
Financial Condition

- Compliance with Corporate Accounting Standards

The consolidated financial statements of the preceding consolidated accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current consolidated accounting period (April 1, 2006 to March 31, 2007) have been audited and certified by Misuzu Audit Corporation. The financial statements of the preceding accounting period (April 1, 2004 to March 31, 2005) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by Misuzu Audit Corporation.

- Compliance with Accounting Standards for Special Agencies, etc.

The Japanese financial statements of the preceding accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current accounting period (April 1, 2006 to March 31, 2007) have been audited and certified by Misuzu Audit Corporation.

Accounts Based on Corporate Accounting Standards

Report of Independent Auditors

Misuzu Audit Corporation

A network firm of

PRICEWATERHOUSECOOPERS 

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Report of Independent Auditors

To the Governor of
Development Bank of Japan

We have audited the accompanying consolidated balance sheets of Development Bank of Japan and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 and its subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Misuzu Audit Corporation
Tokyo, Japan
June 26, 2007

Consolidated Balance Sheets

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Assets | | | |
| Cash and Due from banks (Note 3(a)) | ¥ 40,264 | ¥ 28,187 | \$ 341,083 |
| Reverse Repurchase Agreements (Note 4) | 223,829 | 150,003 | 1,896,058 |
| Money Held in Trust (Note 27) | 90,805 | 28,422 | 769,212 |
| Securities (Notes 4, 13 and 27) | 420,860 | 433,021 | 3,565,101 |
| Loans (Note 5) | 12,089,812 | 12,873,226 | 102,412,647 |
| Other Assets (Note 6) | 53,262 | 203,896 | 451,183 |
| Tangible Fixed Assets (Note 7) | 35,778 | 36,169 | 303,077 |
| Intangible Fixed Assets (Note 7) | 1 | 1 | 15 |
| Deferred Charges on Bonds and Notes | — | 2,610 | — |
| Customers' Liabilities for Acceptances and Guarantees | 273,965 | 161,567 | 2,320,756 |
| Allowance for Loan Losses (Note 8) | (146,626) | (199,702) | (1,242,067) |
| Allowance for Investment Losses | (3,093) | (31,462) | (26,205) |
| Total Assets | ¥13,078,861 | ¥13,685,943 | \$110,790,860 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Liabilities and Net Assets | | | |
| Liabilities | | | |
| Bonds and Notes (Note 9) | ¥ 2,671,644 | ¥ 2,261,799 | \$ 22,631,468 |
| Borrowings (Note 10) | 7,923,935 | 9,004,474 | 67,123,556 |
| Other Liabilities (Notes 11 and 24) | 192,475 | 211,104 | 1,630,459 |
| Allowance for Bonus Payments | 1,617 | 1,658 | 13,703 |
| Allowance for Employee Retirement Benefits (Note 22) | 29,558 | 30,887 | 250,386 |
| Acceptances and Guarantees (Note 12) | 273,965 | 161,567 | 2,320,756 |
| Total Liabilities | ¥11,093,197 | ¥11,671,492 | \$ 93,970,328 |
| Net Assets | | | |
| Capital | ¥ 1,272,286 | ¥ 1,272,286 | \$ 10,777,518 |
| Retained Earnings (Note 14) | 809,898 | 734,637 | 6,860,636 |
| Total Equity | ¥ 2,082,184 | ¥ 2,006,923 | \$ 17,638,154 |
| Net Unrealized Gain on Available-for-sale Securities, Net of Taxes (Note 27(3)) | ¥21,539 | ¥3,415 | \$ 182,463 |
| Net Deferred Hedge Losses on hedges, Net of Taxes (Note 6) | (122,294) | — | (1,035,957) |
| Total Revaluation and Translation Adjustments | ¥ (100,754) | ¥ 3,415 | \$ (853,494) |
| Minority Interests | 4,234 | 4,111 | 35,872 |
| Total Net Assets | ¥ 1,985,663 | ¥ 2,014,450 | \$ 16,820,532 |
| Total Liabilities and Net Assets | ¥13,078,861 | ¥13,685,943 | \$110,790,860 |

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations

| For the Fiscal Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Revenue | | | |
| Interest Income | ¥329,480 | ¥367,600 | \$2,791,021 |
| Interest on Loans | 325,844 | 365,949 | 2,760,220 |
| Interest and Dividends on Securities | 2,450 | 1,640 | 20,757 |
| Interest on Reverse Repurchase Agreements | 707 | 6 | 5,992 |
| Interest on Due from banks | 92 | 4 | 784 |
| Other Interest Income | 385 | 0 | 3,268 |
| Fees and Commissions (Note 15) | 4,051 | 2,430 | 34,321 |
| Other Operating Income (Note 16) | — | 4 | — |
| Other Ordinary Income (Note 17) | 62,325 | 33,782 | 527,961 |
| Collection of Written-off Claims | 5,875 | 7,414 | 49,769 |
| Gains on Sales of Fixed Assets | 0 | 653 | 1 |
| Total Revenue | ¥401,732 | ¥411,885 | \$3,403,073 |
| Expenses | | | |
| Interest Expense | ¥236,812 | ¥271,421 | \$2,006,034 |
| Interest on Bonds and Notes | 33,973 | 30,920 | 287,792 |
| Interest on Borrowings | 179,674 | 221,070 | 1,522,017 |
| Other Interest Expense | 23,164 | 19,430 | 196,225 |
| Fees and Commissions (Note 18) | 65 | 54 | 554 |
| Other Operating Expenses (Note 19) | 2,038 | 1,737 | 17,271 |
| General and Administrative Expenses | 25,354 | 25,825 | 214,774 |
| Other Ordinary Expenses (Note 20) | 61,445 | 20,368 | 520,504 |
| Losses on Impairment of Fixed Assets (Note 21) | — | 337 | — |
| Losses on Sales of Fixed Assets | 56 | 12 | 479 |
| Total Expenses | ¥325,772 | ¥319,757 | \$2,759,616 |
| Earnings before Income Taxes | ¥ 75,960 | ¥ 92,128 | \$ 643,457 |
| Income Taxes (Note 3(n)) | ¥ 672 | ¥ 23 | \$ 5,696 |
| Current | 661 | 2 | 5,607 |
| Deferred | 10 | 20 | 89 |
| Minority Interests in Net Earnings | 27 | (125) | 233 |
| Net Earnings | ¥ 75,260 | ¥ 92,231 | \$ 637,528 |

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

| For the Fiscal Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Cash Flows from Operating Activities | | | |
| Earnings before Income Taxes | ¥ 75,960 | ¥ 92,128 | \$ 643,457 |
| Depreciation and Amortization | 779 | 851 | 6,606 |
| Losses on Impairment of Fixed Assets (Note 21) | — | 337 | — |
| Amortization of Goodwill | (20) | (1) | (175) |
| Change in Allowance for Loan Losses | (47,168) | (17,699) | (399,562) |
| Change in Allowance for Investment Losses | (44) | 10,847 | (378) |
| Change in Allowance for Bonus Payments | (40) | 6 | (342) |
| Change in Allowance for Employee Retirement Benefits | (1,329) | (1,330) | (11,265) |
| Interest Income—Accrual Basis | (329,480) | (367,600) | (2,791,021) |
| Interest Expense—Accrual Basis | 236,713 | 271,421 | 2,005,200 |
| Net Gains and Losses on Securities | 47,077 | (1,411) | 398,794 |
| Net Gains and Losses on Money Held in Trust | (1,349) | (965) | (11,429) |
| Net Gains and Losses on Foreign Exchanges | (0) | (0) | (4) |
| Net Gains and Losses on Sale of Fixed Assets | 56 | (641) | 477 |
| Net Change in Loans | 773,633 | 918,698 | 6,553,438 |
| Net Change in Bonds and Notes | 410,555 | 266,582 | 3,477,808 |
| Net Change in Borrowings | (1,080,539) | (1,210,325) | (9,153,233) |
| Net Change in Reverse Repurchase Agreements | (73,825) | (42,004) | (625,378) |
| Interest Income—Cash Basis | 334,315 | 375,742 | 2,831,979 |
| Interest Expense—Cash Basis | (236,130) | (274,817) | (2,000,254) |
| Other | (80,579) | (1,011) | (682,586) |
| Sub-total | 28,583 | 18,807 | 242,132 |
| Refund of (Payments for) Income Taxes | 294 | (795) | 2,493 |
| Net Cash provided by (used in) Operating Activities | 28,877 | 18,012 | 244,625 |
| Cash Flows from Investing Activities | | | |
| Payments for Purchases of Securities | (314,948) | (89,980) | (2,667,926) |
| Proceeds from Redemption of Securities | 357,050 | 50,349 | 3,024,566 |
| Payments for Money Held in Trust | (64,674) | (25,525) | (547,857) |
| Proceeds from Money Held in Trust | 3,609 | 2,205 | 30,575 |
| Payments for Purchases of Fixed Assets | (445) | (188) | (3,774) |
| Proceeds from Sale of Fixed Assets | 2 | 700 | 18 |
| Payments for Purchases of Subsidiaries (affecting the scope of consolidation) | 90 | 7 | 762 |
| Net Cash (used in) provided by Investing Activities | (19,317) | (62,431) | (163,636) |
| Cash Flows from Financing Activities | | | |
| Capital Contribution from the Japanese Government | — | 56,825 | — |
| Payment to National Treasury | (1,179) | (2,836) | (9,990) |
| Dividends Paid to Minority Interests | — | (129) | — |
| Net Cash provided by Financing Activities | (1,179) | 53,858 | (9,990) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 0 | 0 | 1 |
| Net Change in Cash and Cash Equivalents | 8,381 | 9,439 | 70,999 |
| Cash and Cash Equivalents at the Beginning of the Fiscal Year | 27,869 | 18,429 | 236,079 |
| Net Increase in Cash and Cash Equivalents Resulted from the newly Consolidation of Subsidiary | — | — | — |
| Cash and Cash Equivalents at the End of the Fiscal Year (Note 3(a)) | ¥ 36,250 | ¥ 27,869 | \$ 307,079 |

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

| | Millions of yen | | | | | | | |
|--|-------------------|-------------------|-------------------|---|---|---|--------------------|-------------------|
| | Equity | | | Revaluation and translation adjustments | | | | |
| | Capital | Retained Earnings | Total Equity | Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes | Net Deferred Hedge Losses on hedges, Net of Taxes | Total Revaluation and Translation Adjustments | Minority Interests | Total Net Assets |
| | | | | | | | | |
| For the Fiscal Year ended March 31, 2006 | | | | | | | | |
| Balance at March 31, 2005 | ¥1,215,461 | ¥653,043 | ¥1,868,504 | ¥ 6,915 | ¥— | ¥ 6,915 | ¥4,498 | ¥1,879,917 |
| Net Earnings | — | 92,231 | 92,231 | — | — | — | — | 92,231 |
| Net Changes in Items other than Equity | 56,825 | (10,636) | 46,189 | (3,499) | — | (3,499) | (387) | 842,303 |
| Balance at March 31, 2006 | ¥1,272,286 | ¥734,637 | ¥2,006,923 | ¥ 3,415 | ¥— | ¥ 3,415 | ¥4,111 | ¥2,014,450 |

| | Millions of yen | | | | | | | |
|--|-------------------|-------------------|-------------------|--|--------------------------------------|---|--------------------|-------------------|
| | Equity | | | Revaluation and translation adjustments | | | | |
| | Capital | Retained Earnings | Total Equity | Net Unrealized Gain (Loss) on Available-for-sale Securities, | Net Deferred Hedge Losses on hedges, | Total Revaluation and Translation Adjustments | Minority Interests | Total Net Assets |
| | | | | Net of Taxes | Net of Taxes | | | |
| For the Fiscal Year ended March 31, 2007 | | | | | | | | |
| Balance at March 31, 2006 | ¥1,272,286 | ¥734,637 | ¥2,006,923 | ¥3,415 | ¥ — | ¥ 3,415 | ¥4,111 | ¥2,014,450 |
| Net Earnings | — | 75,260 | 75,260 | — | — | — | — | 75,260 |
| Net Changes in Items other than Equity | — | — | — | 18,124 | (122,294) | (104,170) | 122 | (104,047) |
| Balance at March 31, 2007 | ¥1,272,286 | ¥809,898 | ¥2,082,184 | ¥21,539 | ¥(122,294) | ¥(100,754) | ¥4,234 | ¥1,985,663 |

| | Thousands of U.S. dollars | | | | | | | |
|--|---------------------------|----------------------|-----------------|---|---|---|-----------------------|---------------------|
| | Equity | | | Revaluation and translation adjustments | | | | |
| | | | | Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes | Net Deferred Hedge Losses on hedges, Net of Taxes | Total Revaluation and Translation Adjustments | Minority Interests | Total Net Assets |
| For the Fiscal Year ended March 31, 2007 | Capital | Retained Earnings | Total Equity | | | | | |
| Balance at March 31, 2006 | \$10,777,518 | \$6,223,108 | \$17,000,626 | \$ 28,933 | \$ — | \$ 28,933 | \$34,832 | \$17,064,391 |
| Net Earnings | — | 637,528 | 637,528 | — | — | — | — | 637,528 |
| Net Changes in Items other than Equity | — | — | — | 153,530 | (1,035,957) | (882,427) | 1,040 | (881,387) |
| Balance at March 31, 2007 | \$10,777,518 | \$6,860,636 | \$17,638,154 | \$182,463 | \$(1,035,957) | \$(853,494) | \$35,872 | \$16,820,532 |

Accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

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

The consolidated financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥118.05=\$1.00, the effective exchange rate prevailing as of March 31, 2007, 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. Basis of Consolidation

(a) Scope of Consolidation

The consolidated financial statements include the accounts of DBJ and its consolidated subsidiaries, DBJ Business Investment Co.,Ltd, DBJ Corporate Investment Fund (formerly DBJ Business Restructuring Fund prior to March, 2007), DBJ Technology and New Business Creation Fund, DBJ VALUE UP FUND, DBJ Structured Investment Fund, DBJ Corporate mezzanine partners Co.,Ltd., DBJ Credit Line Ltd., New Business Investment Co.,Ltd. and one limited liability partnership. The number of consolidated subsidiaries as of March 31, 2007 and 2006 was 9 and 3, respectively.

In the fiscal year ended March 31, 2007, DBJ Corporate Investment Fund, DBJ Technology and New Business Creation Fund, DBJ VALUE UP FUND and DBJ Structured Investment Fund were newly consolidated, as DBJ adopted the new accounting standard, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Association" (Accounting Standards board of Japan Report No.20, September 8, 2006) commencing with this period. Also, DBJ Credit Line, Ltd. and one limited liability partnership were newly consolidated on their establishment in the current year.

As of March 31, 2007, DBJ has 8 subsidiaries, Asuka DBJ Investment LPS, GAD financial Service Limited and certain other subsidiaries, which are neither consolidated nor accounted for by the equity method, because underlying interests in their assets, net earnings, retained earnings and deferred hedged gains and losses have no material impact on the consolidated financial statements of DBJ. As of March 31, 2006, the number of such subsidiaries was 2.

As of March 31, 2007, DBJ invests in 5 companies, Tomatoh, Inc., Shin Mutsu-Ogawara, Inc. and certain other companies, in which DBJ has over 50% ownership interest. These companies are not considered to be subsidiaries and consequently not consolidated because DBJ made those investments as part of its financing operations, which are DBJ's primary business, and did not intend to obtain control over their operating and financing policies. As of March 31, 2006, the number of such companies was 2.

Though DBJ has 15 affiliates as of March 31, 2007, Technology Alliance Investment, Ltd., Japan Energy Investment Inc., Asuka DBJ Partners Co.,Ltd., Intellectual Properties Development & Investment, Bridgehead Co.,Ltd and certain other affiliates, the equity method is not applied to them, since underlying interests in their net earnings, retained earnings and deferred hedged gains and losses have no material impact on the consolidated financial statements of DBJ. As of March 31, 2006, the number of such affiliates was 4.

As of March 31, 2007, DBJ owns greater than 20% but less than a majority of voting stock of Nihonkai LNG Co., Ltd. and 36 other companies. These companies, however, are not considered to be affiliates because DBJ made these investments as part of its financing operations, which are DBJ's primary business, and did not intend to obtain the ability to exercise significant influence on their operating and financing policies. As of March 31, 2006, the number of such companies was 31.

On consolidation, significant intercompany accounts, transactions and unrealized intercompany profits have been eliminated.

(b) Year-end Date of Consolidated Subsidiaries

Fiscal year-end of the consolidated subsidiaries is March 31.

(c) Valuation of Consolidated Subsidiaries' Assets and Liabilities

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

(d) Amortization of Goodwill

The differences between the fair value of net assets and the cost of the acquired subsidiary are being amortized on a straight-line basis over the estimated beneficial period. Minor differences are charged to income in the year of acquisition.

Effective from the year ended March 31, 2007, DBJ applied "Accounting standard for business combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), "Accounting standard for business divestitures" (Accounting Standards Board of Japan Statement No.7) and "Implementation guidance on Accounting standard for business combinations and Accounting standard for business divestitures" (Accounting Standards Board of Japan Guidance No.10) both issued on December 27, 2005 by the Accounting Standards Board of Japan.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statements of cash flows consist of cash on hand and due from banks.

The reconciliation between "Cash and Cash Equivalents" and "Cash and Due from banks" is as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Cash and Due from Banks | ¥40,264 | ¥28,187 | \$341,083 |
| Time Deposits with Banks | (4,000) | (300) | (33,884) |
| Trust Money to Financial Agencies | (14) | (18) | (120) |
| Cash and Cash Equivalents | ¥36,250 | ¥27,869 | \$307,079 |

(b) Securities

Held-to-maturity debt securities are stated at amortized cost on a straight-line basis, computed using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method), and other securities without market quotations are stated at cost or amortized cost computed using the weighted average method. Investments in limited partnerships and other similar partnerships are accounted for at the net amounts of DBJ's underlying interests in their net earnings based on their most recent financial statements.

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

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

Effective in the fiscal year ended March 31, 2006, DBJ applied the accounting treatment for other compound instruments which do not have the ability to increase paid-in capital (Guidelines on Implementation of Business Accounting Standard No. 12 issued by the Accounting Standards Board of Japan on March 30, 2006).

(c) 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.

(d) Hedge Accounting

(i) Hedge Accounting

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

(ii) Hedging Instruments and Hedged Items

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

(iii) Hedging Policy

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

(iv) Evaluation of Hedge Effectiveness

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

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

*1

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

*2

In cases where foreign currency swaps are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner;

- 1) If a foreign currency swap is executed to hedge an existing foreign currency asset or liability, 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 operations in the period which includes the inception date, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- 2) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(e) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

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

The estimated useful lives are principally as follows:

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

(ii) Amortization of Intangible Fixed Assets

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

(iii) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "the Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses shall be recognized in the statement of operations by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

DBJ has applied this standard from the fiscal year beginning April 1, 2005. In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law for long term credit banks and the accumulated impairment losses are also deducted from the book value of each asset.

(f) Amortization of deferred charges

"Discounts on Bonds and Notes", accounted as "Deferred Charges on Bonds and Notes" and "Premium on Bonds and Notes", included in "Other Assets" on consolidated balance sheets respectively are amortized under the straight-line method over the term of bonds and notes, and "Bonds and Notes Issuance Costs" are charged to income as incurred.

Although, the new standard, "Tentative Solution on Accounting for Deferred Assets" (ASBJ Report No. 19, August 11, 2006), is effective from the year ended March 31, 2007, discounts and premium on bonds and notes as of March 31, 2007 are amortized under the straight-line method over the term of the bonds and notes continuously by applying the tentative measure stipulated in this standard.

In accordance with the partial revision of "Accounting Standards for Financial Instruments" (the Business Accounting Deliberation Council, January 22, 1999) as of August 11, 2006(ASBJ Statement No. 10) and the application effective from the fiscal year and interim period ending upon or after the public announcement of such, DBJ adopted the revised accounting standard commencing in this fiscal year, and "Bonds and Notes" were stated at amortized cost (straight line method). As a result, "Discounts on Bonds and Notes", accounted as "Deferred Charges on Bonds and Notes" decreased ¥3,951 million

(\$33,475 thousand), and "Premium on Bonds and Notes", included in "Other Assets" decreased ¥1,632 million (\$13,828 thousand), and "Bonds and Notes" increased and decreased such amounts.

(g) Foreign currency translation and revaluation method

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

(h) Allowance for Loan Losses

DBJ provides for "Allowance for Loan Losses" as detailed below pursuant to the internal policies for self-assessment of credit quality and loan losses.

The allowance for claims on debtors who are legally bankrupt, in special liquidation or effectively bankrupt is provided for based on the amount of claims, after the write-off described below, net of amounts expected to be collected through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but likely to become bankrupt, and for which future cash flows cannot reasonably be estimated, is provided for at the amount considered to be necessary based on an overall solvency assessment performed on the claims, net of amounts expected to be collected 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 for based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Risk Management Department, which is independent from the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided based on the results of the self-assessment.

With respect to the claims on debtors who are legally or substantially bankrupt with collateral or guarantees, the amount of claims exceeding the estimated market values of collateral or guarantees which are deemed uncollectible, have been written-off, and totaled ¥56,267 million (\$476,643 thousand) and ¥95,546 million for the years ended March 31, 2007 and 2006, respectively.

The allowance for claims on debtors other than those described above was previously provided for using the estimated probability of default. From the March 31, 2007 fiscal year, the default rate is used to provide for the allowance, which is calculated based on the actual value of default experiences of the company. The calculation method has been changed because the historical data of actual default loans value have been accumulated.

As a result of this change, net earnings increased by ¥17,738 million (\$150,263 thousand).

(i) Allowance for Investment Losses

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

(j) Allowance for Bonus Payments

"Allowance for Bonus Payments" is calculated and provided for based on the estimated amounts of future payment attributable to the services that have been rendered by employees and executive directors to the date of the balance sheets.

(k) Allowance for Employee Retirement Benefits

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

(l) Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those in which the ownership of leased equipment is substantially transferred to the lessee.

(m) Consumption tax

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

(n) Income Taxes

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

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

(o) Change of Accounting Policy

Effective from the year ended March 31, 2007, DBJ has applied "Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5)", and "Implementaion guidance for Accounting standards for presentation of net assets in the balance sheet (Accounting Standards of Japan Guidance No.8)" both issued by the Accounting Standard Board of Japan on December 9, 2005.

The amounts corresponding to the conventional "Equity" in the consolidated balance sheet is ¥2,103,723 million (\$17,820,617 thousand). DBJ presented its net assets in the consolidated balance sheet using the new standard as of March 31, 2006, retrospectively.

Furthermore, "Minority Interests" previously presented on the consolidated balance sheet between the liabilities section and the equity section is presented in "Net Assets".

Additionally, the consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 are presented under the new standard, retrospectively.

4. Securities

Securities as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Japanese Government Bonds | ¥120,705 | ¥189,645 | \$1,022,495 |
| Corporate Bonds | 96,374 | 48,961 | 816,387 |
| Equities | 114,865 | 139,591 | 973,024 |
| Other securities | 88,914 | 54,822 | 753,195 |
| | ¥420,860 | ¥433,021 | \$3,565,101 |

Notes: 1. Investments in subsidiaries and affiliates included in "Equities" as of March 31, 2007 and 2006 are ¥468 million (\$3,969 thousand) and ¥205 million, respectively. And investments in subsidiaries and affiliates included in "Other securities" as of March 31, 2007 and 2006 are ¥13,498 million (\$114,345 thousand) and ¥1,339 million, respectively.

2. Contingent liabilities for guarantees on corporate bonds, included in securities, which were issued by private placement (Article 2 Paragraph 3 of the Securities and Exchange Law) amounted to ¥130 million (\$1,101 thousand) as of March 31, 2007.

3. There are no securities repledged as of March 31, 2007 and 2006 respectively, although securities accepted under repurchase agreements, can be sold or repledged. Securities neither sold nor repledged are ¥223,829 million (\$1,896,058 thousand) and ¥150,003 million, respectively.

5. Non-performing Loans

The amounts of non-performing loans included in "Loans" on the consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Loans to Bankrupt Debtors | ¥ 7,562 | ¥ 4,313 | \$ 64,064 |
| Delinquent Loans | 64,065 | 111,720 | 542,696 |
| Loans Past Due Three Months or More | 28 | — | 237 |
| Restructured Loans | 73,624 | 89,301 | 623,672 |
| | ¥145,280 | ¥205,335 | \$1,230,669 |

Notes: 1. The amounts of loans indicated above are stated at gross amounts, before reduction of 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 reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, necessary funds up to the pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount to lend, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2007 and 2006 are ¥331,130 million (\$2,805,222 thousand), including ¥97,695 million (\$827,578 thousand) being financed within one year and ¥214,022 million, including ¥53,636 million being financed within one year, respectively.

6. Other Assets

Other assets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Prepaid Expenses | ¥ 99 | ¥ 103 | \$ 844 |
| Accrued Income | 48,068 | 52,155 | 407,188 |
| Derivatives | 3,316 | 3,083 | 28,095 |
| Deferred Hedge Losses | — | 146,698 | — |
| Guarantee Deposits | 426 | 411 | 3,613 |
| Other | 1,350 | 1,444 | 11,443 |
| | ¥53,262 | ¥203,896 | \$451,183 |

Notes: 1. Deferred Hedge Losses are net unrealized losses from hedging instruments. The gross amounts of deferred hedge gains and losses before netting are ¥10,138 million and ¥156,837 million as of March 31, 2006, respectively.

2. From the year ended March 31, 2007, Deferred Hedge Losses are reclassified to "Net Assets".

3. From the year ended March 31, 2007, Guarantee Deposits are reclassified from "Premises and Equipment" to "Other Assets". Guarantee Deposits as of March 31, 2006 is presented using the new presentation standard, retrospectively.

7. Fixed Assets

Tangible fixed assets and intangible fixed assets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Tangible Fixed Assets | | | |
| Land | ¥20,386 | ¥20,386 | \$172,695 |
| Buildings | 33,820 | 33,813 | 286,495 |
| Equipment | 1,926 | 1,973 | 16,320 |
| | ¥56,133 | ¥56,173 | \$475,510 |
| Less—Accumulated Depreciation | (20,355) | (20,003) | (172,433) |
| Net Book Value | ¥35,778 | ¥36,169 | \$303,077 |
| Intangible Fixed Assets | | | |
| Other | ¥ 12 | ¥ 11 | \$ 107 |
| | ¥ 12 | ¥ 11 | \$ 107 |
| Less—Accumulated Amortization | (10) | (10) | (92) |
| Net Book Value | ¥ 1 | ¥ 1 | \$ 15 |

Notes: From the year ended March 31, 2007, Premises and Equipment are reclassified to Tangible and Intangible Fixed Assets. Tangible Assets and Intangible Fixed Assets as of March 31, 2006 are presented using the new presentation standard, retrospectively.

8. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| General Allowance for Loan Losses | ¥ 96,933 | ¥120,170 | \$ 821,124 |
| Specific Allowance for Loan Losses | 49,692 | 79,532 | 420,943 |
| | ¥146,626 | ¥199,702 | \$1,242,067 |

9. Bonds and Notes

Bonds and notes as of March 31, 2007 and 2006 are as follows:

| At March 31 | Description of Bonds and Notes | Issue date | Currency and Amounts 2007 (In millions) | Interest rate (%) | Maturity date | Millions of yen | | Thousands of U.S. dollars |
|-------------|--|----------------------------------|---|-------------------|----------------------------------|------------------------|----------------------|---------------------------|
| | | | | | | 2007 | 2006 | 2007 |
| | Japanese Government-guaranteed Bonds 186* ¹ | November 1996 | — | 2.90 | November 2006 | ¥ — | ¥ 10,000 [10,000] | \$ — |
| | Japanese Government-guaranteed Bonds 1-16 | August 2000– February 2007 | JPY613,000 | 0.80~2.10 | August 2010– December 2021 | 612,132 | 423,000 | 5,185,363 |
| | Japanese Government-guaranteed Foreign Bonds 65,67* ² | December 1996– September 1998 | JPY 25,000 | 1.81~2.875 | December 2006– September 2028 | 25,087 | 75,000 [50,000] | 212,516 |
| | Japanese Government-guaranteed Foreign Bonds 1-12 | November 1999– February 2007 | JPY846,906 USD2,350 EUR750 | 1.05~6.875 | June 2010– November 2026 | 846,906 | 664,389 | 7,174,131 |
| | Japanese Government-underwritten Bonds 186-211* ¹ | May 1995– December 1998 | JPY72,810 | 1.10~3.60 | May 2005– December 2008 | 72,766 [33,250] | 109,410 [36,600] | 616,397 [281,660] |
| | FILP Agency Bonds 1-31* ³ | September 2001– March 2007 | JPY1,115,000 | 0.40~2.63 | September 2006– December 2036 | 1,114,753 [150,000] | 980,000 [100,000] | 9,443,061 [1,270,648] |
| | | | | | | ¥2,671,644 | ¥2,261,799 | \$22,631,468 |

Notes: 1. These bonds are government-guaranteed bonds and government-underwritten bonds issued by the Hokkaido-Tohoku Development Finance Public Corporation prior to the merger with the Japan Development Bank that formed DBJ.

2. These bonds are government-guaranteed bonds issued by the Japan Development Bank prior to the merger with the Hokkaido-Tohoku Development Finance Public Corporation that formed DBJ.

3. Fiscal Investment and Loan Program (FILP) Agency Bonds issued in Japanese domestic markets are not government-guaranteed.

4. Figures indicated in brackets [] represent the amounts to be redeemed within one year.

Scheduled redemptions of Bonds and Notes for each of the next five years as of March 31, 2007 are as follows:

| | | |
|--------------------------------------|------------------|----------------------|
| Fiscal year ending on March 31, 2008 | ¥183,250 million | \$1,552,308 thousand |
| 2009 | 169,560 | 1,436,341 |
| 2010 | 110,000 | 931,809 |
| 2011 | 370,000 | 3,134,265 |
| 2012 | 423,621 | 3,588,488 |

10. Borrowings

Borrowings as of March 31, 2007 and 2006 are as follows:

| At March 31 | Average interest rate (%) | Due date of repayment | Millions of yen | | Thousands of U.S. dollars |
|---|---------------------------|-----------------------------|-------------------|-------------------|---------------------------|
| | | | 2007 | 2006 | 2007 |
| Borrowings | | December 2007–November 2026 | | | |
| Long-term borrowings from Japanese government | 1.92 | | ¥7,923,935 | ¥9,004,474 | \$67,123,556 |
| | | | ¥7,923,935 | ¥9,004,474 | \$67,123,556 |

Borrowings with maturities for each of the next five years as of March 31, 2007 are as follows:

| | | |
|--------------------------------------|--------------------|-----------------------|
| Fiscal year ending on March 31, 2008 | ¥1,229,184 million | \$10,412,409 thousand |
| 2009 | 1,149,792 | 9,739,881 |
| 2010 | 977,618 | 8,281,390 |
| 2011 | 866,367 | 7,338,984 |
| 2012 | 832,097 | 7,048,689 |

11. Other Liabilities

Other liabilities as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Accrued Expenses | ¥ 34,031 | ¥ 33,049 | \$ 288,278 |
| Unearned Income | 17,913 | 19,008 | 151,747 |
| Deposits from Employees | 153 | 150 | 1,300 |
| Derivatives | 133,847 | 156,590 | 1,133,820 |
| Other | 6,529 | 2,306 | 55,314 |
| | ¥192,475 | ¥211,104 | \$1,630,459 |

12. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Guarantees | ¥273,965 | ¥161,567 | \$2,320,756 |
| | ¥273,965 | ¥161,567 | \$2,320,756 |

13. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥120,705 million (\$1,022,495 thousand) as of March 31, 2007, and ¥119,652 million as of March 31, 2006.

14. Retained Earnings

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

There were no payments to the National Treasury attributable to the year ended March 31, 2006.

At May 31, 2007, DBJ was to pay to the National Treasury, ¥2,499 million (\$21,177 thousand), attributable to the year ended March 31, 2007, this was resolved at the board meeting held on May 10, 2007.

15. Fees and Commissions (Income)

Fees and commissions (income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Commissions | ¥4,051 | ¥2,430 | \$34,321 |
| | ¥4,051 | ¥2,430 | \$34,321 |

16. Other Operating Income

Other operating income for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Foreign exchange gains | ¥— | ¥ 4 | \$— |
| | ¥— | ¥ 4 | \$— |

17. Other Ordinary Income

Other ordinary income for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Reversal of allowance for loan losses | ¥47,133 | ¥17,699 | \$399,266 |
| Gains on sales of equities and other securities | 1,508 | 2,979 | 12,778 |
| Gains on money held in trust | 1,350 | 966 | 11,437 |
| Other | 12,333 | 12,135 | 104,480 |
| | ¥62,325 | ¥33,782 | \$527,961 |

18. Fees and Commissions (Expenses)

Fees and commissions (expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Wire transfer service charges | ¥ 5 | ¥ 5 | \$ 49 |
| Commissions | 59 | 49 | 505 |
| | ¥65 | ¥54 | \$554 |

19. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Foreign exchange losses | ¥ 129 | ¥ 3 | \$ 1,100 |
| Bonds and notes issuance costs | 1,521 | 777 | 12,887 |
| Losses on derivative instruments | 30 | 687 | 260 |
| Other | 356 | 268 | 3,024 |
| | ¥2,038 | ¥1,737 | \$17,271 |

20. Other Ordinary Expenses

Other ordinary expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Provision for investment losses | ¥ 112 | ¥10,802 | \$ 953 |
| Write-off of Loans | 2,982 | 5,350 | 25,263 |
| Losses on sales of equities and Other securities | 1 | — | 9 |
| Write-off of equities | 47,713 | 1,568 | 404,179 |
| Losses on money held in trust | 0 | 0 | 8 |
| Other | 10,635 | 2,646 | 90,092 |
| | ¥61,445 | ¥20,368 | \$520,504 |

Notes: Losses on sale of loans included in "Other" are ¥890 million (\$7,540 thousand) and ¥591 million for the fiscal years ended March 31, 2007 and 2006, respectively.

21. Losses on Impairment of Fixed Assets

Losses on impairment of fixed assets for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Losses on impairment of fixed assets | ¥— | ¥337 | \$— |
| | ¥— | ¥337 | \$— |

The differences between the recoverable amount and the book value of the following assets were recognized as losses on impairment of fixed assets in the fiscal year ended March 31, 2006

| Principal purpose of use | Type | Area | Losses (Millions of yen) |
|--------------------------|-------------------------|---------------------|--------------------------|
| Idle assets | Land and premises, etc. | Nagano prefecture | ¥ 4 |
| | | Kanagawa prefecture | 332 |

DBJ recognize losses on impairment of fixed assets for idle assets. For the purpose of identifying impaired assets in such cases, the individual asset is assessed as a unit. The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the appraisal value less estimated cost of disposal.

22. Employee Retirement Benefits

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

(a) The funded status of the pension plans is as follows:

| At March 31 | | Millions of yen | | Thousands of U.S. dollars |
|---|---------------------|------------------|------------------|---------------------------|
| | | 2007 | 2006 | 2007 |
| Projected Benefit Obligation | (A) | ¥(44,460) | ¥(45,000) | \$(376,621) |
| Fair Value of Plan Assets | (B) | 14,902 | 14,112 | 126,235 |
| Unfunded Pension Obligation | (C)=(A)+(B) | (29,558) | (30,887) | (250,386) |
| Unrecognized Net Obligation at Transition | (D) | — | — | — |
| Unrecognized Net Actuarial Gains/Losses | (E) | — | — | — |
| Unrecognized Prior Service Cost | (F) | — | — | — |
| Net Amount Recognized on the Balance Sheet | (G)=(C)+(D)+(E)+(F) | (29,558) | (30,887) | (250,386) |
| Prepaid Pension Cost | (H) | — | — | — |
| Allowance for Employee Retirement Benefits | (G)-(H) | ¥(29,558) | ¥(30,887) | \$(250,386) |

Notes: The above Projected Benefit Obligations include a portion in which the pension fund manages on behalf of the Japanese Government welfare program.

(b) Component of Pension Cost

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Service Cost | ¥1,400 | ¥1,417 | \$11,866 |
| Interest Cost | 897 | 880 | 7,606 |
| Expected Return on Plan Assets | (493) | (119) | (4,184) |
| Amortization of Prior Service Cost | — | — | — |
| Amortization of Net Actuarial Gains/Losses | (861) | (1,315) | (7,302) |
| Amortization of Net Obligation at Transition | — | — | — |
| Other Costs | — | — | — |
| Net Pension Cost | ¥ 942 | ¥ 864 | \$ 7,986 |

(c) Principal Assumptions Used

| At March 31 | 2007 | 2006 |
|---|--|--|
| Discount Rate | 2.0% | 2.0% |
| Expected Rate of Return on Plan Assets | 3.50% | 1.0% |
| Method of Attributing the Projected Benefits to Periods of Services | Straight-line basis | Straight-line basis |
| Amortization Period of Actuarial Gains/Losses | Gains/losses are charged to income immediately | Gains/losses are charged to income immediately |

23. Lease Transactions**(a) Finance Lease Transactions**

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

| At March 31 | Millions of yen | | | | | |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Equipment | Others | Total | Equipment | Others | Total |
| Acquisition Cost Equivalents | ¥ 724 | ¥ 277 | ¥1,002 | ¥ 773 | ¥ 277 | ¥1,051 |
| Less—Accumulated Depreciation Equivalents | (430) | (151) | (582) | (362) | (127) | (490) |
| Book Value Equivalents | ¥ 294 | ¥ 125 | ¥ 419 | ¥ 410 | ¥ 149 | ¥ 560 |

| At March 31 | Thousands of U.S. dollars | | |
|---|---------------------------|----------------|----------------|
| | Equipment | Others | Total |
| Acquisition Cost Equivalents | \$6,141 | \$2,347 | \$8,488 |
| Less—Accumulated Depreciation Equivalents | (3,650) | (1,281) | (4,931) |
| Book Value Equivalents | \$2,491 | \$1,066 | \$3,557 |

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

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Due in One Year or Less | ¥215 | ¥227 | \$1,825 |
| Due after One Year | 210 | 339 | 1,786 |
| | ¥426 | ¥566 | \$3,611 |

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2007 amount to ¥246 million (\$2,084 thousand), ¥237 million (\$2,014 thousand) and ¥8 million (\$70 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2006 are ¥305 million, ¥296 million and ¥10 million, respectively.

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

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2007 and 2006.

24. Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities as of March 31, 2007 and 2006 consisted of the following:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Deferred Tax Assets: | | | |
| Net Losses Carryforwards | ¥ — | ¥ 180 | \$ — |
| Enterprise Tax Payable | 57 | 0 | 484 |
| Allowance for Investment Losses | 259 | 142 | 2,195 |
| Losses on Available-for-sale Securities | 406 | — | 3,443 |
| Other | 51 | 62 | 438 |
| Sub Total | 774 | 386 | 6,560 |
| Less—Valuation Allowance | (767) | (386) | (6,500) |
| Total Deferred Tax Assets | ¥ 7 | ¥ 0 | \$ 60 |
| Deferred Tax Liabilities: | | | |
| Net Unrealized Gain on | | | |
| Available-for-sale Securities | (66) | (29) | (565) |
| Other | 0 | (20) | 0 |
| Total Deferred Tax Liabilities | (66) | (50) | (565) |
| Net Deferred Tax Assets (Liabilities) | ¥ (59) | ¥ (50) | \$ (505) |

25. Segment Information

(a) Segment Information by Type of Business

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

(b) Segment Information by Geographic Area

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

(c) Ordinary Income from Overseas Entities

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

26. Derivative Transactions

1. Details Related to Transactions

(a) Details of Transactions

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

(b) Policy for Derivative Transactions

DBJ utilizes interest rate swaps, currency swaps and forward foreign exchange contracts to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates, and does not hold or issue derivative financial instruments for trading purposes. DBJ also utilizes credit default swaps as part of its “acceptances and guarantees on customers’ debt” business within the limit of a certain definite amount of risk.

(c) Purposes of Transaction

DBJ utilizes interest rate swaps to reduce its exposure to the risk of interest rate fluctuations associated with funding transactions, and foreign currency swaps to reduce its exposure to the risks of foreign currency exchange rate fluctuations associated with its loans and bonds denominated in foreign currencies. DBJ also utilizes credit default swaps as part of its “acceptances and guarantees on customers’ debt” business.

DBJ adopted the Japanese accounting standards for hedge accounting to interest rate swaps and foreign currency swaps as described below:

(i) Hedge Accounting

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

(ii) Hedging Instruments and Hedged Items

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

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rate and foreign currency fluctuations of the hedged assets and liabilities.

(iv) Evaluation of Hedge Effectiveness

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

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

^{*1}

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

^{*2}

In cases where foreign currency swap are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner;

1) If a foreign currency swap is executed to hedge an 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 operations in the period which includes the inception date, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

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

(d) Risks Involved in Derivatives Transactions

Derivatives involve the following risks:

(i) Market Risk

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

(ii) Credit Risk

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

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

(e) Risk Management Policies for Derivatives

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

(f) Supplementary explanation on Market Value of Derivatives

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

2. Information on Market Value of Derivatives

The market values of derivatives at March 31, 2007 and 2006 are as follows:

(a) Interest Rate-related Transactions

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

| Millions of yen | | | | |
|-------------------------|----------------|---------------|------------------|---------------------------|
| 2006 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Swaps | | | | |
| Receive Fixed/Pay Float | ¥1,604,155 | ¥1,504,155 | ¥(44,226) | ¥(44,226) |
| Receive Float/Pay Fixed | 1,604,155 | 1,504,155 | 37,654 | 37,654 |
| | ¥ — | ¥ — | ¥ (6,572) | ¥ (6,572) |

| Thousands of U.S. dollars | | | | |
|---------------------------|----------------|---------------|--------------------|---------------------------|
| 2007 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Swaps | | | | |
| Receive Fixed/Pay Float | \$15,784,507 | \$15,360,957 | \$(114,011) | \$(114,011) |
| Receive Float/Pay Fixed | 15,784,507 | 15,360,957 | 35,741 | 35,741 |
| | \$ — | \$ — | \$ (78,270) | \$ (78,270) |

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations. Derivative transactions qualifying for hedge accounting are excluded from the tables above.

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

(b) Currency-related Transactions

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

| Millions of yen | | | | |
|------------------|----------------|---------------|--------------|---------------------------|
| 2006 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Swaps | ¥ — | ¥ — | ¥ — | ¥ — |
| Forwards | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Bought | — | — | — | — |
| | ¥ — | ¥ — | ¥ — | ¥ — |

| Thousands of U.S. dollars | | | | |
|---------------------------|----------------|---------------|--------------|------------------------|
| 2007 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Swaps | \$ — | \$ — | \$ — | \$ — |
| Forwards | | | | |
| Sold | \$ — | \$ — | \$ — | \$ — |
| Bought | 20,418 | — | 450 | 450 |
| | \$ — | \$ — | \$450 | \$450 |

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations. Derivative transactions qualifying for hedge accounting are excluded from the tables above.

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

(f) Credit Derivatives Transactions

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

| Millions of yen | | | | |
|---------------------|----------------|---------------|--------------|------------------------|
| 2006 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Credit Default Swap | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Bought | — | — | — | — |
| | ¥ — | ¥ — | ¥ — | ¥ — |

| Thousands of U.S. dollars | | | | |
|---------------------------|----------------|---------------|----------------|------------------------|
| 2007 | | | | |
| At March 31 | Contract Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Over one year | | |
| Over-the-Counter | | | | |
| Credit Default Swap | | | | |
| Sold | \$5,911,714 | \$5,911,714 | \$1,109 | \$1,109 |
| Bought | 4,911,714 | 4,911,714 | 1,102 | 1,102 |
| | \$ — | \$ — | \$2,211 | \$2,211 |

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations.

2. Market values are based on the counterparties' tendered price.

3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

27. Market Value of Securities and Money Held in Trust

Market value of Securities and Money held in Trust as of March 31, 2007 and 2006 are summarized below. The information about investments in subsidiaries and affiliates with market value is reported in the notes to non-consolidated financial statements.

1. Securities

(a) Trading Securities

Not applicable

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

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

| At March 31 | Millions of yen | | | | |
|---------------------------------|-----------------|----------------|------------------------|-------------|---------------|
| | 2006 | | | | |
| | Book Value | Market Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| Japanese Government Bonds | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Japanese Local Government Bonds | — | — | — | — | — |
| Short-term Corporate Bonds | — | — | — | — | — |
| Corporate Bonds | 43,230 | 43,089 | (140) | 185 | (326) |
| Other | — | — | — | — | — |
| | ¥ 43,230 | ¥43,089 | ¥(140) | ¥185 | ¥(326) |

| At March 31 | Thousands of U.S. dollars | | | | |
|---------------------------------|---------------------------|------------------|------------------------|----------------|----------------|
| | 2007 | | | | |
| | Book Value | Market Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| Japanese Government Bonds | \$ — | \$ — | \$ — | \$ — | \$ — |
| Japanese Local Government Bonds | — | — | — | — | — |
| Short-term Corporate Bonds | — | — | — | — | — |
| Corporate Bonds | 375,095 | 376,609 | 1,514 | 2,390 | (876) |
| Other | — | — | — | — | — |
| | \$375,095 | \$376,609 | \$1,514 | \$2,390 | \$(876) |

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

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

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

| Millions of yen | | | | | |
|---------------------------------|------------------|-------------------|------------------------|------------|-----------------|
| 2006 | | | | | |
| At March 31 | Acquisition Cost | Market/Book Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| Equities | ¥ 110 | ¥ 95 | ¥ (15) | ¥— | ¥ (15) |
| Bonds | 194,226 | 192,543 | (1,683) | 32 | (1,715) |
| Japanese Government Bonds | 191,226 | 189,645 | (1,580) | 32 | (1,613) |
| Japanese Local Government Bonds | — | — | — | — | — |
| Short-term Corporate Bonds | — | — | — | — | — |
| Corporate Bonds | 3,000 | 2,897 | (102) | — | (102) |
| Other | — | — | — | — | — |
| | ¥194,337 | ¥192,638 | ¥(1,698) | ¥32 | ¥(1,730) |

| Thousands of U.S. dollars | | | | | |
|---------------------------------|--------------------|--------------------|------------------------|------------------|------------------|
| 2007 | | | | | |
| At March 31 | Acquisition Cost | Market/Book Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| Equities | \$ 155,657 | \$ 270,535 | \$114,878 | \$115,351 | \$ (473) |
| Bonds | 1,091,929 | 1,090,069 | (1,860) | 2,396 | (4,256) |
| Japanese Government Bonds | 1,024,161 | 1,022,494 | (1,667) | 2,396 | (4,063) |
| Japanese Local Government Bonds | — | — | — | — | — |
| Short-term Corporate Bonds | — | — | — | — | — |
| Corporate Bonds | 67,768 | 67,575 | (193) | — | (193) |
| Other | — | — | — | — | — |
| | \$1,247,586 | \$1,360,604 | \$113,018 | \$117,747 | \$(4,729) |

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

(d) Held-to-maturity Debt Securities sold

| | | Millions of yen | | |
|------------------------------------|--|-------------------------|---------------------|--------------------------|
| | | 2007 | | |
| For the Fiscal Year ended March 31 | | Cost of securities sold | Proceeds from sales | Net Gain (Loss) on sales |
| Corporate Bonds | | ¥— | ¥— | ¥— |
| | | ¥— | ¥— | ¥— |

| | | Millions of yen | | |
|------------------------------------|--|-------------------------|---------------------|--------------------------|
| | | 2006 | | |
| For the Fiscal Year ended March 31 | | Cost of securities sold | Proceeds from sales | Net Gain (Loss) on sales |
| Corporate Bonds | | ¥349 | ¥349 | ¥— |
| | | ¥349 | ¥349 | ¥— |

| | | Thousands of U.S. dollars | | |
|------------------------------------|--|---------------------------|---------------------|--------------------------|
| | | 2007 | | |
| For the Fiscal Year ended March 31 | | Cost of securities sold | Proceeds from sales | Net Gain (Loss) on sales |
| Corporate Bonds | | \$— | \$— | \$— |
| | | \$— | \$— | \$— |

(e) Available-for-sale Securities sold

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

| | | Millions of yen | | |
|------------------------------------|--|---------------------|-------------------------------|-------------------------------|
| | | 2006 | | |
| For the Fiscal Year ended March 31 | | Proceeds from Sales | Total amount of Gain on Sales | Total amount of Loss of Sales |
| Available-for-sale Securities | | ¥13,096 | ¥2,982 | ¥3 |
| | | ¥13,096 | ¥2,982 | ¥3 |

| | | Thousands of U.S. dollars | | |
|------------------------------------|--|---------------------------|-------------------------------|-------------------------------|
| | | 2007 | | |
| For the Fiscal Year ended March 31 | | Proceeds from Sales | Total amount of Gain on Sales | Total amount of Loss of Sales |
| Available-for-sale Securities | | \$37,042 | \$13,072 | \$295 |
| | | \$37,042 | \$13,072 | \$295 |

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

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Held-to-maturity Debt Securities | | | |
| Unlisted Corporate Bonds | ¥ 15,620 | ¥ 783 | \$ 132,324 |
| Available-for-sale Securities | | | |
| Unlisted Equities | 91,430 | 139,495 | 774,511 |
| Unlisted Corporate Bonds | 21,496 | — | 182,095 |
| Other | 98,344 | 56,873 | 833,078 |
| | ¥226,890 | ¥197,152 | \$1,922,008 |

(g) Change in Classification of Securities

Not applicable

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

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

| At March 31 | Millions of yen | | | |
|---------------------------------|-----------------|----------------|----------------|--------------------|
| | 2006 | | | |
| | Maturity | | | |
| | Within 1 year | 1 to 5 years | 5 to 10 years | More than 10 years |
| Bonds | ¥ 99,154 | ¥80,340 | ¥54,165 | ¥2,897 |
| Japanese Government Bonds | 90,120 | 50,360 | 49,165 | — |
| Japanese Local Government Bonds | — | — | — | — |
| Short-term Corporate Bonds | — | — | — | — |
| Corporate Bonds | 9,033 | 29,980 | 5,000 | 2,897 |
| Other | 2,049 | — | — | — |
| | ¥101,203 | ¥80,340 | ¥54,165 | ¥2,897 |

| At March 31 | Thousands of U.S. dollars | | | |
|---------------------------------|---------------------------|------------------|------------------|--------------------|
| | 2007 | | | |
| | Maturity | | | |
| | Within 1 year | 1 to 5 years | 5 to 10 years | More than 10 years |
| Bonds | \$365,789 | \$788,327 | \$591,778 | \$33,884 |
| Japanese Government Bonds | 169,382 | 428,424 | 424,689 | — |
| Japanese Local Government Bonds | — | — | — | — |
| Short-term Corporate Bonds | 25,382 | — | — | — |
| Corporate Bonds | 171,025 | 359,903 | 167,089 | 33,884 |
| Other | — | — | — | — |
| | \$365,789 | \$788,327 | \$591,778 | \$33,884 |

2. Money Held in Trust

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

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

| | Millions of yen | | | | |
|---------------------------|------------------|-------------------|------------------------|------|--------|
| | 2006 | | | | |
| | Acquisition Cost | Market/Book Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| At March 31 | | | | | |
| Other Money Held in Trust | ¥28,422 | ¥28,422 | ¥— | ¥— | ¥— |

| | Thousands of U.S. dollars | | | | |
|---------------------------|---------------------------|-------------------|------------------------|-------|---------|
| | 2007 | | | | |
| | Acquisition Cost | Market/Book Value | Unrealized Gain (Loss) | | |
| | | | Net | Gain | (Loss) |
| At March 31 | | | | | |
| Other Money Held in Trust | \$769,478 | \$769,212 | \$(266) | \$498 | \$(764) |

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2007 | 2006 | 2007 |
| At March 31 | | | |
| Net Unrealized Gain | | | |
| Available-for-sale Securities | ¥21,696 | ¥3,453 | \$183,788 |
| Other Money Held in Trust | (62) | — | (524) |
| Add: Deferred Tax Assets | | | |
| (Less: Deferred Tax Liabilities) | (66) | (29) | (565) |
| | ¥21,566 | ¥3,423 | \$182,689 |
| Amount corresponding to Minority Interests | (26) | (8) | (226) |
| Net Unrealized Gain on Available-for-sale Securities, Net of Taxes | ¥21,539 | ¥3,415 | \$182,463 |

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

Report of Independent Auditors

Misuzu Audit Corporation

A network firm of

PRICEWATERHOUSECOOPERS 

Misuzu Audit Corporation
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Report of Independent Auditors

To the Governor of
Development Bank of Japan

We have audited the accompanying non-consolidated balance sheets of Development Bank of Japan as of March 31, 2007 and 2006, and the related non-consolidated statements of operations, changes in net assets for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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 non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Development Bank of Japan and its subsidiaries as of March 31, 2007 and 2006, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

Misuzu Audit Corporation
Tokyo, Japan
June 26, 2007

Non-Consolidated Balance Sheets

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Assets | | | |
| Cash and Due from banks | ¥ 34,110 | ¥ 27,804 | \$ 288,953 |
| Reverse Repurchase Agreements (Note 3(3)) | 223,829 | 150,003 | 1,896,059 |
| Money Held in Trust | 27,836 | 28,422 | 235,805 |
| Securities (Notes 3 and 10) | 366,469 | 429,587 | 3,104,358 |
| Loans (Note 4) | 12,146,462 | 12,873,226 | 102,892,524 |
| Other Assets (Note 5) | 53,740 | 203,545 | 455,234 |
| Tangible Fixed Assets (Note 6) | 35,763 | 36,161 | 302,955 |
| Intangible Fixed Assets (Note 6) | 0 | 1 | 6 |
| Deferred Charges on Bonds and Notes | — | 2,610 | — |
| Customers' Liabilities for Acceptances and Guarantees | 334,965 | 161,567 | 2,837,486 |
| Allowance for Loan Losses (Note 7) | (146,742) | (199,702) | (1,243,050) |
| Allowance for Investment Losses | (2,456) | (31,111) | (20,811) |
| Total Assets | ¥13,073,980 | ¥13,682,117 | \$110,749,518 |

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Liabilities and Net Assets | | | |
| Liabilities | | | |
| Bonds and Notes | ¥ 2,671,644 | ¥ 2,261,799 | \$ 22,631,468 |
| Borrowings | 7,862,935 | 9,004,474 | 66,606,826 |
| Other Liabilities (Note 8) | 191,683 | 211,045 | 1,623,746 |
| Allowance for Bonus Payments | 1,617 | 1,658 | 13,703 |
| Allowance for Employee Retirement Benefits | 29,558 | 30,887 | 250,386 |
| Acceptances and Guarantees (Note 9) | 334,965 | 161,567 | 2,837,486 |
| Total Liabilities | ¥11,092,404 | ¥11,671,432 | \$ 93,963,615 |
| Net Assets | | | |
| Capital | ¥ 1,272,286 | ¥ 1,272,286 | \$ 10,777,518 |
| Retained Earnings (Note 11) | 810,163 | 734,997 | 6,862,883 |
| Other Retained Earnings | 810,163 | 734,997 | 6,862,883 |
| Statutory Reserve | 1,076,594 | 1,068,918 | 9,119,816 |
| Accumulated Deficit | (266,430) | (333,921) | (2,256,933) |
| Total Equity | ¥ 2,082,449 | ¥ 2,007,283 | \$ 17,640,401 |
| Net Unrealized Gain on Available-for-sale Securities | ¥ 21,493 | ¥ 3,401 | \$ 182,072 |
| Net Deferred Hedge Losses on hedges (Note 5) | (122,367) | — | (1,036,570) |
| Total Revaluation and Translation Adjustments | (100,873) | 3,401 | (854,498) |
| Total Net Assets | ¥ 1,981,575 | ¥ 2,010,684 | \$ 16,785,903 |
| Total Liabilities and Net Assets | ¥13,073,980 | ¥13,682,117 | \$110,749,518 |

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Operations

| For the Fiscal Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Revenue | | | |
| Interest Income | ¥329,710 | ¥367,824 | \$2,792,976 |
| Interest on Loans | 326,472 | 365,949 | 2,765,547 |
| Interest and Dividends on Securities | 2,449 | 1,864 | 20,751 |
| Interest on Reverse Repurchase Agreements | 707 | 6 | 5,992 |
| Interest on Due from banks | 80 | 4 | 679 |
| Other Interest Income | 0 | 0 | 7 |
| Fees and Commissions (Note 12) | 3,405 | 2,430 | 28,849 |
| Other Operating Income (Note 13) | — | 4 | — |
| Other Ordinary Income (Note 14) | 59,989 | 33,277 | 508,175 |
| Collection of Written-off Claims | 5,875 | 7,414 | 49,769 |
| Gains on Sales of Fixed Assets | 0 | 653 | 2 |
| Total Revenue | ¥398,982 | ¥411,604 | \$3,379,771 |
| Expenses | | | |
| Interest Expense | ¥236,720 | ¥271,421 | \$2,005,256 |
| Interest on Bonds and Notes | 33,973 | 30,920 | 287,792 |
| Interest on Borrowings | 179,674 | 221,070 | 1,522,017 |
| Interest on Swaps (net) | 23,067 | 19,383 | 195,407 |
| Other Interest Expense | 4 | 47 | 40 |
| Fees and Commissions (Note 15) | 65 | 54 | 554 |
| Other Operating Expenses (Note 16) | 2,025 | 1,737 | 17,155 |
| General and Administrative Expenses | 25,015 | 25,602 | 211,902 |
| Other Ordinary Expenses (Note 17) | 59,933 | 19,758 | 507,695 |
| Losses on Impairment of Fixed Assets (Note 18) | — | 337 | — |
| Losses on Sales of Fixed Assets | 56 | 12 | 478 |
| Total Expenses | ¥323,815 | ¥318,924 | \$2,743,041 |
| Net Earnings | ¥ 75,166 | ¥ 92,679 | \$ 636,730 |

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Changes in Net Assets

| | Millions of yen | | | | | | | |
|---|-------------------|-------------------|---------------------|-------------------|---|-------------------------------------|---|-------------------|
| | Equity | | | | Revaluation and translation adjustments | | | |
| | Retained Earnings | | | Total Equity | Net Unrealized Gain (Loss) on Available-for-sale Securities | Net Deferred Hedge Losses on hedges | Total Revaluation and Translation Adjustments | Total Net Assets |
| | Capital | Statutory Reserve | Accumulated Deficit | | | | | |
| For the Fiscal Year ended March 31, 2006 | | | | | | | | |
| Balance at March 31, 2005 | ¥1,215,461 | ¥1,027,021 | ¥(374,067) | ¥1,868,415 | ¥ 6,662 | ¥— | ¥ 6,662 | ¥1,875,077 |
| Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11) | — | 41,896 | (41,896) | — | — | — | — | — |
| Net Earnings | — | — | 92,679 | 92,679 | — | — | — | 92,679 |
| Net Changes in Items other than Equity | 56,825 | — | (10,636) | 46,189 | (3,261) | — | (3,261) | 42,928 |
| Balance at March 31, 2006 | ¥1,272,286 | ¥1,068,918 | ¥(333,921) | ¥2,007,283 | ¥ 3,401 | ¥— | ¥ 3,401 | ¥2,010,684 |

| | Millions of yen | | | | | | | |
|---|-------------------|-------------------|---------------------|-------------------|---|-------------------------------------|---|-------------------|
| | Equity | | | | Revaluation and translation adjustments | | | |
| | Retained Earnings | | | Total Equity | Net Unrealized Gain (Loss) on Available-for-sale Securities | Net Deferred Hedge Losses on hedges | Total Revaluation and Translation Adjustments | Total Net Assets |
| | Capital | Statutory Reserve | Accumulated Deficit | | | | | |
| For the Fiscal Year ended March 31, 2007 | | | | | | | | |
| Balance at March 31, 2006 | ¥1,272,286 | ¥1,068,918 | ¥(333,921) | ¥2,007,283 | ¥ 3,401 | ¥ — | ¥ 3,401 | ¥2,010,684 |
| Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11) | — | 7,675 | (7,675) | — | — | — | — | — |
| Net Earnings | — | — | 75,166 | 75,166 | — | — | — | 75,166 |
| Net Changes in Items other than Equity | — | — | — | — | 18,092 | (122,367) | (104,275) | (104,274) |
| Balance at March 31, 2007 | ¥1,272,286 | ¥1,076,594 | ¥(266,430) | ¥2,082,449 | ¥21,493 | ¥(122,367) | ¥(100,873) | ¥1,981,575 |

| | Thousands of U.S. dollars | | | | | | | |
|---|---------------------------|--------------------|----------------------|---------------------|---|-------------------------------------|---|---------------------|
| | Equity | | | | Revaluation and translation adjustments | | | |
| | Retained Earnings | | | Total Equity | Net Unrealized Gain (Loss) on Available-for-sale Securities | Net Deferred Hedge Losses on hedges | Total Revaluation and Translation Adjustments | Total Net Assets |
| | Capital | Statutory Reserve | Accumulated Deficit | | | | | |
| For the Fiscal Year ended March 31, 2007 | | | | | | | | |
| Balance at March 31, 2006 | \$10,777,518 | \$9,054,794 | \$(2,828,642) | \$17,003,670 | \$ 28,811 | \$ — | \$ 28,811 | \$17,032,481 |
| Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11) | — | 65,022 | (65,022) | — | — | — | — | — |
| Net Earnings | — | — | 636,730 | 636,730 | — | — | — | 636,730 |
| Net Changes in Items other than Equity | — | — | — | — | 153,262 | (1,036,570) | (883,308) | (883,308) |
| Balance at March 31, 2007 | \$10,777,518 | \$9,119,816 | \$(2,256,933) | \$17,640,401 | \$182,072 | \$(1,036,570) | \$(854,498) | \$16,785,903 |

Accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

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

The financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥118.05=\$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in the conversion. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Securities

Held-to-maturity debt securities are stated at amortized cost, on a straight-line basis, computed using the weighted average method. Investments in subsidiaries are stated at cost computed using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method), and other securities without market quotations are stated at cost or amortized cost computed using the weighted average method. Investments in limited partnerships and other similar partnerships are accounted for at the net amounts of DBJ's underlying interests in their net earnings based on their most recent financial statements.

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

Securities which are held as trust assets in Money Held in Trust accounts are valued in the same way as securities above. Effective in the fiscal year ended March 31, 2006, DBJ applied the accounting treatment for other compound instruments which do not have the ability to increase paid-in capital (Guidelines on Implementation of Business Accounting Standard No. 12 issued by the Accounting Standards Board of Japan on March 30, 2006).

(b) Valuation Method for Derivative Financial Instruments

All derivative financial instruments are carried at market value, except for certain derivatives that are designated as hedging instruments as discussed below.

(c) Hedge Accounting

(i) Hedge Accounting

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

(ii) Hedging Instruments and Hedged Items

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

(iii) Hedging Policy

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

(iv) Evaluation of Hedge Effectiveness

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

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

*1

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

*2

In cases where foreign currency swap are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- 1) If a foreign currency swaps is executed to hedge an existing foreign currency asset or liability, 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 operations in the period which includes the inception date, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- 2) If a foreign currency swap is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(d) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

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

The estimated useful lives are principally as follows:

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

(ii) Amortization of Intangible Fixed Assets

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

(iii) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued “the Accounting Standard for Impairment of Fixed Assets”. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses shall be recognized in the statement of operations by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

DBJ has applied this standard from the fiscal year beginning April 1, 2005. In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law for long term credit banks and the accumulated impairment losses are also deducted from the book value of each asset.

(e) Amortization of deferred charges

“Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” and “Premium on Bonds and Notes”, included in “Other Assets” on non-consolidated balance sheets respectively are amortized under the straight-line method over the term of bonds and notes, and “Bonds and Notes Issuance Costs” are charged to income as incurred.

Although, the new standard, “Tentative Solution on Accounting for Deferred Assets” (ASBJ Report No. 19, August 11, 2006), is effective from the year ended March 31, 2007, discounts and premium on bonds and notes as of March 31, 2007 are amortized under the straight-line method over the term of the bonds and notes continuously by applying the tentative measure stipulated in this standard.

In accordance with the partial revision of “Accounting Standards for Financial Instruments” (the Business Accounting Deliberation Council, January 22, 1999) as of August 11, 2006(ASBJ Statement No. 10) and the application effective from the fiscal year and interim period ending upon or after the public announcement of such, DBJ adopted the revised accounting standard commencing in this fiscal year, and “Bonds and Notes” were stated at amortized cost (straight line method). As a result, “Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” decreased ¥3,951 million (\$33,475 thousand), and “Premium on Bonds and Notes”, included in “Other Assets” decreased ¥1,632 million (\$13,828 thousand), and “Bonds and Notes” increased and decreased such amounts.

(f) Foreign currency translation and revaluation method

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

(g) Allowance for Loan Losses

DBJ provides for "Allowance for Loan Losses" as detailed below pursuant to the internal policies for self-assessment of credit quality and loan losses.

The allowance for claims on debtors who are legally bankrupt, in special liquidation or effectively bankrupt is provided for based on the amount of claims, after the write-off described below, net of amounts expected to be collected through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but likely to become bankrupt for which future cash flows cannot reasonably be estimated, is provided for at the amount considered to be necessary based on an overall solvency assessment performed on the claims, net of amounts expected to be collected 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 for based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Risk Management Department, which is independent from the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided based on the results of the self-assessment.

With respect to the claims on debtors who are legally or substantially bankrupt with collateral or guarantees, the amount of claims exceeding the estimated market values of collateral or guarantees which are deemed uncollectible, have been written-off, and totaled ¥56,267 million (\$476,643 thousand) and ¥95,546 million for the years ended March 31, 2007 and 2006, respectively.

The allowance for claims on debtors other than those described above was previously provided for using the estimated probability of default. From the March 31, 2007 fiscal year, the default rate is used to provide for the allowance, which is calculated based on the actual value of default experiences of the company. The calculation method has been changed because the historical data of actual default loans value have been accumulated.

As a result of this change, net earnings increased by ¥18,900 million (\$160,103 thousand).

(h) Allowance for Investment Losses

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

(i) Allowance for Bonus Payments

"Allowance for Bonus Payments" is calculated and provided for based on the estimated amounts of future payment attributable to the services that have been rendered by employees and executive directors to the date of the balance sheets.

(j) Allowance for Employee Retirement Benefits

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

(k) Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those in which the ownership of leased equipment is substantially transferred to the lessee, in which case the equipment is capitalized.

(l) Consumption tax

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

(m) Income taxes

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

(n) Change of Accounting Policy

Effective from the year ended March 31, 2007, DBJ has applied "Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5)", and "Implementaion guidance for Accounting standards for presentation of net assets in the balance sheet (Accounting Standards of Japan Guidance No.8)" both issued by the Accounting Standard Board of Japan on December 9, 2005.

The amounts corresponding to the conventional "Equity" in the non-consolidated balance sheet is ¥2,103,942 million (\$17,822,473 thousand). DBJ presented its net assets in the non-consolidated balance sheet using the new standard as of March 31, 2006, retrospectively.

Furthermore, "Minority Interests" previously presented on the non-consolidated balance sheet between the liabilities section and the equity section is presented in "Net Assets".

Additionally, the non-consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 are presented under the new standard, retrospectively.

3. Securities

Securities as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Japanese Government Bonds | ¥120,705 | ¥189,645 | \$1,022,495 |
| Corporate Bonds | 61,753 | 46,911 | 523,111 |
| Equities | 97,804 | 142,553 | 828,498 |
| Other securities | 86,206 | 50,477 | 730,254 |
| | ¥366,469 | ¥429,587 | \$3,104,358 |

Notes: 1. Investments in subsidiaries and affiliates included in "Equities" as of March 31, 2007 and 2006 are ¥23,809 million (\$201,693 thousand) and ¥7,612 million, respectively.

2. Contingent liabilities for guarantees on corporate bonds, included in securities, which were issued by private placement (Article 2 Paragraph 3 of the Securities and Exchange Law) amounted to ¥130 million (\$1,101 thousand) as of March 31, 2007.

3. There are no securities repledged as of March 31, 2007 and 2006 respectively, although securities accepted under repurchase agreements can be sold or repledged, securities neither sold nor repledged are ¥223, 829 million (\$1,896,058 thousand) and ¥150,003 million, respectively.

4. Non-performing Loans

The amounts of Non-Performing Loans included in "Loans" on the non-consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Loans to Bankrupt Debtors | ¥ 7,562 | ¥ 4,313 | \$ 64,064 |
| Delinquent Loans | 64,065 | 111,720 | 542,696 |
| Loans Past Due Three Months or More | 28 | — | 237 |
| Restructured Loans | 73,624 | 89,301 | 623,672 |
| | ¥145,280 | ¥205,335 | \$1,230,669 |

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of 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 reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, necessary funds up to the pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2007 and 2006 are ¥331,113 million (\$2,804,862 thousand), including ¥97,695 million (\$827,578 thousand) being financed within one year and ¥214,022 million, including ¥53,636 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Prepaid Expenses | ¥ 92 | ¥ 99 | \$ 781 |
| Accrued Income | 48,610 | 52,155 | 411,777 |
| Derivatives | 3,316 | 3,083 | 28,095 |
| Deferred Hedge Losses | — | 146,698 | — |
| Guarantee Deposits | 382 | 380 | 3,242 |
| Other | 1,338 | 1,127 | 11,339 |
| | ¥53,740 | ¥203,545 | \$455,234 |

Notes: 1. Deferred Hedge Losses are net unrealized losses from hedging instruments. The gross amounts of deferred hedge gains and losses before netting are ¥10,138 million and ¥156,837 million as of March 31, 2006, respectively.

2. From the year ended March 31, 2007, Deferred Hedge Losses are reclassified to "Net Assets".

3. From the year ended March 31, 2007, Guarantee Deposits are reclassified from "Premises and Equipment" to "Other Assets". Guarantee Deposits as of March 31, 2006 is presented using the new presentation standard, retrospectively.

6. Fixed Assets

Tangible Fixed Assets and Intangible Fixed Assets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Tangible Fixed Assets | | | |
| Land | ¥20,386 | ¥20,386 | \$172,695 |
| Buildings | 33,809 | 33,802 | 286,400 |
| Equipment | 1,915 | 1,970 | 16,223 |
| Construction in Progress | — | — | — |
| | ¥56,111 | ¥56,159 | \$475,318 |
| Less—Accumulated Depreciation | (20,347) | (19,997) | (172,363) |
| Net Book Value | ¥35,763 | ¥36,161 | \$302,955 |
| Intangible Fixed Assets | | | |
| Other | 11 | 11 | 96 |
| | ¥ 11 | ¥ 11 | \$ 96 |
| Less—Accumulated Amortization | (10) | (10) | (90) |
| Net Book Value | ¥ 0 | ¥ 1 | \$ 6 |

Notes: From the year ended March 31, 2007, Premises and Equipment are reclassified to Tangible and Intangible Fixed Assets. Tangible Assets and Intangible Fixed Assets as of March 31, 2006 are presented using the new presentation standard, retrospectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| General Allowance for Loan Losses | ¥ 97,049 | ¥120,170 | \$ 822,107 |
| Specific Allowance for Loan Losses | 49,692 | 79,532 | 420,943 |
| | ¥146,742 | ¥199,702 | \$1,243,050 |

8. Other Liabilities

Other Liabilities as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Accrued Expenses | ¥ 33,346 | ¥ 33,042 | \$ 282,482 |
| Unearned Income | 17,913 | 19,008 | 151,747 |
| Deposits from Employees | 153 | 150 | 1,300 |
| Derivatives | 133,847 | 156,590 | 1,133,820 |
| Other | 6,421 | 2,253 | 54,397 |
| | ¥191,683 | ¥211,045 | \$1,623,746 |

9. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Guarantees | ¥334,965 | ¥161,567 | \$2,837,486 |
| | ¥334,965 | ¥161,567 | \$2,837,486 |

10. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥120,705 million (\$1,022,494 thousand) as of March 31, 2007 and ¥119,652 million as of March 31, 2006, respectively.

11. Retained Earnings

A portion of net earnings calculated pursuant to Article 4 of the Development Bank of Japan Law ("DBJ Law") was appropriated to provision of Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law. Unappropriated Accumulated deficit, losses carryforwards to the following fiscal years, are the amounts which are not appropriated under the DBJ Law for each fiscal year.

12. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Commissions | ¥3,405 | ¥2,430 | \$28,849 |
| | ¥3,405 | ¥2,430 | \$28,849 |

13. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-----------|---------------------------|
| | 2007 | 2006 | 2007 |
| Foreign Exchange Gains | ¥ — | ¥4 | \$ — |
| | ¥ — | ¥4 | \$ — |

14. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Reversal of Allowance for Loan Losses | ¥47,017 | ¥17,699 | \$398,283 |
| Reversal of Allowance for Investment Losses | 330 | — | 2,801 |
| Gains on Sales of Equities and Other Securities | 776 | 2,718 | 6,576 |
| Gains on Money Held in Trust | 1,350 | 966 | 11,437 |
| Other | 10,515 | 11,892 | 89,078 |
| | ¥59,989 | ¥33,277 | \$508,175 |

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Wire Transfer Service Charges | ¥ 5 | ¥ 5 | \$ 49 |
| Commissions | 59 | 49 | 505 |
| | ¥65 | ¥54 | \$554 |

16. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Foreign Exchange Losses | ¥ 116 | ¥ 3 | \$ 983 |
| Bonds and Notes Issuance Costs | 1,521 | 777 | 12,887 |
| Losses on derivative instruments | 30 | 687 | 261 |
| Other | 356 | 268 | 3,024 |
| | ¥2,025 | ¥1,737 | \$17,155 |

17. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Provision for Investment Losses | ¥ — | ¥10,710 | \$ — |
| Write-off of Loans | 2,982 | 5,350 | 25,263 |
| Losses on Sales of Equities and Other Securities | 1 | — | 9 |
| Write-off of Equities | 47,713 | 1,568 | 404,179 |
| Losses on Money Held in Trust | 0 | 0 | 8 |
| Other | 9,235 | 2,127 | 78,236 |
| | ¥59,933 | ¥19,758 | \$507,695 |

18. Losses on Impairment of Fixed Assets

Losses on Impairment of Fixed Assets for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Losses on Impairment of Fixed Assets | ¥— | ¥337 | \$— |
| | ¥— | ¥337 | \$— |

The differences between the recoverable amount and the book value of the following assets were recognized as Losses on Impairment of Fixed Assets in the fiscal year ended March 31, 2006

| Principal purpose of use | Type | Area | Losses (Millions of yen) |
|--------------------------|-------------------------|---------------------|--------------------------|
| Idle assets | Land and premises, etc. | Nagano prefecture | ¥ 4 |
| | | Kanagawa prefecture | 332 |

DBJ recognize Losses on Impairment of Fixed Assets for idle assets. For the purpose of identifying impaired assets in such cases, the individual asset is assessed as a unit. The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the appraisal value less estimated cost of disposal.

19. Lease Transactions

(a) Finance Lease Transactions

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

| | Millions of yen | | | | | |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|
| | 2007 | | | 2006 | | |
| At March 31 | Equipment | Others | Total | Equipment | Others | Total |
| Acquisition Cost Equivalents | ¥ 716 | ¥ 273 | ¥ 990 | ¥ 765 | ¥ 273 | ¥1,039 |
| Less—Accumulated Depreciation Equivalents | (427) | (149) | (576) | (361) | (126) | (487) |
| Book Value Equivalents | ¥ 289 | ¥ 124 | ¥ 413 | ¥ 404 | ¥ 147 | ¥ 551 |

| | Thousands of U.S. dollars | | |
|---|---------------------------|-----------------|-----------------|
| | 2007 | | |
| At March 31 | Equipment | Others | Total |
| Acquisition Cost Equivalents | \$ 6,071 | \$ 2,316 | \$ 8,387 |
| Less—Accumulated Depreciation Equivalents | (3,622) | (1,264) | (4,886) |
| Book Value Equivalents | \$ 2,449 | \$ 1,052 | \$ 3,501 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| At March 31 | | | |
| Due in One Year or Less | ¥212 | ¥224 | \$1,803 |
| Due after One Year | 206 | 332 | 1,751 |
| | ¥419 | ¥557 | \$3,554 |

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2007 amount to ¥243 million (\$2,061 thousand), ¥235 million (\$1,992 thousand) and ¥8 million (\$69 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2006 are ¥303 million, ¥293 million and ¥10 million, respectively.

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

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

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2007 and 2006.

20. Market Value of Securities

Market value of Securities, excluding investments in subsidiaries and affiliates, is reported in the notes to consolidated financial statements. DBJ holds no investments in subsidiaries with market value as of March 31, 2007 and 2006.

V. Capital Adequacy Status

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

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

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

[1] Capital Adequacy Ratio Status (Consolidated)

Settlement of the consolidated accounts for the 8th business term.

Qualitative Disclosure

| | |
|--|--|
| 1. Scope of Consolidation | <p>The DBJ's consolidated capital adequacy ratio is calculated for the corporate group, as stipulated in Article 3 and Article 26 of the Capital Adequacy Ratio Notification (hereinafter, the "Consolidated Group"). For companies that belong to the Consolidated Group, no differences exist in the wording of the consolidated financial statements or regulations pertaining to shares and preparation methods (Ministry of Finance Directive No. 28 of 1976 (hereinafter, the "Consolidated Financial Statement Regulations") of companies included in the scope of consolidation. The Consolidated Group has nine consolidated subsidiaries, including New Business Investment Co., Ltd., (invests in unlisted venture companies) and DBJ Credit Line Ltd. (acquires beneficial interests in trust, operates and directs trusts on a commissioned basis, etc.).</p> <p>No affiliated companies conduct financial business to which Article 9 or Article 32 of the Capital Adequacy Ratio Notification applies; no companies are subject to exclusion items under Item 2 (a) to (c), Paragraph 1, Article 8, of this Notification; and no companies conduct business in accordance with Item 11, Paragraph 1, Article 16-2 of the Banking Law of Japan (Law No. 59 of 1981, hereinafter, the "Law") or in accordance with Item 12 of this Paragraph that do not belong to the Consolidated Group.</p> <p>No companies in the Consolidated Group are undercapitalized, and at the present no particular restrictions are in place to limit the movement of assets or capital.</p> |
| 2. Overview of Fund-Raising Methods | All capital is funded by the government of Japan |
| 3. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Consolidated Group | Regarding the degree of capital adequacy, the Consolidate Group quantifies credit risk, interest rate risk and operational risk, compares the total risk amount with total capital and measures the capital surplus. This surplus enables the Consolidated Group to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions. |
| 4. Credit Risk | <p>(a) Overview of Risk Management Policies and Procedures</p> <p>Credit risk refers to the risk of loss to the Bank resulting from the decline in or disappearance of the value of credit assets, owing to the worsening credit standing of clients for loans or debt guarantees. These risks include expected losses (UL), or losses that on average can be expected to occur within a certain measurement period; and unexpected losses (UL), which go extend beyond the boundaries of losses that, on average, are expected within a period of time. The Bank periodically compares UL and capital to measure the amount of capital in surplus.</p> <p>(b) Rating Agencies Eligible to Weight Risks</p> <p>The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the type of exposure.</p> <p>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).</p> |
| 5. Overview of Risk Management Policies and Procedures for Reducing Credit Risk | <p>In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation.</p> <p>In principal, collateral valuation is performed by the Credit Analysis Department, based on the request of investment and loan departments/offices. Investment and loan departments/offices and the Credit Analysis Department manage credit risk based on valuation results. In principle, the valuation of all collateral property is reviewed once or twice each year to ensure the Bank is aware of the current status of its collateral property.</p> |

| | |
|--|---|
| 6. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties in Derivative Product Transactions and Transactions with Long Settlement Periods | <p>The Bank regularly refers to the ratings and credit amounts of transaction counterparties to determine the advisability of entering a transaction or to understand the risks of existing transactions.</p> |
| 7. Securitization Exposure | <p>(a) Overview of Risk Management Policies and Procedures Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Different from the internal ratings that are applied to standard corporate credit, this exposure is given a rating by using a grading system applied to match the characteristics of specialized lending. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically.</p> <p>The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity.</p> <p>(b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations.</p> <p>(c) Method of Accounting for Securitization Transactions Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds.</p> <p>(d) Rating Agencies Eligible to Weight Risks by Type of Securitization The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to investment type.</p> <p>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).</p> |
| 8. Market Risk | <p>In accordance with Article 4 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable.</p> |
| 9. Operational risk | <p>(a) Overview of Risk Management Policies and Procedures DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing.</p> <p>The Bank establishes its management structure and basic risk management policy pertaining to management methods after considering the wide range of operational risks that it potentially faces, such as operational risk, systems risk, legal risk, human risk and tangible asset risk.</p> <p>The Bank designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, remaining aware of risks and creating risk databases.</p> <p>In line with the increasing level of sophistication and complexity of the financial business, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks.</p> <p>(b) Method Used to Calculate Operational Risk Equivalent Amount The Bank uses the basic indicator approach to calculate these risks.</p> |
| 10. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book | <p>The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or financial conditions or to fluctuations in the market environment. For newly acquired exposure, DBJ considers the balance between investment risk and potential return in each field of investment. Thereafter, the Bank regularly conducts performance evaluations on its exposure.</p> |

11. Interest Rate Risk on the Banking Book

(a) Overview of Risk Management Policies and Procedures

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

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

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

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

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

<Economic Value Viewpoints>

(i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.0% confidence level

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

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

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

<Profit and Loss Viewpoint>

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

Quantitative Disclosure

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

Not applicable

2. Items Constituting Capital Adequacy

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|---|--|----------------|
| Minority interests | 4,208 | 4,103 |
| Capital | 1,272,286 | 1,272,286 |
| Retained earnings | 809,898 | 734,637 |
| Other | (2,563) | — |
| Total Tier I capital | 2,083,829 | 2,011,027 |
| Total of Tier II stipulated in Article 6 and Article 30 of the Capital Adequacy Ratio Notification, and Tier III stipulated in Article 7 and Article 30 of this same Notification | 106,668 | |
| Total of deductions from capital stipulated in Article 8 and Article 30 of the Capital Adequacy Ratio Notification | 18,897 (The amount for deductions from capital includes all "capital deductions for securitization exposure" stipulated in Item 1, Article 247, of this Notification) | |

3. Items Related to Capital Adequacy Level

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--|---|----------------|
| (a) Capital requirement to total credit risk | 923,356 | |
| (1) Exposure by portfolio to which standardized approach applied | 859,455 | |
| (i) Japanese government and regional municipal entities | 0 | |
| (ii) Exposure to financial institutions | 11,872 | |
| (iii) Exposure to corporations | 712,046 | |
| (iv) Equity exposure | 130,619 | |
| (v) Other exposure | 4,917 | |
| (2) Securitization risk exposure | 63,901 | |
| (b) Capital requirement to market risk | — | |
| (c) Capital requirement to operational risk | 14,975 | |
| (d) Consolidated total capital requirement ((a) + (b) + (c)) | 938,331 | |
| (e) Consolidated capital ratio and consolidated Tier I ratio | Capital ratio 18.90% Tier I ratio 18.13% | |

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Loans | 11,884,802 | |
| Equities | 238,364 | |
| Commitments and customers' liabilities for acceptances and guarantees | 560,065 | |
| Bonds (JGBs and publicly offered bonds) | 225,676 | |
| Other | 417,196 | |
| Total | 13,326,104 | |

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

(1) By region

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------|----------------|----------------|
| Domestic total | 13,294,157 | |
| Overseas total | 31,947 | |

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|-----------------------------------|----------------|----------------|
| Manufacturing | 2,430,120 | |
| Forestry and fisheries | 1,570 | |
| Mining | 29,079 | |
| Construction | 18,672 | |
| Wholesale and retail | 614,060 | |
| Finance and insurance | 753,473 | |
| Real estate | 1,084,019 | |
| Transportation and communications | 4,544,855 | |
| Electrical, gas and water | 2,515,177 | |
| Services | 1,009,150 | |
| Other | 325,924 | |

(3) Breakdown by period to maturity

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Five years or less | 2,913,063 | |
| More than five years, up to 10 | 4,962,861 | |
| More than 10 years, up to 15 | 3,431,991 | |
| More than 15 years | 1,395,425 | |
| No maturity date | 622,763 | |

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--------------------|----------------|----------------|
| Risk weight 0% | 122,473 | |
| Risk weight 20% | 3,062,781 | |
| Risk weight 50% | 1,966,766 | |
| Risk weight 100% | 7,255,393 | |
| Risk weight 150% | 503,809 | |
| Risk weight, other | 418,879 | |
| Capital deductions | 18,897 | |

5. Items Related to the Effect of Credit Risk Mitigations

Exposure to Items to Which Effect of Credit Risk Mitigations Applied

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Eligible financial collaterals | 218,389 | |
| Guarantees or credit derivatives | 1,908,266 | |

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

| | March 31, 2007 | March 31, 2006 |
|---|--|-------------------------|
| Equivalent credit calculation method | Current exposure method | Current exposure method |
| Gross restructuring cost | 85,697 | |
| Equivalent credit amount before accounting for effect of credit risk mitigations using collateral | Interest rate transactions | |
| | 47,611 | |
| | Foreign exchange transactions | |
| | 25,673 | |
| | Reducing credit equivalent amounts through netting | |
| | 33,010 | |
| Hypothetical holdings of credit derivatives for calculated credit equivalent amount | Credit default swaps | |
| | 697,777 | |
| Hypothetical holdings of credit derivatives taking into account credit risk mitigations | 732,777 | |

Notes: 1. Collateral is not used to reduce credit risk on derivative product transactions.

2. Credit derivatives used to compute the credit equivalent amount are included in securitization exposure; there is some data overlap with securitization exposure indicated elsewhere

7. Securitization Exposure

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

Not applicable.

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Project finance | 114,568 | |
| Loans for commercial real estate | 164,092 | |
| Other (loans, etc.) | 727,604 | |

Note: Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

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

| | March 31, 2007 | March 31, 2006 |
|-------------------------------|---|----------------|
| Risk weight 20% or less | Balance 706,777 Capital requirement 11,308 | |
| Risk weight 20% up to 100% | Balance 268,510 Capital requirement 20,531 | |
| Risk weight of more than 100% | Balance 30,975 Capital requirement 13,164 | |

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

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

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Project finance | 4,770 | |
| Loans for commercial real estate | 14,127 | |

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

| | March 31, 2007 | March 31, 2006 |
|-------------------------|----------------|----------------|
| Credit risks and assets | 88,083 | |

8. Items Related to Market Risk

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

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

| | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| (a) Market value of below-listed items as included within categories in the consolidated balance sheets. | | |
| (1) Exposure to listed shares | 28,670 | |
| Exposure to other equity investments and capital injections | 317,486 | |
| (2) Shares in subsidiaries and affiliated companies, and other marketable securities | 89,383 | |
| (b) Gains or losses on the sale of equity investments or shares | 1,509 | |
| Gain or loss on amortization of exposure on equity investments or shares | 47,713 | |
| (c) Gains or losses from valuation recognized on the consolidated balance sheets but not recognized on the consolidated statements of income statements | 21,539 | |

Notes: 1. The Group has no overseas sales locations.

2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification applies.

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

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

11. Interest Rate Risk in the Banking Book

| | March 31, 2007 | March 31, 2006 |
|---|--|----------------|
| 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 ¥89.4 billion | |

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

Settlement of the non-consolidated accounts for the 8th business term.

Qualitative Disclosure

| | |
|--|---|
| 1. Overview of Fund-Raising Methods | All capital is funded by the government of Japan |
| 2. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Bank | Regarding the degree of capital adequacy, the Bank quantifies credit risk, interest rate risk and operational risk, compares the total risk amount with total capital and measures the capital surplus. This surplus enables the Bank to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions. |
| 3. Credit Risk | <p>(a) Overview of Risk Management Policies and Procedures</p> <p>Credit risk refers to the risk of loss to the Bank resulting from the decline in or disappearance of the value of credit assets, owing to the worsening credit standing of clients for loans or debt guarantees. These risks include expected losses (UL), or losses that on average can be expected to occur within a certain measurement period; and unexpected losses (UL), which go extend beyond the boundaries of losses that, on average, are expected within a period of time. The Bank periodically compares UL and capital to measure the amount of capital in surplus.</p> <p>(b) Rating Agencies Eligible to Weight Risks</p> <p>The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the type of exposure.</p> <p>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).</p> |
| 4. Overview of Risk Management Policies and Procedures for Reducing Credit Risk | <p>In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation.</p> <p>In principal, collateral valuation is performed by the Credit Analysis Department, based on the request of investment and loan departments/offices. Investment and loan departments/offices and the Credit Analysis Department manage credit risk based on valuation results. In principle, the valuation of all collateral property is reviewed once or twice each year to ensure the Bank is aware of the current status of its collateral property.</p> |
| 5. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties in Derivative Product Transactions and Transactions with Long Settlement Periods | The Bank regularly refers to the ratings and credit amounts of transaction counterparties to determine the advisability of entering a transaction or to understand the risks of existing transactions. |
| 6. Securitization Exposure | <p>(a) Overview of Risk Management Policies and Procedures</p> <p>Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialised lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Different from the internal ratings that are applied to standard corporate credit, this exposure is given a rating by using a grading system applied to match the characteristics of specialised lending. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically.</p> <p>The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity.</p> <p>(b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure</p> <p>DBJ employs the standardized approach for these calculations.</p> <p>(c) Method of Accounting for Securitization Transactions</p> <p>Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds.</p> <p>(d) Rating Agencies Eligible to Weight Risks by Type of Securitization</p> <p>The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to investment type.</p> <p>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).</p> |

| | |
|---|---|
| 7. Market Risk | In accordance with Article 16 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable. |
| 8. Operational risk | <p>(a) Overview of Risk Management Policies and Procedures</p> <p>DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing.</p> <p>The Bank establishes its management structure and basic risk management policy pertaining to management methods after considering the wide range of operational risks that it potentially faces, such as operational risk, systems risk, legal risk, human risk and tangible asset risk.</p> <p>The Bank designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, remaining aware of risks and creating risk databases.</p> <p>In line with the increasing level of sophistication and complexity of the financial business, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks.</p> <p>(b) Method Used to Calculate Operational Risk Equivalent Amount</p> <p>The Bank uses the basic indicator approach to calculate these risks.</p> |
| 9. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book | <p>The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or financial conditions or to fluctuations in the market environment. For newly acquired exposure, DBJ considers the balance between investment risk and potential return in each field of investment. Thereafter, the Bank regularly conducts performance evaluations on its exposure.</p> |
| 10. Interest Rate Risk on the Banking Book | <p>(a) Overview of Risk Management Policies and Procedures</p> <p>Long-term, fixed-rate funding makes up the majority of the DBJ's borrowings, and the Bank seeks to minimize its interest rate risk by raising funds featuring similarly long-term, fixed rates. We measure interest rate risk by simulating future profit-and-loss distributions due to potential interest rate fluctuations on earnings at risk (EaR). We also employ the value at risk (VaR) and the Basel II standardized interest rate shock* method to compute various risks from the standpoint of their economic value.</p> <p>* Measurement methods are described in (ii) and (iii) of (b).</p> <p>We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital.</p> <p>(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book</p> <p>The Bank calculates interest rate risk based on the following viewpoints.</p> <p><Economic Value Viewpoints></p> <ul style="list-style-type: none"> (i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.0% confidence level (ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon (iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value <p>((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.)</p> <p><Profit and Loss Viewpoint></p> <p>EaR: After setting such parameters as the future asset and liability composition, measure profits and losses over a specific period assuming future interest rate fluctuations</p> |

Quantitative Disclosure

1. Items Constituting Capital Adequacy

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|---|---|----------------|
| Capital | 1,272,286 | 1,272,286 |
| Other retained earnings | 810,163 | — |
| Other | (2,563) | 734,997 |
| Total Tier I capital | 2,079,886 | 2,007,283 |
| Total of Tier I stipulated in Article 18 and Article 41 of the Capital Adequacy Ratio Notification, and Tier II stipulated in Article 19 and Article 42 of this same Notification | 106,721 | / |
| Total of deduction from capital stipulated in Article 20 and Article 43 of the Capital Adequacy Ratio Notification | 18,897 | |
| | (The amount for deductions includes all "capital deductions for securitization exposure" stipulated in Item 1, Article 247, of this Notification) | |

2. Items Related to Capital Adequacy Level

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--|----------------------|----------------|
| (a) Capital requirement to total credit risk | 907,744 | / |
| (1) Exposure by portfolio to which standardized method applied | 851,004 | |
| (i) Japanese government and regional municipal bodies | 0 | |
| (ii) Exposure to financial institutions | 10,866 | |
| (iii) Exposure to corporations | 724,898 | |
| (iv) Equity exposure | 110,728 | |
| (v) Other exposure | 4,510 | |
| (2) Securitization risk exposure | 56,740 | |
| (b) Capital requirement to market risk | — | |
| (c) Capital requirement to operational risk | 14,970 | |
| (d) Non-consolidated total capital requirement ((a) + (b) + (c)) | 922,714 | |
| (e) Non-consolidated capital ratio and non-consolidated Tier I ratio | Capital ratio 19.19% | |
| | Tier I ratio 18.41% | |

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Loans | 11,927,864 | / |
| Equities | 215,591 | |
| Commitments and customers' liabilities for acceptances and guarantees | 573,002 | |
| Bonds (JGBs and publicly offered bonds) | 176,676 | |
| Other | 392,896 | |
| Total | 13,286,031 | |

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

(1) By region

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------|----------------|----------------|
| Domestic total | 13,255,087 | |
| Overseas total | 30,943 | |

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|-----------------------------------|----------------|----------------|
| Manufacturing | 2,430,120 | |
| Forestry and fisheries | 1,570 | |
| Mining | 29,079 | |
| Construction | 18,672 | |
| Wholesale and retail | 614,060 | |
| Finance and insurance | 791,993 | |
| Real estate | 1,084,019 | |
| Transportation and communications | 4,544,855 | |
| Electrical, gas and water | 2,515,177 | |
| Services | 1,009,150 | |
| Other | 247,330 | |

(3) Breakdown by period to maturity

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Five years or less | 2,928,063 | |
| More than five years, up to 10 | 4,969,460 | |
| More than 10 years, up to 15 | 3,443,391 | |
| More than 15 years | 1,395,425 | |
| No maturity date | 549,690 | |

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|--------------------|----------------|----------------|
| Risk weight 0% | 122,473 | |
| Risk weight 20% | 3,062,781 | |
| Risk weight 50% | 1,966,766 | |
| Risk weight 100% | 7,281,455 | |
| Risk weight 150% | 503,809 | |
| Risk weight, other | 348,743 | |
| Capital deductions | 18,897 | |

4. Items Related to the Effect of Credit Risk Mitigations

Exposure to Items to Which Effect of Credit Risk Mitigations Applied

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Eligible financial collaterals | 218,389 | |
| Guarantees or credit derivatives | 1,908,266 | |

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

| | March 31, 2007 | March 31, 2006 |
|---|--|-------------------------|
| Equivalent credit calculation method | Current exposure method | Current exposure method |
| Gross restructuring cost | 85,697 | |
| Equivalent credit amount before accounting for effect of credit risk mitigations using collateral | Interest rate transactions | |
| | 47,611 | |
| | Foreign exchange transactions | |
| | 25,673 | |
| | Reducing credit equivalent amounts through netting | |
| | 33,010 | |
| Hypothetical holdings of credit derivatives for calculated credit equivalent amount | Credit default swaps | |
| | 697,777 | |
| Hypothetical holdings of credit derivatives taking into account credit risk mitigations | 732,777 | |

Notes: 1. Collateral is not used to reduce credit risk on derivative product transactions.

2. Credit derivatives used to compute the credit equivalent amount are included in securitization exposure; there is some data overlap with securitization exposure indicated elsewhere

6. Securitization Exposure

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

Not applicable.

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Project finance | 114,568 | |
| Loans for commercial real estate | 164,092 | |
| Other (loans, etc.) | 697,777 | |

Note: Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Ratio Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|-------------------------------|----------------------------|----------------|
| Risk weight 20% or less | Balance 706,777 | |
| | Capital requirement 11,308 | |
| Risk weight 20% up to 100% | Balance 244,900 | |
| | Capital requirement 19,587 | |
| Risk weight of more than 100% | Balance 24,759 | |
| | Capital requirement 6,947 | |

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| Project finance | 4,770 | |
| Loans for commercial real estate | 14,127 | |

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|-------------------------|----------------|----------------|
| Credit risks and assets | 88,083 | |

7. Items Related to Market Risk

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

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

(Millions of yen)

| | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| (a) Market value of below-listed items as included within categories in the non-consolidated balance sheets. | | |
| (1) Exposure to listed shares | | |
| Exposure to other equity investments and capital injections | 28,670 | |
| (2) Shares in subsidiaries and affiliated companies, and other marketable securities | 293,654 | |
| (b) Gains or losses on the sale of equity investments or shares | 777 | |
| Gain or loss on amortization of exposure on equity investments or shares | 47,713 | |
| (c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statements of income statements | 21,493 | |

Notes: 1. The Group has no overseas sales locations.

2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification Applies

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

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

10. Interest Rate Risk in the Banking Book

| | March 31, 2007 | March 31, 2006 |
|---|--|----------------|
| 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 ¥89.4 billion | |

**Accounts Based on
Accounting Standards for Special Agencies, etc.**

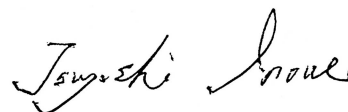
Report of Auditors

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

We have audited the balance sheets of Development Bank of Japan ("DBJ") as of March 31, 2006 and 2007 and the related statements of earnings for the two fiscal years ended March 31, 2007. Our audit was made in accordance with the Development Bank of Japan Law and the regulations thereunder.

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

The accompanying balance sheets of DBJ as of March 31, 2006 and 2007 and statements of earnings for the two fiscal years ended March 31, 2007 have been prepared by reclassifying the aforesaid financial statements. We have reviewed the reclassifications made in preparing such financial statements and, in our opinion, such statements, as reclassified, fairly present on a consistent basis the financial position of DBJ as of March 31, 2006 and 2007 and the results of its operations for the two fiscal years ended March 31, 2007.



Tsuyoshi Inoue
Auditor
Development Bank of Japan



Ryo Ishimori
Auditor
Development Bank of Japan

Tokyo, June 21, 2007

Non-Consolidated Balance Sheets

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Assets | | | |
| Cash and Due from banks (Note 3) | ¥ 33,979 | ¥ 27,572 | \$ 287,836 |
| Securities (Note 4) | 406,533 | 388,254 | 3,443,741 |
| Loans (Note 5) | 12,197,441 | 12,968,029 | 103,324,367 |
| Less—Allowance for Loan Losses | (36,592) | (38,904) | (309,973) |
| | 12,160,849 | 12,929,124 | 103,014,394 |
| Equity Investments | 291,470 | 235,250 | 2,469,047 |
| Premises and Equipment (Note 6) | 56,357 | 56,380 | 477,402 |
| Less—Accumulated depreciation | (20,436) | (20,074) | (173,117) |
| | 35,920 | 36,306 | 304,285 |
| Accrued Income Receivable (Note 7) | 49,162 | 52,745 | 416,456 |
| Other Assets (Note 8) | 1,679 | 454 | 14,230 |
| Discounts on Bonds and Notes | 3,951 | 2,618 | 33,475 |
| Customers' Liabilities for Acceptances and Guarantees | 334,993 | 161,605 | 2,837,728 |
| Total Assets | ¥13,318,541 | ¥13,833,932 | \$112,821,192 |

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Liabilities, Capital and Statutory Reserve | | | |
| Liabilities | | | |
| Bonds and Notes | ¥ 2,673,964 | ¥ 2,261,799 | \$ 22,651,115 |
| Long-term Borrowings (Note 9) | 7,862,935 | 9,004,474 | 66,606,826 |
| Accrued Expenses Payable (Note 10) | 37,456 | 35,967 | 317,293 |
| Other Liabilities (Note 11) | 21,219 | 21,205 | 179,746 |
| Acceptances and Guarantees | 334,993 | 161,605 | 2,837,728 |
| Total Liabilities | 10,930,569 | 11,485,051 | 92,592,708 |
| Capital and Statutory Reserve | | | |
| Capital (Note 12) | 1,272,286 | 1,272,286 | 10,777,518 |
| Statutory Reserve (Note 2 (j)) | 1,115,686 | 1,076,594 | 9,450,966 |
| Total Capital and Statutory Reserve | 2,387,972 | 2,348,880 | 20,228,484 |
| Total Liabilities, Capital and Statutory Reserve | ¥13,318,541 | ¥13,833,932 | \$112,821,192 |

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Earnings

| For the Fiscal Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Interest Income | | | |
| Interest on Loans | ¥327,345 | ¥368,336 | \$2,772,943 |
| Interest on Securities | 2,752 | 1,451 | 23,316 |
| Other Interest Income | 335 | 469 | 2,844 |
| | 330,434 | 370,257 | 2,799,103 |
| Interest Expenses | | | |
| Interest on Bonds and Notes | 43,441 | 39,325 | 367,996 |
| Interest on Borrowings | 192,697 | 231,639 | 1,632,334 |
| | 236,138 | 270,964 | 2,000,330 |
| Net Interest Income | 94,295 | 99,293 | 798,773 |
| Other Income | | | |
| Fees and Commissions (Note 13) | 3,526 | 2,494 | 29,871 |
| Other (Note 14) | 15,692 | 8,527 | 132,930 |
| | 19,218 | 11,021 | 162,801 |
| Administrative and Other Expenses | | | |
| Salaries and related expenses | 16,351 | 16,523 | 138,512 |
| Other administrative expenses | 9,789 | 9,825 | 82,926 |
| Depreciation | 789 | 864 | 6,690 |
| Fees and Commissions (Note 15) | 14 | 40 | 121 |
| Write-off of Claims (Note 16) | 45,543 | 72,061 | 385,797 |
| Other (Note 17) | 4,245 | 6,315 | 35,961 |
| | 76,733 | 105,631 | 650,007 |
| Earnings before Allowance for Loan Losses | 36,780 | 4,683 | 311,567 |
| Reversal of Allowance for Loan Losses | 2,311 | 2,992 | 19,583 |
| Net Earnings (Note 2(i)) | ¥ 39,092 | ¥ 7,675 | \$ 331,150 |
| Appropriation of Net Earnings (Note 2(j)) | | | |
| Statutory reserve | 36,592 | 7,675 | 309,973 |
| Payment to National Treasury | 2,499 | — | 21,177 |
| Total Appropriation of Net Earnings | ¥ 39,092 | ¥ 7,675 | \$ 331,150 |

Accompanying notes are an integral part of these financial statements.

Non-Consolidated List of Assets

| March 31, 2007 | Millions of yen | Thousands of U.S. dollars | Remarks (Millions of yen/ Thousands of U.S. dollars) |
|---|--------------------|------------------------------|---|
| Cash and Due from banks | ¥ 33,979 | \$ 287,836 | |
| Cash | 3 | 33 | |
| Due from banks | 33,975 | 287,803 | Current deposits: 24 banks, ¥16,210 \$137,315 including Bank of Japan Ordinary deposits: 2 banks, including ¥17,765 \$150,488 Sumitomo Mitsui Banking Corporation |
| Securities | 406,533 | 3,443,741 | |
| Japanese Government Bonds | 344,731 | 2,920,220 | Issues Face value Book value Financing bills: 1 holding ¥12,020 ¥12,004 \$101,821 \$101,692 Coupon-bearing government bonds ¥329,820 ¥332,727 (2,5,10 years): 33 holdings \$2,793,901 \$2,818,528 |
| Corporate Bonds | 53,776 | 455,536 | 35 holdings |
| Other securities | 8,025 | 67,985 | Book value Secured debt obligations: 2 holdings ¥8,000 \$67,768 Equity acquired by excising of warrants, etc.: 3 holdings ¥25 \$217 |
| Loans | 12,197,441 | 103,324,367 | 13,727 holdings |
| Yen loans | 12,130,302 | 102,755,635 | 13,690 holdings |
| Direct loans | 12,129,386 | 102,747,876 | 13,684 holdings |
| Agency loans | 915 | 7,759 | 6 holdings |
| Foreign currency loans | 67,138 | 568,732 | 37 holdings |
| Allowance for Loan Losses | (36,592) | (309,973) | |
| Equity Investments | 291,470 | 2,469,047 | 802 holdings |
| Premises and Equipment | 35,920 | 304,285 | |
| Premises and Equipment for Business | 35,920 | 304,285 | Book value (1) Land: 88 properties/ 65% of 43,966m ² , and 131,600m ² ¥20,414 \$172,932 (2) Buildings: 204 buildings/ 95% of 2,242m ² , 65% of 846m ² , and 106,183m ² 15,206 128,817 (Gross floor area) (3) Equipment: 1,945 items 296 2,509 (4) Petty sum depreciable assets: 135 items 2 21 (depreciated over three years as prescribed by tax code) (5) Key money and other: 2 holding 0 6 * Accumulated depreciation amounted to ¥20,436 million (\$173,117 thousand). |
| Accrued Income Receivable | 49,162 | 416,456 | |
| Accrued Interest on Loans | 48,569 | 411,434 | Interest accrued on loans but not yet received at the end of the fiscal year |
| Accrued Interest on Securities | 517 | 4,386 | Interest accrued on securities but not yet received at the end of the fiscal year |
| Accrued Guarantee Fees | 75 | 636 | Fees accrued on guarantees but not yet received at the end of the fiscal year |
| Other Assets | 1,679 | 14,230 | |
| Suspense payments | 100 | 848 | 25 holdings |
| Guarantee deposits | 382 | 3,240 | 73 holdings Deposits and guarantees relating to land and buildings leased for business use |
| Estimated prepayments | 1,179 | 9,990 | Estimated payment to the National Treasury |
| Other | 17 | 152 | 98 holdings |
| Discounts on Bonds and Notes | 3,951 | 33,475 | Difference between face value and proceeds from bonds |
| Customers' Liabilities for Acceptances | 334,993 | 2,837,728 | 75 cases |
| Total Assets | ¥13,318,541 | \$112,821,192 | |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥118.05=\$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in conversion. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

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

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

The amounts indicated in millions of yen are rounded down by omitting the figures less than one million yen. Accordingly, the sum of each amount appearing in the accompanying financial statements and the notes thereto may not be equal to the sum of the individual account balances.

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥118.05=\$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in conversion. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Securities

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

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

(b) Derivatives

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

(c) Translation of accounts denominated in foreign currencies

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

(d) Depreciation method for Premises and Equipment

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

(e) Discounts on Bonds and Notes

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

(f) Bonds and Notes issuance costs

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

(g) Allowance for Loan Losses

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

(h) Employee retirement benefits

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

(i) Income taxes

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

(j) Appropriation of net earnings

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

As for the fiscal year ended March 31, 2007, the payment to the National Treasury was made, because the amount of net earnings was in excess of such required amounts.

(k) Consumption tax

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

3. Cash and Due from banks

Cash and Due from banks as of March 31, 2007 and 2006 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| At March 31 | | | |
| Cash | ¥ 3 | ¥ 3 | \$ 33 |
| Due from banks | 33,975 | 27,569 | 287,803 |
| | ¥33,979 | ¥27,572 | \$287,836 |

4. Securities

Securities as of March 31, 2007 and 2006 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| At March 31 | | | |
| Japanese Government Bonds | ¥344,731 | ¥341,230 | \$2,920,220 |
| Corporate Bonds | 53,776 | 44,013 | 455,536 |
| Other securities | 8,025 | 3,010 | 67,985 |
| | ¥406,533 | ¥388,254 | \$3,443,741 |

5. Loans

Loans as of March 31, 2007 and 2006 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------|--------------------|--------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| At March 31 | | | |
| Yen loans | ¥12,130,302 | ¥12,887,481 | \$102,755,635 |
| Direct loans | 12,129,386 | 12,886,406 | 102,747,876 |
| Agency loans | 915 | 1,074 | 7,759 |
| Foreign currency loans | 67,138 | 80,547 | 568,732 |
| | ¥12,197,441 | ¥12,968,029 | \$103,324,367 |

Pursuant to the DBJ Law and regulations thereunder, loans in arrears are defined as the loans for which the principal payments are overdue by six months or more. This categorization is different from the categorization of non-performing loans as defined under the Banking Law and the Financial Revitalization Law. The amounts of the loans in arrears included in “Loans” on the non-consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Loan past-due for six months or more as to principal payments | ¥17,841 | ¥43,845 | \$151,134 |
| | ¥17,841 | ¥43,845 | \$151,134 |

6. Premises and Equipment

Premises and Equipment as of March 31, 2007 and 2006 is as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Premises and Equipment for Business | ¥ 56,357 | ¥ 56,380 | \$ 477,402 |
| | ¥ 56,357 | ¥ 56,380 | \$ 477,402 |
| Less—Accumulated Depreciation | (20,436) | (20,074) | (173,117) |
| Net Book Value | ¥ 35,920 | ¥ 36,306 | \$ 304,285 |

7. Accrued Income Receivable

Accrued Income Receivable as of March 31, 2007 and 2006 is as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Accrued Interest on Loans | ¥48,569 | ¥52,276 | \$411,434 |
| Accrued Interest on Securities | 517 | 451 | 4,386 |
| Accrued Guarantee Fees | 75 | 17 | 636 |
| | ¥49,162 | ¥52,745 | \$416,456 |

8. Other Assets

Other Assets as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Suspense payments | ¥ 100 | ¥ 51 | \$ 848 |
| Guarantee deposits | 382 | 380 | 3,240 |
| Estimated Payments | 1,179 | — | 9,990 |
| Other | 17 | 22 | 152 |
| | ¥1,679 | ¥454 | \$14,230 |

9. Long-term Borrowings

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

Long-term Borrowings as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Fiscal Loan Fund | ¥7,519,403 | ¥8,566,149 | \$63,696,766 |
| Reserve Funds of the Postal Life Insurance Special Account | 58,900 | 98,464 | 498,941 |
| Industrial Investment Special Account | 269,342 | 321,384 | 2,281,601 |
| Funds entrusted | 15,289 | 18,476 | 129,518 |
| | ¥7,862,935 | ¥9,004,474 | \$66,606,826 |

10. Accrued Expenses Payable

Accrued Expenses Payable as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Accrued interest on Bonds and Notes | ¥ 6,456 | ¥ 6,299 | \$ 54,696 |
| Accrued interest on Long-term Borrowings | 30,997 | 29,665 | 262,582 |
| Other accrued expenses | 1 | 2 | 15 |
| | ¥37,456 | ¥35,967 | \$317,293 |

11. Other Liabilities

Other Liabilities as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Loan Redemption | ¥ 517 | ¥ 1,687 | \$ 4,380 |
| Suspense receipts | 1,118 | 442 | 9,476 |
| Unearned income | 19,546 | 19,008 | 165,575 |
| Other | 37 | 66 | 315 |
| | ¥21,219 | ¥21,205 | \$179,746 |

12. Capital

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

13. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Commissions received | ¥2,713 | ¥2,218 | \$22,984 |
| Guarantee Fees | 812 | 275 | 6,887 |
| | ¥3,526 | ¥2,494 | \$29,871 |

14. Other (Income)

Other (Income) for the fiscal years ended March 31, 2007 and 2006 is as follows:

| For the fiscal year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Miscellaneous Interest received | ¥ 484 | ¥ 736 | \$ 4,107 |
| Collection of written-off claims | 62 | 144 | 529 |
| Income from Equity Investments | — | 1,733 | — |
| Other | 15,145 | 5,912 | 128,294 |
| | ¥15,692 | ¥8,527 | \$132,930 |

* "Other" in above table includes "income from investment fund" which amounts to ¥14,662 million (\$124,205thousand) and ¥5,154 million for the fiscal years ended March 31, 2007 and 2006, respectively.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Commissions paid | ¥14 | ¥40 | \$121 |
| | ¥14 | ¥40 | \$121 |

16. Write-off of Claims

DBJ writes off loans past-due, equity investments and securities which have declined in value drastically, only after exhausting all available remedies including realization on any collateral and disposal by sale of claims. Write-offs are recorded at fiscal year end only with the approval of the Ministry of Finance. The amounts of Loans, Equity Investments and Securities written off for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Securities written off | ¥ — | ¥ 18 | \$ — |
| Loans written off | 43,331 | 68,612 | 367,057 |
| Equity Investments written off | 2,212 | 3,429 | 18,740 |
| | ¥45,543 | ¥72,061 | \$385,797 |

17. Other (Expenses)

Other (Expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

| For the fiscal year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Miscellaneous Interest paid | ¥ 279 | ¥ 652 | \$ 2,370 |
| Amortization of Discount on Bonds and Notes | 456 | 415 | 3,864 |
| Bonds and Notes issuance cost | 1,521 | 777 | 12,887 |
| Other | 1,987 | 4,470 | 16,840 |
| | ¥4,245 | ¥6,315 | \$35,961 |

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

18. Credit Derivative Transactions

DBJ utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business within the limit of a certain definite amount of risk. Contract values as of March 31, 2007 and 2006 are as follows:

| At March 31 | Millions of yen | | Thousands of U.S. dollars |
|-------------|-----------------|--------|---------------------------|
| | 2007 | 2006 | 2007 |
| Sold | ¥697,877 | ¥ — | \$5,911,714 |
| Bought | 614,827 | 20,000 | 5,208,199 |