special investment reserve”; references to “Ordinance of the Ministry of Justice” in Item (2) of the said Paragraph shall be changed to read the “Ministry of Finance Ordinance”; references to “Paid-In Capital, Etc.” in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read “special investment reserve”; references to “paid-in capital” in Paragraph 6, Item (1) of the said Article shall be changed to read “special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act”; “Article 447, Paragraph 1, Item (3)” shall be changed to read “Paragraph 4, Item (2) of the said Article”; references to “paid-in capital of” in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read “special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning”; “on which the reduction in the amount of paid-in capital” shall be changed to read “on which the reduction in the amount of the said special investment reserve”; and references to “paid-in capital” in Paragraph 2, Item (5) of the said Article shall be changed to read “special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act.”

4. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment surplus funds is reduced as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions. For this purpose, references to “paid-in capital or reserves (hereinafter in this Article referred to as “Paid-In Capital, Etc.”) in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read “special investment surplus funds as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment surplus funds set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)”; “In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)” shall be changed to read “In cases where...”; “of Paid-In Capital, Etc.” shall be changed to read “of special investment surplus funds”; references to “Paid-In Capital, Etc.” in Paragraph 2, Item (1) of the said Article shall be changed to read “special investment surplus funds”; references to “Ordinance of the Ministry of Justice” in Item (2) of the said Paragraph shall be changed to read the “Ministry of Finance Ordinance”; references to “Paid-In Capital, Etc.” in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read “special investment surplus funds”; references to “paid-in capital” in Paragraph 6, Item (1) of the said Article shall be changed to read “special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act”; “Article 447, Paragraph 1, Item (3)” shall be changed to read “Paragraph 4, Item (2) of the said Article”; references to “paid-in capital of” in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read “special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning”; “on which the reduction in the amount of paid-in capital” shall be changed to read “on which the reduction in the amount of the said special investment surplus funds”; and references to “paid-in capital” in Paragraph 2, Item (5) of the said Article shall be changed to read “special investment surplus funds set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act.”

Article 2-31 Penal Provisions

- In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikai sanyo*) or its members who should perform duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:
 - When he/she has suspended or abolished crisis response business at the designated office in violation of the provision of Article 2-10, Paragraph 2 of the Supplementary Provisions;
 - When he/she has appropriated money provided through capital contributions as set forth in Article 2-14, Paragraph 1 to any fund other than the fund for special investment operations, in violation of the provision of Article 2-14, Paragraph 2 of the Supplementary Provisions;
 - When he/she has violated the order referred to in Article 2-17, Paragraph 2 of the Supplementary Provisions;
 - When he/she has not submitted or published documents stating the status of income and expenditures for each category of business operations in each Item of Article 2-19 of the Supplementary Provisions, or has submitted or published such documents containing false statements, in violation of the provision of Article 2-19 of the Supplementary Provisions;
 - When he/she has not submitted a report on the completion of special investment operations in violation of the provision of Article 2-20, Paragraph 2 of the Supplementary Provisions.
- With regard to the application of the provision of Article 34, Item (8) in the case where the provision of Article 2-24 of the Supplementary Provisions applies, references to “limit” in the said Item shall be changed to read “limit calculated by including the aggregate amount of crisis response reserve, special investment reserve and special investment surplus funds in the amount of paid-in capital and reserves as set forth in the provisions of Article 2-24 of the Supplementary Provisions.”
- With regard to the application of the provision of Article 34, Item (10) in the case where the provision of Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions applies, references to “Article 17” in the said Item shall be changed to read “Article 17, or Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions.”
- With regard to the application of the provision of Article 34, Item (13) in the case where the provision of Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions applies, references to “Article 21” in the said Item shall be changed to read “Article 21, or Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions.”

Article 3 Abolition of This Act and Other Measures

If the Government disposes of all of the Government-Owned Shares, the Government shall immediately take measures to abolish this Act, as well as measures necessary to smoothly assign the business operations, functions, and rights and obligations of the Corporation to any organization to be formed as a bearer of the functions commensurate with the investment and financing functions held by the Corporation.

Article 4 Special Rules for Business Operations during the Preparatory Period

- In order for the Corporation to smoothly start the business operations as soon as it is duly organized, The Development Bank of Japan (hereinafter referred to as “DBJ”) may borrow Long-term Loans, in addition to those set forth in Article 42, Paragraphs 1 and 2 of the Development Bank of Japan Act (Act No. 73 of 1999; hereinafter, except for Article 26 of the Supplementary Provisions, referred to as the “DBJ Act”), during the Preparatory Period (the period from the date on which this Act comes into force up to September 30, 2008; the same in Paragraph 5).

2. DBJ shall prepare its basic policy regarding the borrowing of Long-term Loans to be made pursuant to the provision of the preceding Paragraph which provides for the matters relating to the borrowing of the Long-term Loans such as the amounts of borrowing and currency in which the Long-term Loans are denominated, and obtain authorization of the Minister of Finance, without delay after the date on which this Act comes into force in the case of the fiscal year during which such date is included, or prior to April 1, 2008 in the case of the fiscal year beginning on April 1, 2008. If the Corporation intends to revise it, the same shall apply.
3. If DBJ borrows a Long-term Loan as set forth in Paragraph 1, DBJ shall notify the Minister of Finance thereof without delay as set forth in the Minister of Finance Ordinance.
4. The Long-term Loans as set forth in Paragraph 1 shall be deemed as the borrowed money under Article 42, Paragraph 1 of the DBJ Act and the provisions of Article 44 of the DBJ Act shall apply the said Long-term Loans.
5. If DBJ borrows a short-term borrowing during the Preparatory Period as set forth in Article 42, Paragraph 2 of the DBJ Act, reference to “within the current fiscal year” in Paragraph 3 of the said Article shall be changed to read “within one year.”
6. If DBJ borrows a Long-term Loans as set forth in Paragraph 1, reference to “this Act, in Article 13, Paragraph 2, Item (1) of the DBJ Act shall be changed to read “this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007) or order under these Acts”, and reference to “this Act and the Cabinet Order under this Act” in Article 48 of the DBJ Act shall be changed to read “this Act and the Development Bank of Japan Inc. Act, and the Cabinet Orders under these Acts.” Reference to “this Act” in Article 49, Article 50, Paragraph 1, and Article 52 of the DBJ Act shall be changed to read “this Act and the Development Bank of Japan Inc. Act,” and reference to “this Act” in Article 54, Items (1) and (2) of the DBJ Act shall be changed to read “this Act or the Development Bank of Japan Inc. Act.”
7. “Long-term Loans” set forth in Paragraphs 1 through 4 and the immediately preceding Paragraph mean the loans from financial institutions such as banks, other than the short-term borrowings set forth in Article 42, Paragraph 3 of the DBJ Act which is applied after changing to read as set forth in Paragraph 5.
8. For the purpose of application of the provision of Article 22, Paragraph 1 of the DBJ Act to the mid-term government policy principles set forth in the said Paragraph for the period commencing on April 1, 2008, reference to the “three-year mid-term government policy principles” shall be changed to read the “government policy principles for the term beginning on April 1, 2005.”

Article 5 Founding Members

The Minister of Finance shall appoint the founding members to serve as promoters for incorporation of the Corporation.

Article 6 Articles of Incorporation

The founding members shall prepare the Articles of Incorporation and have them authorized by the Minister of Finance.

Article 7 Shares to Be Issued upon the Incorporation of the Corporation

1. The following matters regarding the shares to be issued upon the incorporation of the Corporation, and total number of shares which the Corporation can issue shall be determined in the Articles of Incorporation:
 - (1) Number of shares (or, if the Corporation is to be organized as a company issuing class shares, classes of those shares and number of each class of shares);
 - (2) Amount to be paid for shares (the amount of cash to be paid or amount of non-cash property to be contributed in exchange for each share); and
 - (3) Matters relating to the amounts of paid-in capital and capital reserves.

2. Notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, with respect to the shares to be issued by the Corporation upon its incorporation, the Corporation may elect not to account for the amount in excess of (, as well as the amount not exceeding,) a half of the amounts of properties contributed by DBJ upon the incorporation of the Corporation as paid-in capital. For this purpose, reference to “this Act” in Article 445, Paragraph 1 of the Companies Act shall be changed to read “this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007).”

Article 8 Subscription for Shares

1. DBJ shall subscribe for all shares to be issued by the Corporation upon its incorporation, and the founding members shall allocate them to DBJ.
2. The right as the subscriber for shares allocated pursuant to the provision of the preceding Paragraph in connection with the incorporation of the Corporation shall be exercised by the Government.

Article 9 Capital Contribution

Upon the incorporation of the Corporation, DBJ shall contribute all of its properties, except assets to be assumed by Japan pursuant to the provision of Article 15, Paragraph 2 of the Supplementary Provisions, to the Corporation.

Article 10 Organizational Meeting

For the purpose of application of the provision of Article 65, Paragraph 1 of the Companies Act concerning the incorporation of the Corporation, reference to the “on and after either the date under Article 58, Paragraph 1, Item (3) or the last day of the period under such item, whichever comes later,” shall be changed to read “after allotment of shares set forth in Article 8, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007).”

Article 11 Establishment of the Corporation

Contributions to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions shall be made when the provision of Article 26 of the Supplementary Provisions becomes effective, and the Corporation shall be established, notwithstanding the provision of Article 49 of the Companies Act.

Article 12 Registration of Incorporation

Notwithstanding the provision of Article 911, Paragraph 1 of the Companies Act, the Corporation shall register its incorporation without delay after the establishment of the Corporation.

Article 13 Transfer to the Government without Consideration

The shares to be acquired by DBJ through its capital contribution shall be transferred to the Government without consideration at the time of establishment of the Corporation.

Article 14 Exception from Application of the Companies Act

The provisions of Article 30 and Part II, Chapter 1, Section 3 of the Companies Act shall not apply to the incorporation of the Corporation.

Article 15 Dissolution of DBJ, Etc.

1. DBJ shall be dissolved at the time of establishment of the Corporation, whereupon any and all rights and obligations of DBJ shall be taken over by the Corporation, except for those assets to be assumed by the Government as set forth in the following Paragraph.
2. Of the rights actually held by DBJ at the time of establishment of the Corporation, the assets which will be considered no longer necessary for the Corporation to smoothly perform its future business operation shall be assumed by Japan at the time of establishment of the Corporation.
3. The scope of assets to be assumed by Japan pursuant to the provision of the immediately preceding Paragraph, and other

matters required for transfer of those assets to Japan shall be prescribed in the Cabinet Order.

4. The fiscal year of DBJ commencing on April 1, 2008 shall end on the day immediately preceding the date of dissolution of DBJ.
5. Settlement of accounts, and preparations, Etc. of list of properties, balance sheets, and profits and loss statements of DBJ for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted, except for the portions relating to Article 38, Paragraph 1 (limited to the portions relating to the Auditor's opinions) and Article 40, Paragraph 1 (limited to the portions relating to the Auditor's opinions) of the Old DBJ Act. For this purpose, the reference to "for each half-year from April to September and from October to March of the following year" and "for each half-year and for each fiscal year" in Article 38, Paragraph 1 of the Old DBJ Act shall be deleted, and references to "within two months after the end of the relevant half-year or three months after the end of the fiscal year" in the said Paragraph shall be changed to read "on or prior to December 31, 2008." Reference to "the settlement of accounts for each fiscal year not later than May 31 of the following fiscal year" in Article 39 of the Old DBJ Act shall be changed to read "the settlement of accounts for the fiscal year commencing on April 1, 2008 not later than November 30, 2008." Reference to "November 30 of the following fiscal year" in Article 4, Paragraph 3 of the Old DBJ Act shall be changed to read "November 30, 2009."
6. Disposition of profits and payment into the national treasury by DBJ under Article 41 of the Old DBJ Act for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted. For this purpose, references to "each fiscal year" and "May 31 of the following fiscal year" in Article 41, Paragraph 3 of the Old DBJ Act shall be changed to read "the fiscal year commencing on April 1, 2008" and "November 30, 2008," respectively.
7. The matters regarding the registration of the dissolution in the case that DBJ is dissolved pursuant to the provision of Paragraph 1, shall be prescribed in the Cabinet Order.

Article 16 Values of Properties Assumed

1. The values of assets and liabilities assumed by the Corporation from DBJ (in the immediately following Paragraph referred to as the "Assumed Properties") shall be as evaluated by evaluation officers (*hyoka iin*).
2. If evaluation officers intend to make evaluations as set forth in the preceding Paragraph, their evaluations shall be made based on the market prices of the Assumed Properties as of the date on which the Corporation is established; provided, however, that if it is deemed inappropriate to use the market prices taking into account the matters of the Assumed Properties such as the kinds and purpose of use, their evaluations may be made not based on the market prices of the Assumed Properties.
3. In addition to those set forth in the preceding two Paragraphs, evaluation officers and other matters necessary for evaluations shall be prescribed in the Cabinet Order.

Article 17 Transitional Measures in Connection with Assumption of Rights and Obligations

1. With respect to the Old Bank Debentures and interest coupons concerning the obligations to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 43, Paragraphs 5 and 6 of the Old DBJ Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.
2. With respect to the old Hokuto bonds (the Hokkaido-Tohoku Development Finance Corporation Bonds issued pursuant to the provision of Article 27, Paragraph 1 of the Hokkaido-Tohoku Development Finance Corporation Act (Act No. 97 of 1956; hereinafter in this Paragraph referred to as the "Old HTDFC Act") before abolishment under Article 17, Item (2) of the Supplementary Provisions of the Old DBJ Act) and interest coupons to be

assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 27, Paragraphs 3 and 4 of the Old HTDFC Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.

3. The guarantee agreements executed by the Government pursuant to the provision of Article 45, Paragraph 1 or 3 of the Old DBJ Act with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the Old Bank Debentures even after the assumption thereof by the Corporation.
4. The guarantee agreements executed by the Government pursuant to the provision of Article 37-3, Paragraph 1 or 2 of the old Japan Development Bank Act (Act No. 108 of 1951; hereinafter in this Paragraph referred to as the "Old JDB Act") before abolishment under Article 17, Item (1) of the Supplementary Provisions of the Old DBJ Act with respect to the obligations concerning the foreign currency-denominated bonds set forth in Article 37-2, Paragraph 1 of the Old JDB Act issued pursuant to the provision of Article 37-2, Paragraph 1 or 2 of the Old JDB Act to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the foreign currency-denominated bonds even after the assumption thereof by the Corporation.
5. The guarantee agreements executed by the Government pursuant to the provision of Article 2, Paragraph 2 or 3 of the Act Concerning Special Measures for Acceptance of Foreign Capitals from the International Bank for Reconstruction and Development and Other Organizations (Act No. 51 of 1953) with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations constituting the Old Bank Debentures even after the assumption thereof by the Corporation, and the public imposts such as taxes on interests on and profits from redemption of the Old Bank Debentures concerning those guarantee agreements shall be the same as in effect under the previous arrangements.

Article 18 Competent Ministers

The competent ministers under Article 26, Paragraph 2 and Article 27, Paragraph 1 for management of assets to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions (hereinafter in this Article referred to as the "Assumed Assets") shall, notwithstanding the provision of Article 29, Paragraph 1, be as follows:

- (1) For management of the Assumed Assets set forth in the Cabinet Order in the Hokkaido or the Tohoku Region (the areas of Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima and Niigata prefectures): Minister of Finance and Minister of Land, Infrastructure and Transport; and
- (2) For management of the Assumed Assets other than the Assumed Assets set forth in the preceding Item: Minister of Finance.

Article 19 Transitional Measures for the Fiscal Year

Notwithstanding the provision of Article 11, the first fiscal year of the Corporation shall commence on the date on which of the Corporation is established and end on March 31, 2009.

Article 20 Transitional Measures for the Basic Policy

1. For the purposes of the basic policy, business plans and redemption plans for the first fiscal year of the Corporation, reference to "prior to the beginning of each fiscal year" in Article 13,

- Paragraph 1, Article 17 and Article 18 shall be changed to read “without delay after the incorporation of the Corporation.”
- For the purposes of the balance sheet, profit and loss statement and business report for the first fiscal year of the Corporation, references to “For each fiscal year” and “the interim business period (the period from April 1 to September 30 of the current year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year” in Article 21 shall be changed to read “For the fiscal year in which the date on which the Corporation is established is included” and “the current fiscal year,” respectively.
 - For the purpose of application of the provision of the preceding Paragraph when the Corporation obtains the approval under Article 9, Paragraph 1, the “Ministry of Finance Ordinance” and “Minister of Finance” in Article 21 which are applied mutatis mutandis after changing to read in the said Paragraph shall be changed to read the “Ministry of Finance Ordinance and the Cabinet Office Ordinance” and the “Minister of Finance and the Prime Minister,” respectively.

Article 21 Special Rules for Operations of Registered Financial Institution

- Within three (3) months of the date set forth in Article 1, Item (3) of the Supplementary Provisions (or, if the registration under Article 33-5, Paragraph 1 of the Financial Instruments and Exchange Act is rejected during such period or if abolition of the operations of the registered financial institution (the operations of registered financial institution set forth in Article 33-5, Paragraph 1, Item (3) of the Financial Instruments and Exchange Act, including the operations referred to in Article 3, Paragraph 1, Item (16) to be conducted pursuant to the provision of Article 33-8, Paragraph 1 of the same Act which is applied after changing to read as set forth in Article 4, Paragraph 1; the same in this Article) is ordered pursuant to the provision of Article 52-2, Paragraph 1 of the Financial Instruments and Exchange Act which is applied after the changing to read as set forth in the immediately following Paragraph, the period up to the date of such rejection or the date of order of such abolition), the Corporation may, notwithstanding the provision of Article 33-2 of the Financial Instruments and Exchange Act which is applied after changing to read as set forth in Article 4, Paragraph 1, conduct the operations of the registered financial institutions. If the Corporation applies for registration under the said Article during such period, the same shall apply until the date of receipt of notice of registration or the date of receipt of notice of no registration after the elapse of such period.
- If the Corporation conducts the operations of registered financial institution pursuant to the provision of the preceding Paragraph, the provisions of the Financial Instruments and Exchange Act (except for Article 33-6; Article 37, Paragraph 1, Item (2); Article 37-3, Paragraph 1, Item (2); Article 50-2, Paragraph 2; Article 52-2, Paragraph 1, Item (2) and Paragraph 3; Article 54; and Article 64, Paragraph 2) shall apply by deeming the Corporation as the registered financial institution (the Registered Financial Institution set forth in Article 2, Paragraph 11 of the Financial Instruments and Exchange Act). For this purpose, reference to “rescind the registration under Article 33-2” in Article 52-2, Paragraph 1 (except for Item (2)) of the Financial Instruments and Exchange Act shall be changed to read “order the abolition of operations of registered financial institution,” reference to “rescind the registration under Article 29 or 33-2 or the authorization under Article 30, Paragraph 1 pursuant to the provision of Article 52, Paragraph 1 or Article 52-2, Paragraph 1” in Article 54-2, Item (1) of the same Act shall be changed to read “order the abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007),” reference to “registration under Article 29 or 33-2 is rescinded

- pursuant to the provision of Article 52, Paragraph 1, Article 52-2, Paragraph 1, Article 53, Paragraph 3 or Article 54” in Article 56, Paragraph 1 of the same Act shall be changed to read the “abolition of operations of the registered financial institution is ordered pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act,” and reference to “rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1” in Article 194-3, Item (3) of the same Act and reference to “rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1 or 3 or Article 54” in Article 194-4, Paragraph 1, Item (5) of the same Act shall be changed to read “order of abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act” and other required technical changes to read shall be prescribed in the Cabinet Order.
- For the purpose of application of the provision of Article 33-5, Paragraph 1, Item (1) of the Financial Instruments and Exchange Act in the event that the Corporation is ordered to abolish the operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 of the same Act which is applied after changing to read as set forth in the immediately preceding Paragraph, the Corporation shall be deemed as the entity whose registration under Article 33-2 of the same Act is rescinded pursuant to the provision of Article 52-2, Paragraph 1 of the same Act, and the date on which such abolition is ordered shall be deemed as the date of rescission of registration under the said Article 33-2 pursuant to the provision of Article 52-2, Paragraph 1 of the same Act.
 - For one year of the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Corporation may, notwithstanding the provision of Article 64, Paragraph 2 of the Financial Instruments and Exchange Act, cause any persons other than those who are registered pursuant to the provision of Paragraph 1 of the said Article to conduct the duties of sales representatives (*qaimu-in*). If the Corporation applies for registration under the said Paragraph during such period, the same shall apply until the date of receipt of notice of registration with respect to such application or the date of receipt of notice of no registration after the elapse of such period with respect to such application.

Article 22 Special Rules for Taxation of the Registration License Tax

- No registration license tax shall be assessed on registration of the incorporation of the Corporation pursuant to the provision of Article 12 of the Supplementary Provisions, and registration or recordation of the Corporation in connection with provisions of properties upon the capital contribution by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.
- With respect to the registration license tax for registration or recordation of origination (*hozen*), creation (*settei*) or transfer (*iten*) of lien (*sakidori token*), pledge (*shichiken*) or mortgage (*teitoken*) to secure the claims concerning business operations set forth in Article 20, Paragraph 1, Item (1) of the Old DBJ Act which shall be assumed by the Corporation from DBJ pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, or registration of transfer of movable properties or transfer of claims, based on the agreements executed by DBJ before the provision of Article 48 of the Supplementary Provisions comes into force, the provision of Schedule III-22 of the Registration Tax Act (Act No. 35 of 1967) before amendment under Article 48 of the Supplementary Provisions shall still remain effective and in force.

Article 23 Special Rules for Taxation of the Corporation Tax

- Capital investment in the Corporation to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions

(hereinafter in this Article referred to as the “Specified In-kind Contribution”) shall be deemed as qualified in-kind contribution set forth in Article 2, Item (12-14) of the Corporation Tax Act (Act No. 34 of 1965), and the Corporation Tax Act and other laws and ordinances relating to the corporation tax shall be applied on such basis.

2. With respect to assets and liabilities of DBJ to be transferred by the Specified In-kind Contribution which shall be subject to the Corporation Tax Act and other laws and ordinances relating to the corporation tax pursuant to the provision of the immediately preceding Paragraph, the value evaluated by evaluation officers pursuant to the provision of Article 16, Paragraph 1 of the Supplementary Provisions shall be deemed as the book value; provided, however, that with respect to allowance for loan losses, the amount purported to be assumed by the Corporation pursuant to the provision of the immediately following Paragraph shall be deemed as the book value, and the book values of the amounts of allowances prescribed by the Cabinet Order such as allowance for retirement payments shall be nil.
3. If it is determined to apply the provisions of Article 52 of the Corporation Tax Act in the fiscal year in which the day prior to the date of the Specified In-kind Contribution of the DBJ is included (in the immediately following Paragraph referred to the “Final Fiscal Year”), the amount up to the upper limit of individual allowance for loan losses set forth in Article 52, Paragraph 1 as calculated in the said Paragraph or the amount up to the amount calculated as prescribed by the Cabinet Order as set forth in Paragraph 2 of the said Article shall, notwithstanding the provisions of Paragraph 7 of the said Article, be assumed by the Corporation. For this purpose with respect to calculation of the amount of income for the fiscal year in which the date of the Specified In-kind Contribution of the Corporation is included, the amount assumed by the Corporation shall be included in the amount of profits.
4. The Corporation shall submit the financial statements of DBJ for the Final Fiscal Year set forth in Article 38, Paragraph 1 of the Old DBJ Act to the director of competent district tax office within three (3) months of the date of the Specified In-kind Contribution.

Article 24 Special Rules for Taxation of Local Taxes

No real estate acquisition tax or vehicle acquisition tax can be imposed on acquisition of real estate or vehicle in connection with capital investment to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.

Article 25 Delegation to the Cabinet Order

In addition to those set forth in Articles 2 to 24 of the Supplementary Provisions, matters necessary for incorporation of the Corporation and dissolution of DBJ, as well as other matters necessary for effectuation of these provisions shall be stipulated in the Cabinet Order.

Article 26 Abolition of the Development Bank of Japan Act

The Development Bank of Japan Act shall be abolished.

Article 27 Transitional Measures for Abolition of the Development Bank of Japan Act

1. Actions such as dispositions and procedures made, taken or done pursuant to the provisions of the Old DBJ Act (except Article 10 thereof) before the provision of the immediately preceding Article becomes effective shall be considered the actions such dispositions and procedures made, taken, or done pursuant to the corresponding provisions of this Act.
2. The provisions of Article 16, Paragraphs 5 and 6 of the Supplementary Provisions of the Old DBJ Act shall still remain effective even after the provisions of the immediately preceding Article takes effect, with respect to the lending of funds by the Corporation to the designated entities under Article 2, Paragraph 5 of the Act Concerning Facilitation of the Improvement, Etc. of

Public Facilities, Etc. by Private Fund (Act No. 117 of 1999). For this purpose, reference to the “Bank” and reference to “, in accordance with the provision of Item (1), Paragraph 1, Article 20 hereof, to provide funds required for businesses deemed under Article 13 of the said Act” in Article 16, Paragraph 5 of the Old DBJ Act shall be changed to read “Development Bank of Japan Inc.” and “to provide funds required for business deemed under Article 13 of the said Act”, respectively. References to “the interest-free loans made by the Bank in accordance with the provisions of the preceding paragraph (excluding interest-free loans using money deposited by the Private Urban Development Promotion Organization provided in Article 3 of the Special Measure Act concerning Promotion of Private Urban Development (Act No. 62 of 1987)” and “to the Bank” in Article 16, Paragraph 6 of the Old DBJ Act shall be changed to read “the interest-free loans made by Development Bank of Japan Inc. in accordance with the provisions of the preceding paragraph” and “to Development Bank of Japan Inc.,” respectively.

3. In addition to those set forth in the preceding two Paragraphs, transitional measures necessary for the abolition of the DBJ Act shall be prescribed by the Cabinet Order.

Article 28 Transitional Measures for Application of Penal Provisions

Penal provisions which were applicable to acts conducted prior to the implementation of the provision of Article 26 of the Supplementary Provisions or acts conducted after the implementation of the provision of the said Article as to which the provisions then in force remain applicable pursuant to the provisions of this Act shall remain applicable even after the implementation of this Act.

Article 66 Examinations

On or prior to the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall examine measures to secure the equal competitive conditions with other business entities, with respect to the systems for which the investment and financing functions of DBJ are utilized pursuant to the provisions of relevant laws (including ordinances under those laws), such as the Act Concerning Collaterals for Borrowings of Electricity Companies from The Development Bank of Japan (Act No. 145 of 1950), the Act Concerning the Securement of Oil Reserves, Etc. (Act No. 96 of 1975), the Act Concerning Promotion of Development and Promotion of Introduction of Alternative Energy to Oil (Act No. 71 of 1980), the Special Measures Act Concerning Promotion of Private Urban Development (Act No. 62 of 1987), the Extraordinary Measures Act Concerning Promotion of Business Activities for Rationalization of Usage of Energy and Effective Use of Resources (Act No. 18 of 1993) and the Act Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund, Etc. (Act No. 117 of 1999), while considering the convenience of users of those systems, and take the required measures based on the results of such examination.

Article 67 Utilization of the Corporation's Investment and Financing Functions for Long-term Business Funds

If the Government utilizes the Corporation's investment and financing functions for long-term business funds on or after the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall take measures necessary to secure the equal competition conditions, as well as other measures necessary for utilization of such investment and financing functions, paying attention to the Corporation's appropriate competitive relationships with other business entities.

Act for Partial Amendment of the Development Bank of Japan Inc. Act

(Act No. 23 of May 20, 2015)

Supplementary Provisions

Article 1 Enforcement Date

This Act shall come into force as from the date of promulgation.

Article 2 Transitional Measures for Crisis Response Reserve

1. Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall, without delay after this Act takes effect, reduce the amount of paid-in capital by the aggregate amount of the following amounts and record such reduced amount as the amount of a crisis response reserve (the crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act after amendment under this Act (hereinafter referred to as the "New Act")); the same shall apply in Article 4, Paragraph 2 of these Supplementary Provisions). For the purpose of application of the provision of Article 2-22, Paragraph 1 of the Supplementary Provisions of the New Act in this case, reference to "the amount" in the said Paragraph shall be changed to read "the amount and the amount by which the amount of paid-in capital has been reduced pursuant to the provision of Article 2, Paragraph 1 of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015)":

- (1) the aggregate amount contributed to the Corporation by the Government with a view to ensuring a proper conduct of Corporation's crisis response operations (the crisis response operations set forth in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007); the same shall apply in Article 4, Paragraph 1 and Article 9, Paragraphs 1 and 3 of these Supplementary Provisions) pursuant to the provision of Article 2-2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act before amendment under this Act (hereinafter referred to as the "Former Act") (including the application thereof under Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)); and
- (2) the aggregate amount of the government bonds which had been redeemed by the Government pursuant to the provision of Article 2-4, Paragraph 2 of the Supplementary Provisions of the Former Act up to the previous day of the implementation date of this Act (hereinafter referred to as the "Implementation Date").

2. For the purpose of application of the provision of Article 447 of the Companies Act (Act No. 86 of 2005) with regard to the reduction in the amount of paid-in capital pursuant to the provision of the preceding Paragraph, reference to "is to be appropriated to reserves" in the said Article, Paragraph 1, Item (2) shall be changed to read "is to be appropriated to reserves or to crisis response reserve under Article 2-22, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (hereinafter referred to as the "crisis response reserve" in this Item)," and reference to "the amount to be appropriated to reserves" in the same Item shall be changed to read "the amount to be appropriated to reserves or crisis response reserve,".

Article 3 Transitional Measures for Return of Government Bonds

Notwithstanding the provision of Article 2-5, Paragraph 1 of the Supplementary Provisions of the New Act applied under the provision of Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake, the return of government bonds delivered in accordance with the provision of Article 2-3, Paragraph 2 of the Supplementary Provisions of the Former Act shall be set forth separately in another law.

Article 4 Transitional Measures for Redemption of Government Bonds and others

1. Notwithstanding the provision of Article 2-4, Paragraph 1 of the Supplementary Provisions of the New Act (including the application thereof under Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake), the Corporation may demand, for an indefinite period, the redemption of government bonds delivered in accordance with the provision of Article 2-3, Paragraph 2 of the Supplementary Provisions of the Former Act up to the amount calculated pursuant to the provisions prescribed by the Minister of Finance Ordinance as the necessary capital according to the increase in the asset pertaining to the crisis response operations (in case of business whose implementation date is on or after April 1, 2015, including the business implemented from April 1, 2015 up to the previous day of such an implementation date).
2. Notwithstanding the provision of Article 2-4, Paragraph 3 of the Supplementary Provisions of the New Act, the Corporation shall record the value redeemed in accordance with the provision of Article 2-4, Paragraph 2 thereof on or after the above implementation date as the amount of the crisis response reserve. In this case, for the application of the provisions of Article 2-22, Paragraph 1 and Article 2-29 of the Supplementary Provisions of the New Act, "Article 2-9 of the Supplementary Provisions" in the above Paragraph shall be interpreted as "the value redeemed in accordance with the provisions of Article 2-4, Paragraph 2 of the Supplementary Provisions, and Article 2-9 of the Supplementary Provisions", and "Article 2-9 of the Supplementary Provisions" in the above Article as "the capital contribution by the redemption of the government bonds in accordance with the provisions of Article 2-4, Paragraph 2 of the Supplementary Provisions, and Article 2-9 of the Supplementary Provisions".
3. For the application of the provision of Article 2-4, Paragraph 5 of the Supplementary Provisions of the New Act when the provision of the preceding paragraph is applied, "each preceding Paragraph" in the Paragraph 5 shall be interpreted as "Paragraph 2 and Article 4, Paragraphs 1 and 2 of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015)".

Article 5 Transitional Measures for Rules Regarding Special Investment Operations and others

1. The Corporation shall, without delay after this Act takes effect, set rules regarding special investment operations provided in Article 2-17, Paragraph 1 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.
2. The Corporation shall, without delay after this Act takes effect, revise the business plan provided in Article 17 of the New Act to comply with the provisions of Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 and Article 2-21, Paragraph 2 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.
3. The Corporation shall, without delay after this Act takes effect, revise the Articles of Incorporation thereof to comply with the provisions of Article 2-11, Paragraph 3 and Article 2-18, Paragraph 3 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.

Article 6 Delegation to Cabinet Order

In addition to the provisions of Article 2 through Article 5 of these Supplementary Provisions, transitional measures necessary for the implementation of this Act shall be set forth in the Cabinet Order.

Article 7 Revision of part of the Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government

The Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government (Act No. 47 of 2006) shall be partly amended as follows. In Article 6, Paragraph 2, “the impact in achieving purposes of the agencies which will take over the business of such institutions and” shall be added after “With respect to capital contributions to The Shoko Chukin Bank, Ltd. and Development Bank of Japan Inc. by the Government, taking into consideration”, and “for five (5) to seven (7) years commencing from April 1, 2015,” shall be changed to read “as promptly as possible”.

Article 8 Adjustment Provisions

1. If the Implementation Date is on or prior to the implementation date of the Act for Partial Revision of the Shoko Chukin Bank Limited Act and the Act for Partial Revision of the Small and Medium-sized Enterprise Credit Insurance Act (Act No. 29 of 2015, referred to as the “Partial Revision Act” in the following Paragraph), for the purpose of application of the provision of Article 6, Paragraph 2 of the Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government after amendment under the immediately preceding Article up to the previous day of the Implementation Date, reference to “The Shoko Chukin Bank, Ltd. and” in the said Paragraph shall be changed to read “With respect to capital contributions to The Shoko Chukin Bank, Ltd. by the Government, the Government shall make efforts to reduce the number of shares held by it in The Shoko Chukin Bank, Ltd., taking into consideration the market situation, and shall dispose all of them for five (5) to seven (7) years commencing from April 1, 2015,” and “such institutions” shall be changed to read “such institution”.
2. If the Implementation Date is after the implementation date of the Partial Revision Act, the provision of the immediately preceding Article shall not apply.

Article 9 Examination of Crisis Response Operations

1. The Government shall, at the appropriate time after this Act takes effect, examine the Corporation’s crisis response operations and the Government’s involvement in the Corporation based thereon, taking into consideration the implementation of systems pertaining to the designated financial institution (designated financial institution as provided in Article 11, Paragraph 2 of the Japan Finance Corporation Act), the Corporation’s implementation of crisis response operations, the change of social and economic affairs and others, and in the prospective of a smooth financial supply to those who need capital to respond to such related damage stipulated in Article 2, Item (4) of the Japan Finance Corporation Act, and whenever the Government deems necessary, the Government shall take the required measures based on the results of such examination.
2. For the examination referenced in the preceding Paragraph, the Government shall listen to the opinions of representatives of ordinary financial institutions and other relevant persons.
3. When, as a result of the examination referenced in the above Paragraph 1, the Government concludes that it does not need to continue measures related to the Government’s obligations to hold shares of the Corporation nor to take other measures necessary to ensure appropriate implementation of crisis response operations of the Corporation, the Government shall promptly take the required measures.

Article 10 Examination of Special Investment Operations

1. The Government shall, at the appropriate time after this Act takes effect, examine the Corporation’s special investment operations and the Government’s involvement in the Corporation based thereon, taking into consideration the investment in financial and private sectors by ordinary financial institutions, the Corporation’s implementation of special investment operations (special investment operations as provided in Article 2-12, Paragraph 2 of the Supplementary Provisions of the New Act, hereinafter in this Paragraph the same), the change of social and economic affairs and others, and in the perspective of further promoting the long-term and other financial supply for the sustainable growth of the Japanese economy, and whenever the Government deems necessary, the Government shall take required measures based on the results of such examination.
2. For the examination referenced in the preceding Paragraph, the Government shall listen to the opinions of representatives of ordinary financial institutions and other relevant persons.

98	Consolidated Financial Statements
142	Non-Consolidated Financial Statements
146	Capital Adequacy Ratio

Consolidated Balance Sheet

Development Bank of Japan Inc. and Consolidated Subsidiaries

As of March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Assets			
Cash and due from banks (Notes 2(c), 11, 14 and 28)	¥ 1,044,104	¥ 461,312	\$ 9,306,571
Money held in trust (Notes 28 and 30)	15,599	17,786	139,045
Securities (Notes 3, 14, 28 and 30)	1,750,342	1,803,087	15,601,591
Loans (Notes 4, 5, 14 and 28)	13,039,526	12,952,567	116,227,169
Other assets (Notes 6, 11 and 14)	178,490	175,076	1,590,964
Tangible fixed assets (Notes 7, 11 and 14)	396,982	368,846	3,538,483
Intangible fixed assets (Notes 11 and 14)	18,717	7,668	166,834
Asset for retirement benefits (Note 23)	1,989	2,458	17,734
Deferred tax assets (Note 24)	362	374	3,235
Customers' liabilities for acceptances and guarantees (Note 13)	181,010	180,124	1,613,427
Allowance for loan losses (Notes 8 and 28)	(56,213)	(61,529)	(501,059)
Allowance for investment losses	(414)	(594)	(3,699)
Total assets	¥16,570,496	¥15,907,180	\$147,700,295
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,016,714	¥ 3,221,870	\$ 26,889,334
Call money and bills sold (Note 28)	13,000	—	115,875
Payables under repurchase agreements (Notes 14 and 28)	55,142	—	491,513
Borrowed money (Notes 10, 11, 14, 28 and 31)	8,472,367	7,892,171	75,518,026
Corporate bonds (Notes 9, 11 and 28)	1,695,141	1,506,038	15,109,562
Other liabilities (Notes 12 and 31)	112,156	181,043	999,698
Accrued bonuses to employees	5,077	4,731	45,259
Accrued bonuses to directors	11	11	105
Liability for retirement benefits (Note 23)	7,973	7,997	71,069
Reserve for directors' retirement benefits	82	63	737
Reserve for contingent losses	40	16	364
Deferred tax liabilities (Note 24)	25,492	28,910	227,224
Acceptances and guarantees (Note 13)	181,010	180,124	1,613,427
Total liabilities	13,584,211	13,022,979	121,082,194
Equity:			
Common stock authorized, 160,000 thousand shares in 2017 and 2016; issued, 43,632 thousand shares in 2017 and 2016 (Note 15)	1,000,424	1,000,424	8,917,230
Crisis response reserve (Note 16)	206,529	206,529	1,840,886
Special investment reserve (Note 17)	230,000	130,000	2,050,094
Special investment surplus (Note 17)	1,813	618	16,166
Capital surplus (Note 15)	945,466	995,466	8,427,367
Retained earnings (Note 15)	513,758	456,591	4,579,359
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	45,017	55,074	401,258
Deferred gain on derivatives under hedge accounting	33,680	34,561	300,212
Foreign currency translation adjustments	(1,271)	429	(11,337)
Accumulated adjustments for retirement benefits (Note 23)	(484)	(83)	(4,323)
Total	2,974,932	2,879,611	26,516,913
Non-controlling interests	11,352	4,588	101,188
Total equity	2,986,284	2,884,200	26,618,101
Total liabilities and equity	¥16,570,496	¥15,907,180	\$147,700,295

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net income	¥ 87,760	¥129,070	\$ 782,251
Other comprehensive loss (Note 26):			
Unrealized loss on available-for-sale securities	(10,580)	(35,774)	(94,312)
Deferred (loss) gain on derivatives under hedge accounting	(1,467)	1,533	(13,084)
Foreign currency translation adjustments	(486)	(592)	(4,332)
Adjustments for retirement benefits	(400)	(62)	(3,565)
Share of other comprehensive (loss) income in affiliates accounted for by the equity method	(104)	4,086	(931)
Total other comprehensive loss	(13,039)	(30,810)	(116,225)
Comprehensive income	¥ 74,721	¥ 98,259	\$ 666,027
Total comprehensive income attributable to:			
Owners of the parent	¥ 74,598	¥ 98,152	\$ 664,926
Non-controlling interests	123	107	1,100

See notes to consolidated financial statements.

Consolidated Statement of Change in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
For the year ended March 31, 2017						
Balance at beginning of year	¥1,000,424	¥206,529	¥130,000	¥ 618	¥995,466	¥456,591
Investment from government			50,000			
Transfer from capital surplus to special investment reserve			50,000		(50,000)	
Cash dividends						(29,277)
Net income attributable to owners of the parent						87,639
Transfer from retained earnings to special investment surplus				1,194		(1,194)
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥230,000	¥1,813	¥945,466	¥513,758

	Millions of Yen						
	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits			
For the year ended March 31, 2017							
Balance at beginning of year	¥ 55,074	¥34,561	¥ 429	¥ (83)	¥2,879,611	¥ 4,588	¥2,884,200
Investment from government					50,000		50,000
Transfer from capital surplus to special investment reserve							—
Cash dividends					(29,277)		(29,277)
Net income attributable to owners of the parent					87,639		87,639
Transfer from retained earnings to special investment surplus							—
Net change during the year	(10,057)	(880)	(1,701)	(401)	(13,041)	6,763	(6,277)
Balance at end of year	¥ 45,017	¥33,680	¥(1,271)	¥(484)	¥2,974,932	¥11,352	¥2,986,284

	Millions of Yen					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
For the year ended March 31, 2016						
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
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits			
For the year ended March 31, 2016							
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

For the year ended March 31, 2017	Thousands of U.S. Dollars (Note 1)					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	\$8,917,230	\$1,840,886	\$1,158,749	\$ 5,515	\$8,873,040	\$4,069,804
Investment from government			445,673			
Transfer from capital surplus to special investment reserve			445,673		(445,673)	
Cash dividends						(260,962)
Net income attributable to owners of the parent						781,168
Transfer from retained earnings to special investment surplus				10,651		(10,651)
Net change during the year						
Balance at end of year	\$8,917,230	\$1,840,886	\$2,050,094	\$16,166	\$8,427,367	\$4,579,359

For the year ended March 31, 2017	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
	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	\$490,906	\$308,061	\$ 3,829	\$ (744)	\$25,667,276	\$ 40,900	\$25,708,176
Investment from government					445,673		445,673
Transfer from capital surplus to special investment reserve							—
Cash dividends					(260,962)		(260,962)
Net income attributable to owners of the parent					781,168		781,168
Transfer from retained earnings to special investment surplus							—
Net change during the year	(89,648)	(7,849)	(15,166)	(3,579)	(116,241)	60,288	(55,953)
Balance at end of year	\$401,258	\$300,212	\$(11,337)	\$(4,323)	\$26,516,913	\$101,188	\$26,618,101

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		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes	¥ 122,437	¥ 186,733	\$ 1,091,344
Adjustments for:			
Depreciation	6,761	5,245	60,268
Amortization of goodwill	442	107	3,945
Gain on bargain purchase	(9)	(4,000)	(87)
Loss on step acquisitions	—	2,047	—
Losses on impairment of long-lived assets	11	347	103
Equity in earnings of affiliates	(4,061)	(6,140)	(36,204)
Interest income	(190,060)	(215,315)	(1,694,098)
Interest expense	98,073	106,932	874,177
Gain on securities—net	(42,447)	(72,107)	(378,357)
Gain on money held in trust—net	(385)	(251)	(3,434)
Foreign exchange losses	10,569	41,524	94,210
Loss on sales of fixed assets—net	91	28	817
Changes in operating assets and liabilities:			
Allowance for loan losses	(5,315)	(23,188)	(47,378)
Allowance for investment losses	(179)	69	(1,603)
Accrued bonuses to employees	312	74	2,781
Accrued bonuses to directors	—	0	—
Asset for retirement benefits	468	50	4,178
Liability for retirement benefits	(50)	37	(451)
Reserve for contingent losses	24	3	220
Loans	(86,852)	308,775	(774,155)
Debentures	(205,156)	1,664	(1,828,649)
Borrowed money	570,274	(718,579)	5,083,112
Corporate bonds	189,103	156,686	1,685,566
Due from banks (excluding cash equivalents)	(16,100)	40,100	(143,507)
Call loans and bills bought	—	335,000	—
Receivables under resale agreements	—	5,299	—
Call money and bills sold	13,000	—	115,875
Payables under repurchase agreements	55,142	—	491,513
Interest received	196,692	233,286	1,753,211
Interest paid	(98,528)	(108,335)	(878,233)
Other—net	(57,596)	(73,119)	(513,384)
Sub-total	556,662	202,978	4,961,781
Payments for income taxes	(53,338)	(63,023)	(475,429)
Net cash provided by operating activities	503,323	139,954	4,486,351
Cash flows from investing activities:			
Payments for purchases of securities	(323,917)	(458,912)	(2,887,219)
Proceeds from sales of securities	121,329	183,113	1,081,465
Proceeds from redemption of securities	271,044	328,233	2,415,942
Payments for increase of money held in trust	(6,210)	(85,110)	(55,353)
Proceeds from decrease of money held in trust	8,560	123,065	76,301
Payments for purchases of tangible fixed assets	(22,781)	(87,124)	(203,062)
Proceeds from sales of tangible fixed assets, etc.	14,614	945	130,265
Payments for purchases of intangible fixed assets	(5,011)	(3,805)	(44,668)
Proceeds from sales of intangible fixed assets	1	—	10
Payments for merger of subsidiaries	(21,253)	—	(189,441)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	39	1,660	353
Net cash provided by investing activities	36,416	2,065	324,593
Cash flows from financing activities:			
Proceeds from investment from government	50,000	65,000	445,673
Payments for cash dividends	(29,277)	(22,514)	(260,962)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	6,810	296	60,702
Dividends paid to non-controlling shareholders of subsidiaries	(416)	(216)	(3,708)
Net cash provided by financing activities	27,116	42,565	241,704
Foreign currency translation adjustments on cash and cash equivalents	(164)	(316)	(1,470)
Net change in cash and cash equivalents	566,691	184,269	5,051,179
Cash and cash equivalents at beginning of year	423,032	239,272	3,770,679
Decrease in cash and cash equivalents due to exclusion from consolidation	—	(509)	—
Cash and cash equivalents at end of year (Note 2(c))	¥ 989,724	¥ 423,032	\$ 8,821,857

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112.19=\$1.00, the effective exchange rate prevailing as of March 31, 2017, 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 (silent partnership) and other entities with similar characteristics.

(i) Consolidated Subsidiaries

The number of consolidated subsidiaries as of March 31, 2017 is 27. The major consolidated subsidiaries as of March 31, 2017 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.
- Consist Inc.

In the year ended March 31, 2017, Tokumei Kumiai with the proprietor of Japan Wind Development Joint Fund KK and other three companies and Consist Inc. were newly consolidated due to capital investment and acquisition of shares, respectively. UDS Corporate Mezzanine Limited Partners and two other companies were excluded from the scope of consolidation due to liquidation in the year ended March 31, 2017.

(ii) Unconsolidated Subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2017 is 40. The major unconsolidated subsidiary as of March 31, 2017 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.

- (iii) Companies not classified as subsidiaries where DBJ Inc. holds the majority of voting rights
 SHINX Ltd.
 Kinugawa Rubber Industrial Co., Ltd.

These companies were not treated as subsidiaries because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

(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, 2017 was 40. 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, 2017 was 26. One of the major affiliates accounted for by the equity method as of March 31, 2017 was AIRDO Co., Ltd.

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

Gordon Brothers Japan Co., Ltd. and another company were newly accounted for by the equity method due to an increase in their materiality from the year ended March 31, 2017. Mezzanine Solution I Limited Partnership was excluded from the scope of equity method accounting due to liquidation from the year ended March 31, 2017.

- (iii) Affiliates not accounted for by the equity method
 The number of affiliates not accounted for by the equity method as of March 31, 2017 was 99. One of the major affiliates as of March 31, 2017 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, because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

As of March 31, 2017

Shinwa Seiko Corporation
 Socionext Inc.
 Minebea Intec GmbH
 SII Semiconductor Corporation
 KANTO-UNYU Co., Ltd.
 Daisho-gun Co., Ltd.
 PT. PETROTEKNO
 Izumi Products Company

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries	
	2017	
December 31	19	
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 (bargain purchase) is recognized as income immediately as incurred.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. 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. 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. 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 non-controlling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statement of cash flows are included in cash 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
	2017	2016	2017
Cash and due from banks	¥1,044,104	¥461,312	\$9,306,571
Time deposits with banks	(54,380)	(38,280)	(484,713)
Cash and cash equivalents	¥ 989,724	¥423,032	\$8,821,857

(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 are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or losses by applying fair value hedge accounting. The cost of these securities upon sale 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.

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 portfolio hedges to hedge foreign currency fluctuations associated with equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than bonds). The translation differences on hedging instruments are included in foreign currency translation adjustments in the case of equity investments in overseas subsidiaries and affiliates; fair value hedges are applied to foreign currency denominated available-for-sale securities (other than 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 Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments : Forward liability denominated in foreign currency
Hedged Items : Foreign currency denominated equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than 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 group 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 equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than 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) and installed facilities and structures acquired on or after April 1, 2016 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 over 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 Bonds Issuance Costs

"Debenture and Corporate Bonds 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. Income 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 ¥22,138 million (\$197,327 thousand) and ¥22,791 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016.

(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. Actuarial gains and losses and service costs that are yet to be recognized in profit or loss are recognized with in equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over ten years no longer than the expected average remaining service period of the employees.

(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) Lease Transactions

Finance Lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

(r) Consumption Taxes

Income and expenses subject to consumption taxes are presented net of related consumption taxes paid or received.

(s) 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 rates to the temporary differences.

(t) 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.

(u) 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, 2017 and 2016 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.

(v) Accounting Change

Pursuant to an amendment to the Corporate Tax Act, DBJ Inc. adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for installed facilities and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

There was no material impact from this for the year ended March 31, 2017.

(w) Additional Information

DBJ Inc. applied ASBJ Guidance No. 26 "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016.

3. Securities

Securities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Japanese government bonds	¥ 193,190	¥ 227,655	\$ 1,721,997
Corporate bonds	648,077	639,421	5,776,604
Equities	381,715	412,370	3,402,400
Other securities	527,359	523,639	4,700,590
Total	¥1,750,342	¥1,803,087	\$15,601,591

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2017 and 2016, are ¥37,716 million (\$336,184 thousand) and ¥33,638 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2017 and 2016, are ¥105,525 million (\$940,600 thousand) and ¥80,835 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 ¥6,982 million (\$62,234 thousand) and ¥3,032 million as of March 31, 2017 and 2016, respectively.

*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥25,000 million (\$222,836 thousand) as of March 31, 2017.

*4. Securities available-for-sale (excluding those securities whose fair value cannot be reliably determined), whose fair value significantly declined compared with the acquisition cost, and is considered to be other than recoverable decline, were written down to the respective fair value which is recorded as the carrying amount on the consolidated balance sheets.

The criterion for determining whether the fair value is "significantly declined" are as follows:

Fair value declined by 50% or more of the acquisition cost.

Fair value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Equities	¥—	¥—	\$ —
Bonds	65	—	579
Other	—	14	—
Total	¥65	¥14	\$579

4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loans to bankrupt debtors	¥ —	¥ 786	\$ —
Delinquent loans	46,035	53,893	410,338
Loans past due three months or more	—	—	—
Restructured loans	24,860	27,792	221,594
Total	¥70,896	¥82,472	\$631,933

*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, 2017 and 2016, the amounts of unused commitments are ¥662,751 million (\$5,907,404 thousand) and ¥841,229 million, respectively. As of March 31, 2017 and 2016, the amounts of unused commitments with remaining contract term within one year are ¥385,266 million (\$3,434,055 thousand) and ¥394,333 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 liens on customers' 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, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prepaid expenses	¥ 3,771	¥ 3,986	\$ 33,618
Accrued income	26,967	29,925	240,375
Derivatives	55,077	67,987	490,929
Other	92,673	73,177	826,042
Total	¥178,490	¥175,076	\$1,590,964

7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Buildings	¥ 18,513	¥ 19,221	\$ 165,020
Land	91,252	91,578	813,374
Leased assets	188	4	1,683
Construction in progress	5,094	4,491	45,409
Other	281,933	253,550	2,512,996
Total	¥396,982	¥368,846	\$3,538,483

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2017 and 2016, is ¥17,455 million (\$155,589 thousand) and ¥13,406 million, respectively.

8. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2017 and 2016 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
General allowance for loan losses	¥36,657	¥38,493	\$326,745
Specific allowance for loan losses	19,556	23,035	174,314
Total	¥56,213	¥61,529	\$501,059

9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2017 and 2016 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen		Thousands of U.S. Dollars
				2017	2016	2017
(Issuer: DBJ Inc.)						
Debentures						
Japanese government-guaranteed bonds 12–23*1,7	Jun. 2006– Aug. 2008	1.6– 2.2	Aug. 2016– Jun. 2023	¥ 359,988 [99,997]	¥ 459,953	\$ 3,208,738 [891,323]
Japanese government-guaranteed bonds 1–39	Nov. 2008– Mar. 2017	0.001– 2.1	Jul. 2016– Mar. 2027	1,319,698 [79,997]	1,199,121	11,763,063 [713,052]
Japanese government-guaranteed foreign bond 67*2,7	Sep. 1998	1.81	Sep. 2028	25,046	25,050	223,251
Japanese government-guaranteed foreign bonds 5–7, 10–14*1,7	Dec. 2002– Nov. 2007	1.05– 5.125	Feb. 2017– Nov. 2027	369,020	552,700	3,289,243
Japanese government-guaranteed Euro MTN bonds 4–14*3	Oct. 2011– Sep. 2016	1.0– 2.875	Oct. 2016– Sep. 2026	716,004 [88,716]	693,100	6,382,072 [790,766]
FILP agency domestic bonds 11,20,27,29–31,33–36, 39,41,42,44,46,49,51*4,7	Dec. 2003– Jul. 2008	1.63– 2.74	Sep. 2016– Mar. 2047	224,956 [79,996]	289,944	2,005,140 [713,046]
Euro MTN FILP agency bond 2*4,5,7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	17,827
Corporate bonds						
Corporate bonds through public placement 5,13,16,17,19, 21,23,25,26,28,30,31,33–75	Apr. 2009– Jan. 2017	0.001– 1.745	Jun. 2016– Jan. 2031	1,144,400 [295,600]	1,165,000	10,200,556 [2,634,816]
Corporate bonds through private placement 3–25,27–37,39–48	Feb. 2015– Mar. 2017	0.00086– 0.725	May 2019– Feb. 2037	207,000	61,000	1,845,084
Corporate bonds Euro MTN 24–32,34,36,37,39,40,42,43, 45–65*6	May 2011– Feb. 2017	0.0– 3.64	May 2016– Feb. 2027	338,991 [84,847]	275,288	3,021,583 [756,288]
(Issuer: Green Asset Investment TMK)						
Specified corporate bonds 1*8	Dec. 2012	5.53	May 2018	4,500	4,500	40,111
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bonds 4*8	Sep. 2014	0.12727	Sep. 2019	250	250	2,228
Total				¥4,711,856	¥4,727,908	\$41,998,897

*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. This bond is a FILP bond 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. These bonds are non-recourse debts.

*9. 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, 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Debentures/ corporate bonds	Non-recourse corporate bonds	Debentures/ corporate bonds	Non-recourse corporate bonds
The fiscal year ending March 31, 2018	¥729,155	¥ —	\$6,499,291	\$ —
2019	654,017	4,500	5,829,552	40,111
2020	611,213	250	5,448,023	2,228
2021	333,475	—	2,972,414	—
2022	539,392	—	4,807,848	—

10. Borrowed Money

Borrowed money as of March 31, 2017 and 2016 is as follows:

	Average interest rate (%)	Due date of repayment	Millions of Yen		Thousands of U.S. Dollars
			2017	2016	2017
Borrowings	0.64	May 2017–Feb. 2037	¥8,383,916	¥7,840,720	\$74,729,620
Non-recourse borrowings	0.56	May 2018–Sep. 2024	88,451	51,451	788,406
Total	0.64		¥8,472,367	¥7,892,171	\$75,518,026

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Borrowings	Non-recourse borrowings	Borrowings	Non-recourse borrowings
The fiscal year ending March 31, 2018	¥1,267,375	¥24,329	\$11,296,692	\$216,864
2019	1,106,668	41,474	9,864,239	369,685
2020	964,618	12,186	8,598,078	108,622
2021	898,625	180	8,009,858	1,604
2022	1,068,472	180	9,523,774	1,604

11. Non-Recourse Debts

Non-recourse debts in consolidated special purpose companies as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-recourse debts:			
Borrowed money	¥ 88,451	¥51,451	\$ 788,406
Corporate bonds	4,750	4,750	42,339
Assets corresponding to non-recourse debts:			
Cash and due from banks	3,851	4,689	34,332
Other assets	682	—	6,079
Tangible fixed assets	115,813	73,518	1,032,297
Intangible fixed assets	97	—	866

12. Other Liabilities

Other liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Accrued expenses	¥ 21,675	¥ 21,914	\$193,204
Unearned income	1,143	1,036	10,193
Accrued income taxes	5,490	27,496	48,939
Derivatives	23,555	44,799	209,963
Lease obligations	37	5	332
Asset retirement obligations	2,630	1,469	23,443
Other	57,623	84,322	513,624
Total	¥112,156	¥181,043	\$999,698

13. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Guarantees	¥181,010	¥180,124	\$1,613,427

14. Assets Pledged as Collateral

Cash and due from banks of ¥3,851 million (\$34,332 thousand), securities of ¥54,573 million (\$486,437 thousand), other assets of ¥682 million (\$6,079 thousand), tangible fixed assets of ¥115,813 million (\$1,032,297 thousand) and intangible fixed assets of ¥97 million (\$866 thousand) are pledged as collateral for payables under repurchase agreements of ¥55,142 million (\$491,513 thousand) and borrowed money of ¥88,451 million (\$788,406 thousand) as of March 31, 2017.

Cash and due from banks of ¥4,689 million and tangible fixed assets of ¥73,518 million are pledged as collateral for borrowed money of ¥51,451 million as of March 31, 2016.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥80,529 million (\$717,792 thousand) and ¥342,883 million (\$3,056,272 thousand), respectively, as of March 31, 2017, 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, 2017. On behalf of the investees who borrow from third parties, ¥34,425 million (\$306,846 thousand) of securities are deposited as security as of March 31, 2017. Additionally, ¥937 million (\$8,357 thousand) of margin deposits for futures transactions, ¥25,197 million (\$224,599 thousand) of cash collateral paid for financial instruments, etc., ¥28,502 million (\$254,052 thousand) of margin deposits with the central clearing house and ¥69 million (\$616 thousand) of guarantee deposits are included in other assets as of March 31, 2017. 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 ¥981,289 million (\$8,746,671 thousand) as of March 31, 2017.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥115,563 million and ¥461,856 million, respectively, as of March 31, 2016, which are deposited as replacement of margin money for future trading 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 of securities are deposited as security as of March 31, 2016. Additionally, ¥937 million of margin deposits for futures transactions, ¥12,936 million of cash collateral paid for financial instruments, etc. ¥21,662 million of margin deposits with the central clearing house and ¥73 million 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 Inc. 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 as of March 31, 2016.

15. 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.

16. 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 DBJ Inc. determined that a 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.

17. 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.

18. Per Share Information

Basic net income per common share ("EPS") for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Year ended March 31, 2017				
Basic EPS				
Net income attributable to owners of the parent	¥ 87,639			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	597			
Net income attributable to owners of the parent relating to common stock	¥ 87,041	43,632	¥1,994.88	\$17.78
Year ended March 31, 2016				
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	

Note: Diluted net income per share for the years ended March 31, 2017 and 2016 is not disclosed because there are no dilutive securities.

19. Other Operating Income

Other operating income for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Foreign exchange gains	¥5,236	¥ —	\$46,675
Gains on sales of bonds	257	3,519	2,293
Gains on derivatives	—	5,107	—
Other	833	899	7,429
Total	¥6,327	¥9,526	\$56,397

20. Other Income

Other income for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Reversal of allowance for loan losses	¥ 2,904	¥ 17,488	\$ 25,886
Gains on sales of equities and other securities	25,656	46,163	228,685
Gains on money held in trust	413	261	3,686
Equity in earnings of affiliates	4,061	6,140	36,204
Gains on sales of fixed assets	176	70	1,577
Collection of written-off claims	1,743	8,274	15,539
Gains on investments in limited partnerships and other similar partnerships	21,410	34,057	190,838
Gain on bargain purchase	9	4,000	87
Rental income on land and buildings	8,793	5,126	78,378
Other	10,500	4,926	93,594
Total	¥75,669	¥126,509	\$674,473

21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Losses on sales of bonds	¥ —	¥2,616	\$ —
Foreign exchange losses	—	3,219	—
Write-off of bonds	65	—	579
Debenture issuance costs	709	867	6,325
Corporate bonds issuance costs	935	769	8,334
Losses on derivatives	1,639	—	14,611
Other	9	5	88
Total	¥3,358	¥7,479	\$29,937

22. Other Expenses

Other expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Write-off of loans	¥ 12	¥ 1,198	\$ 107
Losses on sales of equities and other securities	122	1	1,093
Write-off of equities	2,080	1,925	18,545
Losses on money held in trust	28	10	252
Losses on sales of fixed assets	268	99	2,394
Impairment losses	11	347	103
Losses on investments in limited partnerships and other similar partnerships	4,153	7,588	37,021
Losses on step acquisitions	—	2,047	—
Depreciation	3,023	1,368	26,946
Other	391	104	3,487
Total	¥10,091	¥14,692	\$89,948

23. 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, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥33,413	¥32,243	\$297,829
Service cost	1,576	1,518	14,056
Interest cost	364	351	3,248
Actuarial losses	568	873	5,069
Benefits paid	(1,811)	(1,574)	(16,149)
Balance at end of year	¥34,111	¥33,413	\$304,053

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥27,874	¥26,792	\$248,460
Expected return on plan assets	139	133	1,242
Actuarial gains	(130)	679	(1,165)
Contributions from the employer	1,026	961	9,147
Benefits paid	(781)	(692)	(6,966)
Balance at end of year	¥28,128	¥27,874	\$250,718

- (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, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 26,138	¥ 25,416	\$ 232,984
Plan assets	(28,128)	(27,874)	(250,718)
	(1,989)	(2,458)	(17,734)
Unfunded retirement benefit obligations	7,973	7,997	71,069
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,983	¥ 5,538	\$ 53,335
Liability for retirement benefits	¥ 7,973	¥ 7,997	\$ 71,069
Asset for retirement benefits	(1,989)	(2,458)	(17,734)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,983	¥ 5,538	\$ 53,335

- (4) The components of net periodic retirement benefit costs for the years ended March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥1,576	¥1,518	\$14,056
Interest cost	364	351	3,248
Expected return on plan assets	(139)	(133)	(1,242)
Amortization of net actuarial losses	110	91	987
Amortization of prior service cost	12	12	113
Net periodic retirement benefit costs	¥1,925	¥1,840	\$17,162

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2017 and 2016, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥ 12	¥ 12	\$ 113
Actuarial gains (losses)	(588)	(102)	(5,247)
Total	¥(575)	¥ (90)	\$(5,134)

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2017 and 2016, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ (44)	¥ (57)	\$ (396)
Unrecognized actuarial gains (losses)	(646)	(57)	(5,761)
Total	¥(690)	¥(114)	\$(6,157)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debentures	86%	86%
Equity	12%	11%
Others	2%	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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	1.1%	1.1%
Expected salary increase rate	1.7%–5.3%	1.8%–5.3%
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, 2017 and 2016 are ¥220 million (\$1,965 thousand) and ¥218 million, respectively.

24. 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 30.86% and 32.34% for the years ended March 31, 2017 and 2016, respectively.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the year ended March 31, 2017 is as follows:

	2017
Normal effective statutory tax rate	30.86%
Increase (decrease) in taxes resulting from:	
Change in valuation allowance	(1.87)%
Equity in earnings of affiliates	(1.02)%
Other	0.35%
Actual effective tax rate	28.32%

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.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for loan losses	¥ 21,300	¥ 22,190	\$ 189,862
Losses from revaluation of securities	11,845	12,504	105,582
Excess of fair value over assets of consolidated subsidiaries	4,538	5,439	40,454
Liability for retirement benefits	1,985	2,034	17,695
Tax loss carryforwards	5,037	4,967	44,899
Other	9,381	11,527	83,621
Sub-total	54,088	58,664	482,112
Less-valuation allowance	(44,798)	(47,050)	(399,309)
Total	9,289	11,613	82,802
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(17,491)	(21,767)	(155,912)
Deferred gain on derivatives under hedge accounting	(14,783)	(15,519)	(131,771)
Other	(2,143)	(2,861)	(19,109)
Total	(34,418)	(40,149)	(306,791)
Net deferred tax assets (liabilities)	¥(25,129)	¥(28,536)	\$(223,989)

25. Lease Transactions

(a) Finance Leases

Information about finance leases is omitted since there is no materiality.

(b) Operating Leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within 1 year	¥1,472	¥ 421	\$13,123
Due after 1 year	3,959	581	35,297
Total	¥5,432	¥1,003	\$48,420

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within 1 year	¥ 3,394	¥ 5,213	\$30,252
Due after 1 year	7,375	11,097	65,739
Total	¥10,769	¥16,310	\$95,991

26. Other Comprehensive Loss

The components of other comprehensive loss for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized loss on available-for-sale securities:			
(Loss) gain arising during the year	¥ (3,890)	¥ 363	\$ (34,678)
Reclassification adjustments to profit or loss	(11,177)	(54,885)	(99,628)
Amount before income tax effect	(15,067)	(54,521)	(134,305)
Income tax effect	4,486	18,746	39,993
Total	(10,580)	(35,774)	(94,312)
Deferred (loss) gain on derivatives under hedge accounting:			
Gain arising during the year	6,465	7,618	57,630
Reclassification adjustments to profit or loss	(8,755)	(6,184)	(78,045)
Amount before income tax effect	(2,290)	1,433	(20,415)
Income tax effect	822	99	7,331
Total	(1,467)	1,533	(13,084)
Foreign currency translation adjustments:			
Adjustments arising during the year	(486)	(592)	(4,332)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(486)	(592)	(4,332)
Income tax effect	—	—	—
Total	(486)	(592)	(4,332)
Adjustments for retirement benefits:			
Adjustments arising during the year	(699)	(194)	(6,234)
Reclassification adjustments to profit or loss	123	104	1,100
Amount before income tax effect	(575)	(90)	(5,134)
Income tax effect	175	27	1,568
Total	(400)	(62)	(3,565)
Share of other comprehensive (loss) income in affiliates:			
(Loss) gain arising during the year	(341)	3,760	(3,048)
Reclassification adjustments to profit or loss	237	325	2,117
Amount before income tax effect	(104)	4,086	(931)
Income tax effect	—	—	—
Total	(104)	4,086	(931)
Total other comprehensive loss	¥(13,039)	¥(30,810)	\$(116,225)

27. 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, 2017 and 2016 is following:

Year ended March 31, 2017	Millions of Yen			
	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥167,254	¥68,077	¥50,144	¥285,476

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

Year ended March 31, 2017	Thousands of U.S. Dollars			
	Loan business	Securities investment	Other	Total
Ordinary income from external customers	\$1,490,810	\$606,809	\$446,959	\$2,544,578

28. 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, real estate, rental and leasing, manufacturing and others as of March 31, 2017. 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 setting a limit after continually monitoring the cost of restructuring its transactions and the creditworthiness of each counterparty and also manages risk by utilizing central clearance organization and through receipt/payment of margin money based on Credit Support Annex (CSA) between counterparties.

(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 part of asset/liability management, interest-rate swaps are used to avoid or 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 for the purposes other than trading.

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, 2017 and 2016 was ¥17,511 million (\$156,090 thousand) and ¥26,360 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, 2017 and 2016.

Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2017		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 1,044,104	¥ 1,044,104	¥ —
Securities			
Held-to-maturity debt securities	694,354	708,226	13,871
Available-for-sale securities	460,222	460,222	—
Investments in affiliates	1,055	6,778	5,723
Loans	13,039,526		
Allowance for loan losses*1	(53,451)		
	12,986,074	13,522,246	536,172
Total assets	¥15,185,811	¥15,741,578	¥555,767
Debentures	3,016,714	3,143,805	127,090
Call money and bills sold	13,000	13,000	—
Payables under repurchase agreements	55,142	55,142	—
Borrowed money	8,393,367	8,484,914	91,546
Corporate bonds	1,695,141	1,697,995	2,853
Total liabilities	¥13,173,366	¥13,394,858	¥221,491
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	32,475	32,475	—
Derivative transactions qualifying for hedge accounting	(953)	(953)	—
Total derivative transactions	¥ 31,521	¥ 31,521	¥ —

	Millions of Yen		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 461,312	¥ 461,314	¥ 2
Securities			
Held-to-maturity debt securities	804,050	821,180	17,130
Available-for-sale securities	419,648	419,648	—
Investments in affiliates	—	—	—
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
Call money and bills sold	—	—	—
Payables under repurchase agreements	—	—	—
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	¥ —
	Thousands of U.S. Dollars		
	2017		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$ 9,306,571	\$ 9,306,571	\$ —
Securities			
Held-to-maturity debt securities	6,189,097	6,312,741	123,643
Available-for-sale securities	4,102,171	4,102,171	—
Investments in affiliates	9,407	60,422	51,016
Loans	116,227,169		
Allowance for loan losses*1	(476,440)		
	115,750,729	120,529,876	4,779,147
Total assets	\$135,357,974	\$140,311,780	\$4,953,806
Debentures	26,889,334	28,022,152	1,132,817
Call money and bills sold	115,875	115,875	—
Payables under repurchase agreements	491,513	491,513	—
Borrowed money	74,813,864	75,629,863	815,999
Corporate bonds	15,109,562	15,135,000	25,437
Total liabilities	\$117,420,148	\$119,394,402	\$1,974,254
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	289,466	289,466	—
Derivative transactions qualifying for hedge accounting	(8,499)	(8,499)	—
Total derivative transactions	\$ 280,967	\$ 280,967	\$ —

*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 such carrying amount approximates the fair value. For deposits with maturity, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(ii) 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.

(iii) 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 such carrying amount approximates the fair value. 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 a reasonable estimate of the fair value of those loans.

Liabilities

(i) Debentures

For floating rate debentures issued by DBJ Inc., the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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) Call money and bills sold and (iii) Payables under 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 such carrying amount approximates the fair value.

(iv) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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.

(v) Corporate bonds

For floating rate corporate bonds issued by DBJ Inc., the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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, 2017 and 2016:

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
	2017	2016	2017
Money held in trust*1	¥ 15,599	¥ 17,786	\$ 139,045
Unlisted equities*2,3	298,396	330,616	2,659,746
Investments in limited partnerships and other similar partnerships*1	218,510	190,641	1,947,683
Unlisted other securities*2,3	111,325	90,821	992,291
Industrial investment borrowed money (Special Account for FILP)*4	79,000	79,000	704,163
Total	¥722,832	¥708,864	\$6,442,927

*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, 2017 and 2016 was ¥2,080 million (\$18,545 thousand) and ¥1,910 million, respectively, which consist of unlisted equities of ¥808 million (\$7,206 thousand) and ¥561 million and unlisted other securities of ¥1,272 million (\$11,340 thousand) and ¥1,348 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 are as follows:

	Millions of Yen					
	2017					
	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	¥1,044,098	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Held-to-maturity debt securities with market values						
Japanese government bonds	125,071	243,240	170,635	63,804	74,859	16,742
Japanese local government bonds	45,101	40,153	10,209	10,034	15,170	15,042
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	26,906	117,095	104,671	29,474	53,700	1,700
Other	53,064	85,991	55,755	24,295	5,989	—
Available-for-sale securities with contractual maturities						
Japanese government bonds	10,660	69,508	107,127	41,858	54,896	91,402
Japanese local government bonds	—	—	31,668	5,230	18,589	1,991
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	10,660	69,508	75,459	36,627	32,862	89,410
Other	—	—	—	—	3,445	—
Loans*1	2,366,164	3,536,702	2,864,175	1,643,378	1,822,873	760,196
Total	¥3,545,995	¥3,849,451	¥3,141,938	¥1,749,040	¥1,952,630	¥868,341
	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	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Held-to-maturity debt securities with market values						
Japanese government bonds	187,914	230,709	215,835	81,226	56,535	31,829
Japanese local government bonds	35,193	65,568	20,090	15,247	15,150	20,129
Short-term corporate 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						
Japanese government bonds	24,358	36,589	113,368	78,171	38,702	44,088
Japanese local government bonds	—	—	5,372	26,784	24,119	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	24,358	36,589	107,996	51,387	11,128	44,088
Other	—	—	—	—	3,454	—
Loans*2	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

	Thousands of U.S. Dollars					
	2017					
	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	\$ 9,306,521	\$ —	\$ —	\$ —	\$ —	\$ —
Securities						
Held-to-maturity debt securities with market values	1,114,822	2,168,112	1,520,953	568,717	667,257	149,236
Japanese government bonds	402,007	357,909	90,999	89,441	135,218	134,083
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	239,825	1,043,724	932,984	262,722	478,652	15,153
Other	472,990	766,479	496,970	216,554	53,387	—
Available-for-sale securities with contractual maturities	95,019	619,564	954,880	373,102	489,320	814,710
Japanese government bonds	—	—	282,276	46,622	165,693	17,750
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	95,019	619,564	672,604	326,480	292,915	796,959
Other	—	—	—	—	30,711	—
Loans*1	21,090,691	31,524,219	25,529,685	14,648,168	16,248,095	6,775,973
Total	\$31,607,053	\$34,311,896	\$28,005,517	\$15,589,988	\$17,404,672	\$7,739,918

*1. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥46,035 million (\$410,338 thousand) are not included as of March 31, 2017.

*2. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥54,680 million are not included as of March 31, 2016.

(4) Maturity analysis for Debentures, Borrowed money and Other Interest-Bearing Liability as of March 31, 2017 and 2016 are as follows:

	Millions of Yen					
	2017					
	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
Call money and bills sold	¥ 13,000	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowed money	1,291,705	2,124,948	1,967,458	1,010,326	962,438	1,115,489
Debentures and Corporate bonds	729,155	1,269,981	872,867	674,010	908,545	257,296
Total	¥2,033,861	¥3,394,929	¥2,840,325	¥1,684,337	¥1,870,983	¥1,372,785

	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
Call money and bills sold	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
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

	Thousands of U.S. Dollars					
	2017					
	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
Call money and bills sold	\$ 115,875	\$ —	\$ —	\$ —	\$ —	\$ —
Borrowed money	11,513,556	18,940,623	17,536,841	9,005,499	8,578,647	9,942,860
Debentures and Corporate bonds	6,499,291	11,319,914	7,780,262	6,007,761	8,098,273	2,293,396
Total	\$18,128,721	\$30,260,537	\$25,317,103	\$15,013,260	\$16,676,920	\$12,236,257

	Thousands of U.S. Dollars			
	2017			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Swaps	\$ —	\$—	\$ —	\$ —
Forwards				
Sold	1,214,817	—	13,534	13,534
Bought	969,315	—	(13,100)	(13,100)
Total	—	—	\$ 434	\$ 434

*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			
	2017			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Credit default options				
Sold	¥7,500	¥7,500	¥ 202	¥ 202
Bought	7,500	7,500	(161)	(161)
Total	—	—	¥ 40	¥ 40

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

	Thousands of U.S. Dollars			
	2017			
	Contract amount		Fair value	Unrealized gains (losses)
	Total	Due after 1 year		
Over-the-counter				
Credit default options				
Sold	\$66,851	\$66,851	\$ 1,805	\$ 1,805
Bought	66,851	66,851	(1,441)	(1,441)
Total	—	—	\$ 364	\$ 364

*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

		Millions of Yen		
		2017		
		Contract amount		
Hedged item		Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money and Loans			
Receive fixed/ Pay float		¥ —	¥ —	¥ —
Receive float/ Pay fixed		98,700	53,892	(707)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds, Securities and Loans			
Receive fixed/ Pay float		897,401	825,638	*3
Receive float/ Pay fixed		10,525	8,948	
Total		—	—	¥(707)

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

		Thousands of U.S. Dollars		
		2017		
		Contract amount		
Hedged item		Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money and Loans			
Receive fixed/ Pay float		\$ —	\$ —	\$ —
Receive float/ Pay fixed		879,762	480,364	(6,310)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds, Securities and Loans			
Receive fixed/ Pay float		7,998,945	7,359,285	*3
Receive float/ Pay fixed		93,819	79,758	
Total		—	—	\$(6,310)

*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 28 "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

		Millions of Yen		
		2017		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates	Foreign-currency debentures, Borrowed money, and Corporate bonds			
Currency swaps		¥392,596	¥281,012	*2
Forward foreign exchange contracts				
Sold	Foreign-currency available-for-sale securities	32,096	—	¥(245)
Bought		—	—	—
Total		—	—	¥(245)

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

		Thousands of U.S. Dollars		
		2017		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates	Foreign-currency debentures, Borrowed money, and Corporate bonds			
Currency swaps		\$3,499,390	\$2,504,790	*2
Forward foreign exchange contracts				
Sold	Foreign-currency available-for-sale securities	286,095	—	\$(2,190)
Bought		—	—	—
Total		—	—	\$(2,190)

*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 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures, borrowed money and corporate bonds.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

30. 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, 2017 and 2016 is summarized below.

(a) Securities

(1) Held-to-Maturity Debt Securities as of March 31, 2017 and 2016, are as follows:

		Millions of Yen		
		2017		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥135,711	¥144,901	¥ 9,190
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	181,112	184,569	3,457
	Other	167,165	169,497	2,332
Sub-total		483,988	498,968	14,979
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	152,435	151,399	(1,035)
	Other	57,930	57,857	(72)
Sub-total		210,366	209,257	(1,108)
Total		¥694,354	¥708,226	¥13,871
		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	—	—	—
	Short-term corporate 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	—	—	—
	Short-term corporate 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
		Thousands of U.S. Dollars		
		2017		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	\$1,209,656	\$1,291,572	\$ 81,916
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,614,335	1,645,150	30,815
	Other	1,490,017	1,510,809	20,792
Sub-total		4,314,009	4,447,531	133,523
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,358,726	1,349,495	(9,231)
	Other	516,362	515,714	(649)
Sub-total		1,875,089	1,865,209	(9,880)
Total		\$6,189,097	\$6,312,741	\$123,643

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

(2) Available-for-sale Securities as of March 31, 2017 and 2016, are as follows:

		Millions of Yen		
		2017		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 74,336	¥ 30,436	¥43,900
	Bonds	288,652	284,154	4,498
	Japanese government bonds	57,479	55,846	1,632
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	231,173	228,307	2,865
	Other	5,950	3,581	2,369
Sub-total		368,939	318,171	50,768
Carrying amount does not exceed cost	Equities	7,926	8,394	(468)
	Bonds	83,356	84,205	(848)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	83,356	84,205	(848)
	Other	50,000	50,000	—
Sub-total		141,282	142,599	(1,317)
Total		¥510,222	¥460,771	¥49,451

		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	—	—	—
	Short-term corporate 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	—	—	—
	Short-term corporate 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

		Thousands of U.S. Dollars		
		2017		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	\$ 662,598	\$ 271,291	\$391,307
	Bonds	2,572,890	2,532,797	40,094
	Japanese government bonds	512,341	497,788	14,552
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,060,550	2,035,008	25,542
	Other	53,039	31,921	21,118
Sub-total		3,288,528	2,836,009	452,519
Carrying amount does not exceed cost	Equities	70,649	74,824	(4,175)
	Bonds	742,993	750,558	(7,564)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	742,993	750,558	(7,564)
	Other	445,673	445,673	—
Sub-total		1,259,315	1,271,054	(11,739)
Total		\$4,547,843	\$4,107,063	\$440,780

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, 2017 and 2016, are as follows:

		Millions of Yen		
		2017		
		Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities		¥ 86,415	¥22,147	¥ 5
Bonds		23,861	257	—
Japanese government bonds		—	—	—
Japanese local government bonds		—	—	—
Short-term corporate bonds		—	—	—
Corporate bonds		23,861	257	—
Other		22,143	3,509	117
Total		¥132,420	¥25,914	¥122

		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		—	—	—
Short-term corporate bonds		—	—	—
Corporate bonds		24,277	375	319
Other		3,518	376	0
Total		¥178,075	¥49,414	¥378

	Thousands of U.S. Dollars		
	2017		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	\$ 770,259	\$197,415	\$ 47
Bonds	212,688	2,293	—
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	212,688	2,293	—
Other	197,374	31,280	1,046
Total	\$1,180,321	\$230,988	\$1,093

(b) Money Held in Trust

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

Not applicable.

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

	Millions of Yen				
	2017				
	Carrying amount	Acquisition cost	Unrealized gains (losses)		
Net			Carrying amount exceeds cost	(Carrying amount does not exceed cost)	
Other money held in trust	¥15,599	¥14,908	¥690	¥690	¥—

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

	Thousands of U.S. Dollars				
	2017				
	Carrying amount	Acquisition cost	Unrealized gains (losses)		
Net			Carrying amount exceeds cost	(Carrying amount does not exceed cost)	
Other money held in trust	\$139,045	\$132,889	\$6,156	\$6,156	\$—

(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
	2017	2016	2017
Unrealized gain on			
Available-for-sale securities	¥ 54,756	¥ 69,550	\$ 488,067
Other money held in trust	690	964	6,156
Deferred tax liabilities	(15,909)	(20,395)	(141,805)
Unrealized gain on available-for-sale securities before interest adjustments	39,537	50,118	352,418
Amount corresponding to non-controlling interests	—	—	—
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	5,479	4,956	48,840
Unrealized gain on available-for-sale securities, net of taxes	¥ 45,017	¥ 55,074	\$ 401,258

- *1. The profit of ¥2,350 million (\$20,948 thousand) and the loss of ¥4,010 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, 2017 and 2016, 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, 2017 and 2016.

31. Related Party Transactions

Related party transactions for the years ended March 31, 2017 and 2016 are as follows:

Related party	Category	Description	Account item	2017			
				Transaction Amount		Balance at March 31, 2017	
				Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 50,000	\$ 445,673	—	—
		Borrowings*2	Borrowed	800,000	7,130,760	¥4,324,952	\$38,550,251
		Repayments	money	404,138	3,602,269		
		Payment for interest	Accrued expenses	36,438	324,791	12,587	112,197
		Guarantees*3	—	2,799,265	24,951,117	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,672,621 million (\$23,822,275 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 February 20, 2037 without posting collateral.
- *3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

Related party	Category	Description	Account item	2016		
				Transaction Amount		Balance at March 31, 2016
				Millions of Yen		Millions of Yen
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 65,000		—
		Borrowings*2	Borrowed	300,000		¥3,929,091
		Repayments	money	437,328		
		Payment for interest	Accrued expenses	39,961		12,688
		Guarantees*3	—	2,937,092		—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,723,044 million 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.

32. Subsequent Event

On June 29, 2017, the shareholders approved the following appropriations of retained earnings. On the same day, the Finance Minister authorized becoming effective of the timing and amounts for dividends as of June 30, 2017:

Appropriations of Retained earnings as of March 31, 2017

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥452-\$4.03 per share)	¥19,721	\$175,790



Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan
Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2017, 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, 2017, 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 16, 2017
(June 29, 2017 as to Note 32)

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

Development Bank of Japan Inc.

As of March 31,	Millions of Yen		Thousands of U.S. Dollars (Note)
	2017	2016	2017
Assets			
Cash and due from banks	¥ 987,258	¥ 433,496	\$ 8,799,879
Money held in trust	14,037	16,032	125,126
Securities	1,789,322	1,828,773	15,949,042
Loans	13,210,171	13,119,393	117,748,210
Other assets	174,607	172,215	1,556,353
Tangible fixed assets	111,916	113,291	997,562
Intangible fixed assets	9,831	6,883	87,631
Prepaid pension costs	1,268	1,290	11,307
Customers' liabilities for acceptances and guarantees	181,010	180,124	1,613,427
Allowance for loan losses	(56,441)	(61,907)	(503,089)
Allowance for investment losses	(414)	(594)	(3,699)
Total assets	¥16,422,568	¥15,808,999	\$146,381,750
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,016,714	¥ 3,221,870	\$26,889,334
Call money	13,000	—	115,875
Payables under repurchase agreements	55,142	—	491,513
Borrowed money	8,383,916	7,840,720	74,729,620
Corporate bonds	1,690,391	1,501,288	15,067,224
Other liabilities	106,304	176,320	947,542
Accrued bonuses to employees	4,789	4,400	42,687
Accrued bonuses to directors	11	11	105
Reserve for employees' retirement benefits	6,389	6,544	56,957
Reserve for directors' retirement benefits	71	56	634
Reserve for contingent losses	40	16	364
Deferred tax liabilities	25,444	27,603	226,801
Acceptances and guarantees	181,010	180,124	1,613,427
Total liabilities	13,483,227	12,958,957	120,182,084
Equity:			
Common stock authorized, 160,000 thousand shares in 2017 and 2016; issued, 43,632 thousand shares in 2017 and 2016	1,000,424	1,000,424	8,917,230
Crisis response reserve	206,529	206,529	1,840,886
Special investment reserve	230,000	130,000	2,050,094
Special investment surplus	1,813	618	16,166
Capital surplus	945,466	995,466	8,427,367
Retained earnings	479,443	429,751	4,273,492
Unrealized gain on available-for-sale securities	42,233	52,206	376,451
Deferred gain on derivatives under hedge accounting	33,430	35,045	297,980
Total equity	2,939,340	2,850,042	26,199,666
Total liabilities and equity	¥16,422,568	¥15,808,999	\$146,381,750

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.19=\$1.00, the effective exchange rate prevailing as of March 31, 2017, 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		Thousands of U.S. Dollars (Note)
	2017	2016	2017
Income			
Interest income:	¥193,678	¥216,972	\$1,726,341
Interest on loans	165,276	187,526	1,473,187
Interest and dividends on securities	20,089	21,402	179,064
Interest on call loans	—	82	—
Interest on receivables under resale agreements	—	226	—
Interest on due from banks	11	43	100
Interest on swaps	8,164	7,549	72,777
Other interest income	136	141	1,213
Fees and commissions	12,682	10,333	113,049
Other operating income	5,896	9,526	52,557
Other income	57,598	108,148	513,404
Total income	269,856	344,981	2,405,351
Expenses			
Interest expense:	98,097	106,933	874,385
Interest on debentures	34,831	35,056	310,470
Interest on call money	(11)	0	(106)
Interest on payables under repurchase agreements	(5)	—	(49)
Interest on borrowed money	58,113	66,982	517,991
Interest on short-term corporate bonds	764	202	6,812
Interest on corporate bonds	4,408	4,623	39,298
Other interest expense	(3)	68	(32)
Fees and commissions	183	391	1,636
Other operating expenses	3,357	8,296	29,929
General and administrative expenses	45,207	42,401	402,959
Other expenses	9,310	12,660	82,989
Total expenses	156,156	170,683	1,391,897
Income before income taxes	113,699	174,298	1,013,454
Income taxes:			
Current	30,703	50,844	273,677
Deferred	2,832	5,587	25,243
Total income taxes	33,535	56,432	298,920
Net income	¥ 80,163	¥117,865	\$ 714,534

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.19=\$1.00, the effective exchange rate prevailing as of March 31, 2017, 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, 2017	Millions of Yen				
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥130,000	¥ 618	¥995,466
Investment from government			50,000		
Transfer account from capital surplus to special investment reserve			50,000		(50,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				1,194	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥230,000	¥ 1,813	¥945,466

For the year ended March 31, 2017	Millions of Yen			
	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥429,751	¥52,206	¥35,045	¥2,850,042
Investment from government				50,000
Transfer account from capital surplus to special investment reserve				—
Cash dividends	(29,277)			(29,277)
Net income	80,163			80,163
Transfer from retained earnings to special investment surplus	(1,194)			—
Net change during the year		(9,972)	(1,615)	(11,587)
Balance at end of year	¥479,443	¥42,233	¥33,430	¥2,939,340

For the year ended March 31, 2016	Millions of Yen				
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
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	Millions of Yen			
	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
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, 2017	Thousands of U.S. Dollars (Note)				
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	\$8,917,230	\$1,840,886	\$1,158,749	\$ 5,515	\$8,873,040
Investment from government			445,673		
Transfer account from capital surplus to special investment reserve			445,673		(445,673)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				10,651	
Net change during the year					
Balance at end of year	\$8,917,230	\$1,840,886	\$2,050,094	\$16,166	\$8,427,367

For the year ended March 31, 2017	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	\$3,830,572	\$465,342	\$312,376	\$25,403,709
Investment from government				445,673
Transfer account from capital surplus to special investment reserve				—
Cash dividends	(260,962)			(260,962)
Net income	714,534			714,534
Transfer from retained earnings to special investment surplus	(10,651)			—
Net change during the year		(88,892)	(14,396)	(103,288)
Balance at end of year	\$4,273,492	\$376,451	\$297,980	\$26,199,666

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.19=\$1.00, the effective exchange rate prevailing as of March 31, 2017, 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, 2017		March 31, 2016		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	2,439,927	/	2,423,204	/	1a+2-1c-26
of which: common stock and capital surplus	1,945,890	/	1,995,890	/	1a
of which: retained earnings	513,758	/	456,591	/	2
of which: treasury stock	—	/	—	/	1c
of which: planned distribution of income	19,721	/	29,277	/	26
of which: other than the above	—	/	—	/	
Rights to acquire new common shares	—	/	—	/	1b
Accumulated other comprehensive income and other disclosed reserves	499,895	15,388	391,137	35,992	3
Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	—	/	24	/	5
Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	1,838	/	1,316	/	
of which: items included in non-controlling interests, etc. subject to transitional arrangements	1,838	/	1,316	/	
Common Equity Tier 1 capital: instruments and reserves (A)	2,941,661	/	2,815,681	/	6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	12,545	3,136	3,315	2,210	8+9
of which: goodwill (including those equivalent)	6,969	1,742	436	290	8
of which: other intangible assets other than goodwill and mortgage servicing rights	5,575	1,393	2,879	1,919	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	144	36	110	73	10
Deferred gains or losses on derivatives under hedge accounting	26,944	6,736	20,736	13,824	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	1,102	275	1,009	672	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, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
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	593		—		27
Common Equity Tier 1 capital: regulatory adjustments (B)	41,330		25,172		28
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,900,330		2,790,509		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
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	—		—		
Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)	1,356		597		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, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	(158)		384		
of which: foreign currency translation adjustments	(254)		171		
of which: items included in non-controlling interests, etc. subject to transitional arrangements	96		213		
Additional Tier 1 capital: instruments (D)	1,198		982		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)	49	12	4	3	40
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	1,742		200		
of which: goodwill	1,742		200		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		42
Additional Tier 1 capital: regulatory adjustments (E)	1,792		295		43
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E)) (F)	—		686		44
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	2,900,330		2,791,197		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	—		—		
Rights to acquire new shares in relation to Tier 2 instruments	—		—		46
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)	318		141		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	36,657		38,493		50
of which: general allowance for loan losses	36,657		38,493		50a
of which: eligible reserves	—		—		50b

(Millions of yen)

Items	March 31, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	5,483		13,575		
of which: items included in accumulated other comprehensive income, etc. subject to transitional arrangements	5,483		13,575		
Tier 2 capital: instruments and reserves (H)	42,459		52,210		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)	42,459		52,210		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,942,790		2,843,407		59
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	1,718		2,669		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,393		1,919		
of which, significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	12		3		
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	36		73		
of which: net defined benefit assets	275		672		
Risk weighted assets (L)	16,840,640		15,908,614		60
Capital ratio (consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	17.22%		17.54%		61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	17.22%		17.54%		62
Total risk-weighted capital ratio (consolidated) ((K)/(L))	17.47%		17.87%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	72,820		72,291		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	5,635		1,221		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)	3,217		2,332		75

(Millions of yen)

Items	March 31, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	36,657		38,493		76
Cap on inclusion of general allowance for loan losses	207,729		195,844		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, 2017		March 31, 2016		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	2,405,612		2,396,364		1a+2-1c-26
of which: common stock and capital surplus	1,945,890		1,995,890		1a
of which: retained earnings	479,443		429,751		2
of which: treasury stock	—		—		1c
of which: planned distribution of income	19,721		29,277		26
of which: other than the above	—		—		
Rights to acquire new common shares	—		—		1b
Valuation and translation adjustment and other disclosed reserves	498,874	15,132	389,499	34,900	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)	2,904,485		2,785,863		6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	5,456	1,364	2,855	1,903	8+9
of which: goodwill (including those equivalent)	—	—	—	—	8
of which: other intangible assets other than goodwill and mortgage servicing rights	5,456	1,364	2,855	1,903	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	26,744	6,686	21,027	14,018	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	702	175	535	356	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

(Millions of yen)

Items	March 31, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
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	49		4		27
Common Equity Tier 1 capital: regulatory adjustments (B)	32,953		24,422		28
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,871,532		2,761,441		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
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)	49	12	4	3	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)	49		4		43

(Millions of yen)

Items	March 31, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
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)	2,871,532		2,761,441		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	—		—		
Rights to acquire new shares in relation to Tier 2 instruments	—		—		46
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	36,885		38,871		50
of which: general allowance for loan losses	36,885		38,871		50a
of which: eligible reserves	—		—		50b
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	5,333		13,227		
of which: items included valuation and translation adjustments, etc. subject to transitional arrangements	5,333		13,227		
Tier 2 capital: instruments and reserves (H)	42,218		52,098		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)	42,218		52,098		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,913,750		2,813,539		59

(Millions of yen)

Items	March 31, 2017		March 31, 2016		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	1,552		2,263		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,364		1,903		
of which: significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	12		3		
of which: prepaid pension cost	175		356		
Risk weighted assets (L)	17,937,691		16,695,289		60
Capital ratio (non-consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	16.00%		16.54%		61
Tier 1 risk-weighted capital ratio (non-consolidated) ((G)/(L))	16.00%		16.54%		62
Total risk-weighted capital ratio (non-consolidated) ((K)/(L))	16.24%		16.85%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	83,340		72,321		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	394		394		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)	3,010		2,124		75
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	36,885		38,871		76
Cap on inclusion of general allowance for loan losses	221,422		205,678		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, 2017 is 27.
Principal consolidated subsidiaries

Company	Principal Businesses
Consist Inc.	Information system development, maintenance and consulting
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 principle, 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 Counterparties 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

8. Operational Risk

DBJ includes in its calculation method no market risk equivalent amount.

(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 internal control 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, 2017	March 31, 2016
Loans	¥12,435,447	¥12,439,266
Equities, funds	606,683	599,297
Central counterparty clearing house	5,828	15,712
Commitments and customers' liabilities for acceptances and guarantees	432,213	450,976
Bonds (JGBs and corporate bonds, etc.)	788,812	850,148
Reverse repurchase agreement/call loan	80,148	7,962
Other	1,677,021	1,122,837
Total	¥16,026,155	¥15,486,201

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

(1) By region

(Millions of yen)

	March 31, 2017	March 31, 2016
Domestic total	¥16,012,596	¥15,476,856
Overseas total	13,559	9,345

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

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2017	March 31, 2016
Manufacturing	¥ 3,041,264	¥ 3,184,409
Agriculture and forestry	277	184
Fisheries	250	350
Mining, quarrying and gravel extraction	80,399	79,711
Construction	73,105	54,949
Electrical, gas, heat supply and water	3,490,175	3,586,791
Information and communications	435,546	427,900
Transportation and postal	2,367,264	2,418,207
Wholesale and retail	961,284	988,276
Finance and insurance	2,169,351	1,608,972
Real estate and leasing of goods	2,292,130	2,098,076
Services	328,804	320,266
Municipal government	16,061	16,645
Other	770,238	701,458
Total	¥16,026,155	¥15,486,201

(3) Breakdown by period to maturity	(Millions of yen)	
	March 31, 2017	March 31, 2016
Five years or less	¥7,994,608	¥7,504,681
More than five years, up to 10	4,567,510	4,619,964
More than 10 years, up to 15	1,555,676	1,703,740
More than 15 years	784,171	630,494
No maturity date	1,124,187	1,027,321

(c) Breakdown of exposure by risk weight (after accounting for credit risk mitigations)	(Millions of yen)	
	March 31, 2017	March 31, 2016
Risk weight 0%	¥1,116,720	¥ 564,565
Risk weight 10%	2,099	6,185
Risk weight 20%	1,101,150	1,265,891
Risk weight 50%	6,334,257	6,424,898
Risk weight 100%	7,276,861	7,065,556
Risk weight 150%	66,767	40,439
Risk weight 250%	10,874	6,490
Risk weight 1,250%	2,946	2,242
Other	75,741	79,448

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, 2017	March 31, 2016
Structured finance	¥1,201,217	¥1,007,271
Of which, resecuritization exposure	—	—
Credit derivatives	—	7,328
Of which, resecuritization exposure	—	5,454
Funds*	252,915	211,724
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, 2017	March 31, 2016
Risk weight	0%	Balance	¥ 69,568	¥ 76,766
		Capital requirement	0	0
Risk weight	20%	Balance	50,449	74,905
		Capital requirement	807	1,198
Risk weight	50%	Balance	92,239	44,945
		Capital requirement	3,689	1,797
Risk weight	100%	Balance	852,420	681,563
		Capital requirement	68,193	54,525
Risk weight	1,250%	Balance	366,670	322,615
		Capital requirement	366,670	322,615
Risk weight	Other*	Balance	22,784	20,073
		Capital requirement	9,243	6,334

* 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, 2017	March 31, 2016
Risk weight	40%	Balance	¥—	¥5,454
			Capital requirement	174

(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, 2017	March 31, 2016
Structured finance		¥117,227	¥111,401
Funds*		251,167	211,214

* 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, 2017	March 31, 2016
Credit risk assets		¥—	¥—

3. Interest Rate Risk in the Banking Book

	March 31, 2017	March 31, 2016
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: ¥4.1 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: ¥10.1 billion

Composition of Leverage Ratio Disclosure (Consolidated)

(Millions of yen)

Item	March 31, 2017	March 31, 2016	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	16,308,273	15,645,193	1	
Total assets reported in the consolidated balance sheet	16,570,496	15,907,180	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) (-)	262,223	261,986	1d	3
The amount of adjustment items pertaining to Tier1 capital (-)	15,584	4,731	2	7
Total on-balance sheet exposures (a)	16,292,688	15,640,462	3	
Exposures related to derivatives transactions (2)				
Replacement cost associated with derivatives transactions, etc.	66,763	118,524	4	
Add-on amount associated with derivatives transactions, etc.	39,795	49,676	5	
The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	26,135	13,873		
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	7,500	13,828	9	
The amount of deductions from effective notional amount of written credit derivatives (-)	—	—	10	
Total exposures related to derivative transactions (b)	140,194	195,903	11	4
Exposures related to repo transactions (3)				
The amount of assets related to repo transactions, etc.	—	—	12	
The amount of deductions from the assets above (line 12) (-)	—	—	13	
The exposures for counterparty credit risk for repo transactions, etc.	—	—	14	
The exposures for agent repo transactions	—	—	15	
Total exposures related to repo transactions, etc. (c)	—	—	16	5
Exposures related to off-balance sheet transactions (4)				
Notional amount of off-balance sheet transactions	1,223,575	1,163,033	17	
The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	297,157	332,330	18	
Total exposures related to off-balance sheet transactions (d)	926,418	830,702	19	6
Leverage ratio on a consolidated basis (5)				
The amount of capital (Tier1 capital) (e)	2,900,330	2,791,197	20	
Total exposures ((a)+(b)+(c)+(d)) (f)	17,359,301	16,667,068	21	8
Leverage ratio on a consolidated basis ((e)/(f))	16.70%	16.74%	22	

Quantitative Disclosure (Non-Consolidated)

1. Items Related to Capital Adequacy Level	(Millions of yen)	
	March 31, 2017	March 31, 2016
(a) Capital requirement to total credit risk	¥1,417,323	¥1,316,522
(1) Exposure by portfolio to which standardized method applied	872,200	859,308
(i) Japanese government and regional municipal bodies	—	—
(ii) Exposure to financial institutions	12,804	14,534
(iii) Exposure to corporations	787,690	775,437
(iv) Equity exposure	59,131	57,615
(v) Other exposure	12,575	11,721
(2) Securitization risk exposure	539,276	448,372
(3) Central counterparty clearing house	9	25
(4) Capital requirement to credit valuation adjustment (CVA) risk	5,838	8,817
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	17,789	19,100
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	1,435,112	1,335,622

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, 2017	March 31, 2016
Loans	¥12,664,757	¥12,662,784
Equities, funds	661,687	657,256
Central counterparty clearing house	5,828	15,712
Commitments and customers' liabilities for acceptances and guarantees	434,676	453,128
Bonds (JGBs and corporate bonds, etc.)	788,812	850,148
Reverse repurchase agreement/call loan	80,148	7,962
Other	1,332,039	831,624
Total	¥15,967,949	¥15,478,616

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

(1) By region	(Millions of yen)	
	March 31, 2017	March 31, 2016
Domestic total	¥15,967,949	¥15,478,616
Overseas total	—	—

Note: DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty	(Millions of yen)	
	March 31, 2017	March 31, 2016
Manufacturing	¥ 3,041,264	¥ 3,184,409
Agriculture and forestry	277	184
Fisheries	250	350
Mining, quarrying and gravel extraction	80,399	79,711
Construction	73,105	54,949
Electrical, gas, heat supply and water	3,490,175	3,586,791
Information and communications	435,708	427,900
Transportation and postal	2,367,264	2,418,207
Wholesale and retail	961,284	988,276
Finance and insurance	2,422,809	1,834,706
Real estate and leasing of goods	2,366,118	2,174,852
Services	329,917	321,379
Municipal government	16,061	16,645
Other	383,311	390,250
Total	¥15,967,949	¥15,478,616

(3) Breakdown by period to maturity	(Millions of yen)	
	March 31, 2017	March 31, 2016
Five years or less	¥8,144,175	¥7,646,767
More than five years, up to 10	4,640,823	4,674,053
More than 10 years, up to 15	1,561,702	1,703,740
More than 15 years	786,909	635,901
No maturity date	834,337	818,154

(c) Breakdown of exposure by risk weight (after accounting for credit risk mitigations)	(Millions of yen)	
	March 31, 2017	March 31, 2016
Risk weight 0%	¥1,116,720	¥ 564,565
Risk weight 10%	2,099	6,185
Risk weight 20%	1,071,063	1,237,802
Risk weight 50%	6,334,257	6,424,898
Risk weight 100%	7,248,494	7,078,666
Risk weight 150%	66,767	40,439
Risk weight 250%	5,425	5,455
Risk weight 1,250%	2,946	2,242
Other	91,058	89,609

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, 2017	March 31, 2016
Eligible financial collaterals	¥ 55,140	¥ —
Guarantees or credit derivatives	975,998	1,002,656

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

	(Millions of yen)	
	March 31, 2017	March 31, 2016
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	¥106,137	¥175,991
Gross add-on, by transaction type	54,725	59,799
	Interest rate transactions	24,546
	Foreign exchange transactions	29,781
	Credit derivative transactions	375
	Other commodity transactions	22
Reducing credit equivalent amounts through netting	60,178	73,028
Net equivalent credit	100,684	162,762
	Net restructuring cost	65,591
Notional amounts of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision	Credit default swaps provision	7,500
	Credit default swaps purchase	7,500
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, 2017	March 31, 2016
Structured finance	¥1,353,991	¥1,139,376
Of which, resecuritization exposure	—	—
Credit derivatives	—	7,328
Of which, resecuritization exposure	—	5,454
Funds*	263,428	211,454
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, 2017	March 31, 2016
Risk weight	0%	Balance	¥ 69,568	¥ 76,766
		Capital requirement	—	—
Risk weight	20%	Balance	50,449	74,905
		Capital requirement	807	1,198
Risk weight	50%	Balance	92,239	44,945
		Capital requirement	3,689	1,797
Risk weight	100%	Balance	931,716	757,074
		Capital requirement	74,537	60,565
Risk weight	1,250%	Balance	442,659	369,500
		Capital requirement	442,659	369,500
Risk weight	Other*	Balance	30,787	29,512
		Capital requirement	17,582	15,135

* 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, 2017	March 31, 2016
Risk weight	40%	Balance	¥—	¥5,454
		Capital requirement	—	174

(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, 2017	March 31, 2016
Structured finance	¥190,705	¥167,995
Funds*	253,678	201,505

* 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, 2017	March 31, 2016
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets		
Exposure to listed shares	¥ 91,546	¥ 84,369
Exposure to other equity investments and capital injections	570,442	575,946
(b) Gains or losses on the sale of equity investments or shares	24,748	45,787
Gain or loss on write-off of equity exposure	1,491	1,797
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statement of income	42,233	52,206

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, 2017	March 31, 2016
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: ¥4.1 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: ¥10.1 billion

Disclosure

DBJ Group considers public relations and investor relations to be important functions for connecting management with each and every stakeholder. With the goal of gaining the trust of all its stakeholders, DBJ Group strives for disclosure through PR and IR to accurately convey information on its current status, operations policy, and more.

Information Disclosure Materials

DBJ Group offers a wide range of information, using such media as newsletters and its website.

1. Materials legally required for disclosure

- Securities Report (Japanese)
- Stock Exchange Report (Japanese)
- Business Report (Japanese)



2. Voluntarily disclosed information

- Integrated Report (Annual Report & CSR Report)
- End-of-Period Financial Reports

3. Others

- DBJ Quarterly Journal (newsletter)
- DBJ News Digest (mail magazine; Japanese)
- Website

<http://www.dbj.jp/en/>



Glossary (Japanese)

<http://www.dbj.jp/glossary/>

