



DBJ

2008

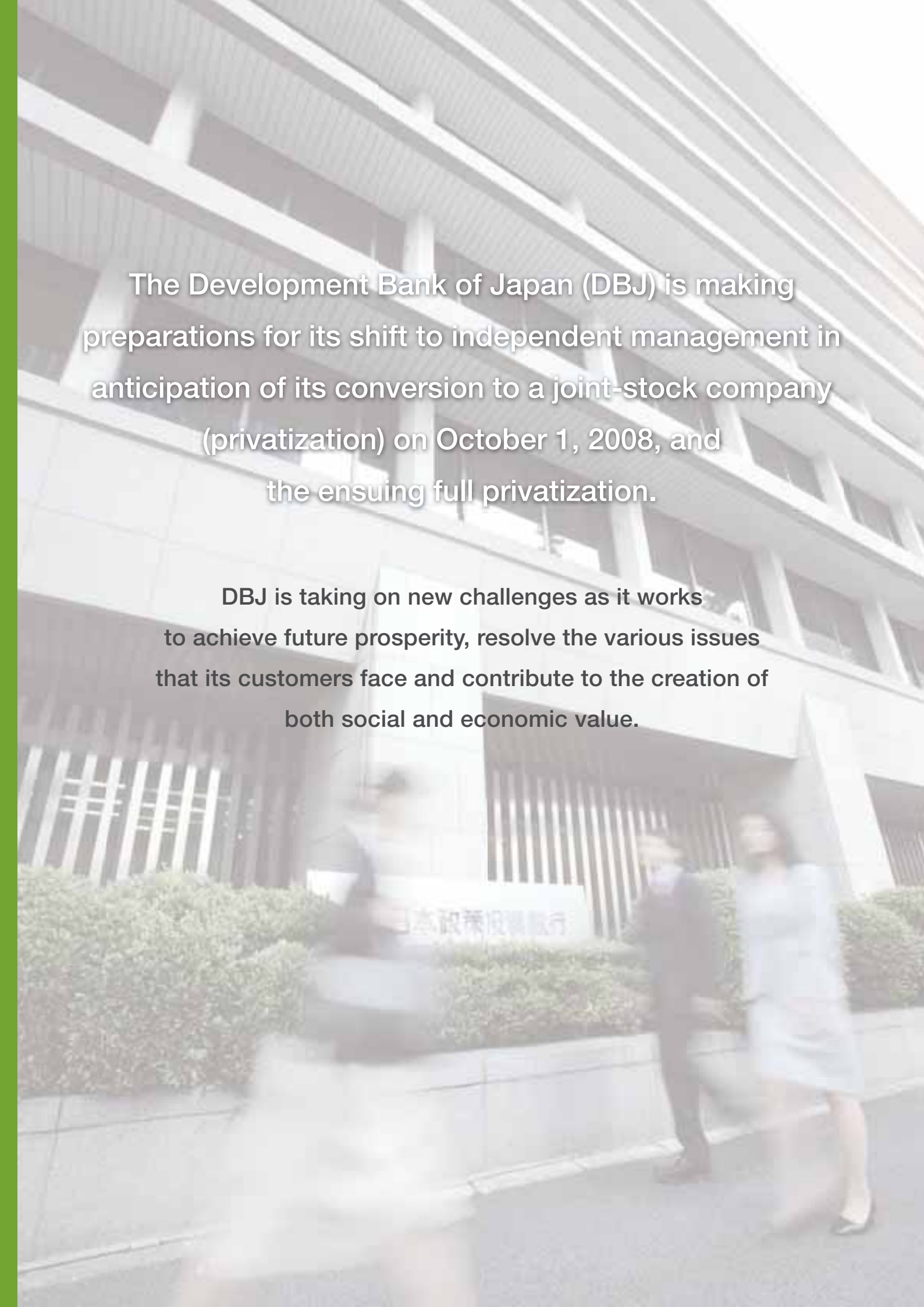
Annual Report & CSR Report



DBJ

日本政策投資銀行

Development Bank of Japan



The Development Bank of Japan (DBJ) is making preparations for its shift to independent management in anticipation of its conversion to a joint-stock company (privatization) on October 1, 2008, and the ensuing full privatization.

DBJ is taking on new challenges as it works to achieve future prosperity, resolve the various issues that its customers face and contribute to the creation of both social and economic value.

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Profile (As of March 31, 2008)



Established:	October 1, 1999 (Former Japan Development Bank: 1951, Former Hokkaido-Tohoku Development Finance Public Corporation: 1956)
Governor:	Minoru Murofushi
Number of employees:	1,347 (Fiscal 2009)
Capital:	¥1,272.2 billion (All capital is funded by the government of Japan)
Address:	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan
URL:	http://www.dbj.go.jp/
Number of offices:	Branch offices, 10; representative offices, 8; and overseas representative offices, 5
Total assets:	¥12,524.8 billion
Loans:	¥11,512.9 billion
Net earnings:	¥53.9 billion
Capital adequacy ratio:	20.71%
Ratings on FILP agency bond:	Aaa (Moody's Investors Service, Inc), AA- (Standard & Poor's Corp.), AA (Rating and Investment Information, Inc.), AAA (Japan Credit Rating Agency, Ltd.)

Note: Total assets, loans, net earnings and the capital adequacy ratio are calculated on a non-consolidated basis.

Financial Highlights (Non-consolidated)

For the years ended March 31 or as of March 31	(Billions of yen)		(Millions of U.S. dollars)	
	FY 2008	FY 2007	FY 2006	FY 2008
Total income	374.8	398.9	411.6	3,741.0
Net income	53.9	75.1	92.6	538.1
Capital	1,272.2	1,272.2	1,272.2	12,698.7
Total equity	2,074.1	1,981.5	2,010.6	20,702.4
Total assets	12,524.8	13,073.9	13,682.1	125,011.2
Loans	11,512.9	12,146.4	12,873.2	114,910.7
Securities	532.1	366.4	429.5	5,311.2
Capital adequacy ratio (BIS standard) (%)	20.71	19.19	16.07	
Ratio of risk monitored loan (Banking Law base) (%)	1.0	1.2	1.6	
Return on equity (%)	2.66	3.90	4.77	
Return on assets (%)	0.42	0.57	0.67	
Overhead ratio (%)	31.93	26.53	26.38	
Number of employees	1,347	1,352	1,357	

Notes: 1. The "Total equity" figure for FY 2006 was previously referred to as "total net assets".

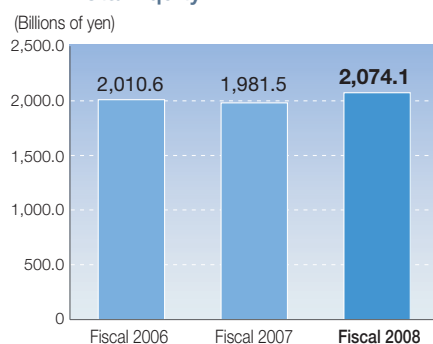
2. The capital adequacy ratios given for March 31, 2006 is calculated according to former BIS standards; the March 31, 2007 and 2008, figures are calculated according to the new BIS standards.

3. Return on equity and return on assets are based on net earnings.

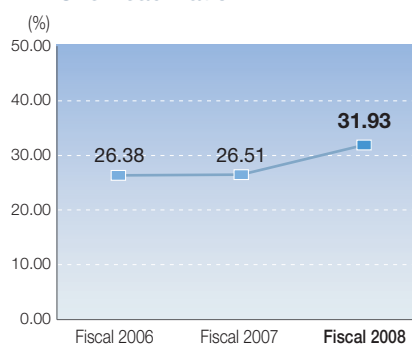
4. Overhead ratio = General and administrative expenses/Gross operating profit

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

Total Equity



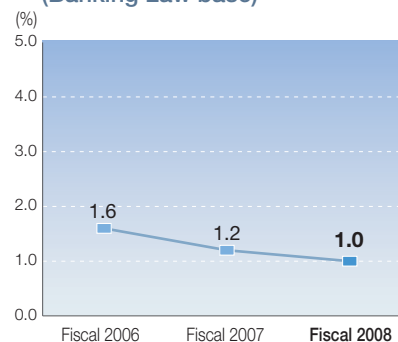
Overhead Ratio



Capital Adequacy Ratio (BIS standard)



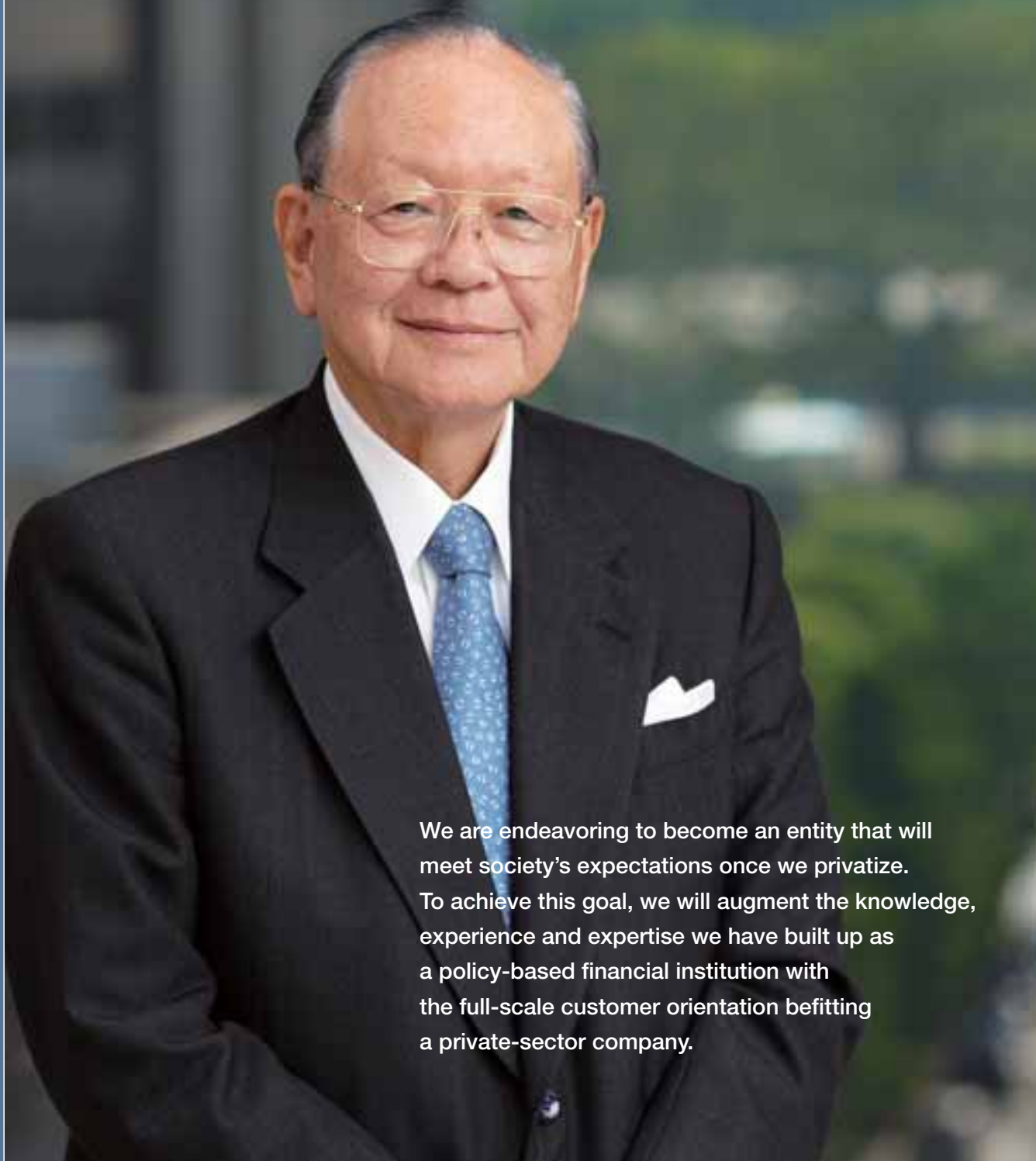
Ratio of Risk Monitored Loan (Banking Law base)



Message from the Governor

As a policy-based financial institution, the Development Bank of Japan (DBJ) has been involved continuously in activities that contribute from a financial perspective to the development of the Japanese economy and society. In October 2008, we will privatize (convert to a joint-stock company as a special stock corporation).

With only two months remaining until privatization, we are striving to raise our level of management independence and taking a variety of steps to ensure that we are highly valued by society post-privatization.



We are endeavoring to become an entity that will meet society's expectations once we privatize. To achieve this goal, we will augment the knowledge, experience and expertise we have built up as a policy-based financial institution with the full-scale customer orientation befitting a private-sector company.

Our Aims

As we move toward privatization, DBJ aspires to live up to the objectives of its corporate philosophy: “Applying financial expertise to design the future.” In our view, creative financing is the key to solving problems, building the trust of our clients and achieving future prosperity. Our corporate philosophy addresses this resolve.

Following on from this corporate philosophy, we have coined the “Three Ws” to express DBJ-specific characteristics.

The first “W,” for “Will,” expresses our ongoing dedication to a long-term perspective, neutrality, public-mindedness and reliability. The second “W” is for “Wisdom,” which refers to our intellectual assets—the experience and know-how we have developed to date, our forward-thinking capacity and judiciousness, and our involvement in financial technologies. The third “W,” for “With,” indicates the relationships of trust that we have with our customers, regional government bodies, cooperating companies and financial institutions. Each of our executives and regular employees will apply these “Three Ws” in concert to deliver our issue-resolution capabilities and financial expertise to our customers.

As in the past, rather than concentrating solely on short-term profit we remain dedicated to helping our customers shape the future through our long-term and neutral perspective.

Our Corporate Ethics

As a member of society, DBJ recognizes that it has social responsibilities, and that alongside its efforts to raise corporate value each and every action the Bank takes must be appropriate. This recognition forms the basis for our corporate social responsibility (CSR) outlook, as we seek to realize a sustainable society.

As its business activities have direct social, environmental and economic implications, DBJ believes it fulfills its corporate social responsibility by conducting its core businesses. For this reason, in our *Annual Report & CSR Report 2008* we have adopted “disclosure from a CSR perspective” as a core concept, a springboard from which to introduce our activities.

Becoming a Unique Financial Institution

Through privatization, we aim to establish ourselves with the business model of a highly specialized financial institution that provides integrated investment and loan services.

In the past, DBJ’s operations have centered on long-term senior loans. To meet a more diverse range of customer needs, in recent years we have begun applying our expertise in screening long-term projects and increasing our percentage involvement in structured financing and fund investment.

After privatization, we will enhance our investment and financing functions, providing a wide range of services that contain facets of both. In addition to providing M&A advisory services, consulting and other information services, we intend to mold ourselves into a financial institution that is unique both in Japan and overseas for conducting integrated investment and loan activities.

Our primary aim is to be the financial institution of choice for our customers, as well as one they find useful. To achieve this standing, we will redouble our efforts to address thoroughly the broad range of issues our clients face. We want our customers to be pleased that we have privatized. Accordingly, each of the Bank’s executives and regular employees is taking upon themselves the challenge of transforming DBJ.

I ask for the continued support of our stakeholders as we move along this new path.

July 2008



Minoru Murofushi
Governor
Development Bank of Japan

Leveraging its greater degree of freedom to conduct leading-edge financial activities, DBJ will endeavor to resolve the issues its clients face, build their trust and work to achieve their future prosperity.

Applying finan to design

The new DBJ corporate philosophy is “Applying financial expertise to design the future.” The word “design” is deliberate, evincing our willingness to work in tandem with clients to help them reach their goals. DBJ is taking privatization as an opportunity to inculcate in its executives and regular employees an even more thorough “client-first” orientation. We will work assiduously to make the most of our newfound freedom to apply leading-edge initiatives to the resolution of client issues.

cial expertise
the future



Formulation of the Development Bank of Japan Inc. Law and the Privatization Process

On June 6, 2007, the Development Bank of Japan Inc. Law (New DBJ Law) was passed by the 166th regular Diet Upper House plenary session and enacted. This law provides for the Development Bank of Japan's privatization (conversion to a joint-stock company) in October 2008, leading to full privatization five to seven years thereafter, the exact timing to be determined by taking market trends into account.

Overview of the Development Bank of Japan Inc. Law

Provisions

❖ Scheduled conversion to joint-stock company: October 2008

❖ Target for disposing of government-owned shares: Five to seven years after October 2008

(Immediately after disposing of the stock, measures are to be implemented that repeal special legislation passed during the transition period.)
(Stock disposition methods that will enable DBJ to continue its core investment and loan functions, which involve long-term business funding, are under consideration, and necessary measures are to be implemented.)

■ Purpose

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

■ Scope of Operations

- Centering on current businesses (including loans, debt guarantees, Fiscal Investment and Loan Program (FILP) agency bonds and government-guaranteed bonds), DBJ will employ methods that are complementary from a fund-raising perspective (such as accepting negotiable deposits and issuing financial debentures), and develop new financial technologies as business needs dictate.

■ Minimization of Government Involvement

■ Financing

- Eliminate budgetary controls, remove umbrella authorization of corporate bonds and loans and discontinue regulation of subsidiaries owned for investment purposes.

- Measures are designed for a smooth shift to independent funding through the issuance of FILP agency bonds and government-guaranteed bonds during the transition.

- DBJ may also take out long-term loans from private-sector financial institutions.

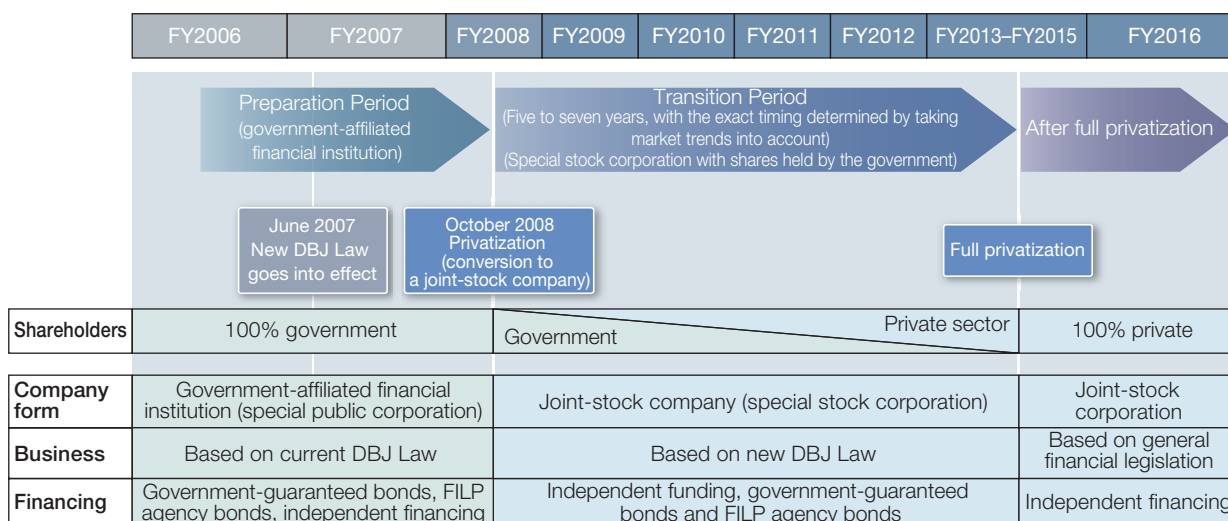
- Legislation will be considered for the transition period that will put DBJ on the same footing as the current systems provide.

- Formulate progressive measures.

- Create measures stipulating responses by designated financial institutions at crisis-response times.

Note: Please refer to page 151 for details of the New DBJ Law.

The Privatization Process



Note: Business categories following full privatization will be selected by taking into consideration operations during the transition period.

Management Philosophy



Building on the base of the “Three Ws” that we have cultivated as a government-affiliated financial institution, we apply financial technologies suffused with our creative financing to resolve client issues and raise economic and social value.

Corporate Philosophy

Applying financial expertise to design the future

We apply creative financing to resolve client issues, as we work to earn the trust of our clients and achieve their future prosperity.

The “Three Ws” and Four Corporate Values at the Core of DBJ’s Financial Expertise

The “Three Ws” Cultivated through Policy-Based Financing

Will

- The core of the four corporate values DBJ developed as a government-affiliated financial institution

Wisdom

- Stems from the industry research, screening capabilities and other know-how we have developed
- Applied financial technologies

With

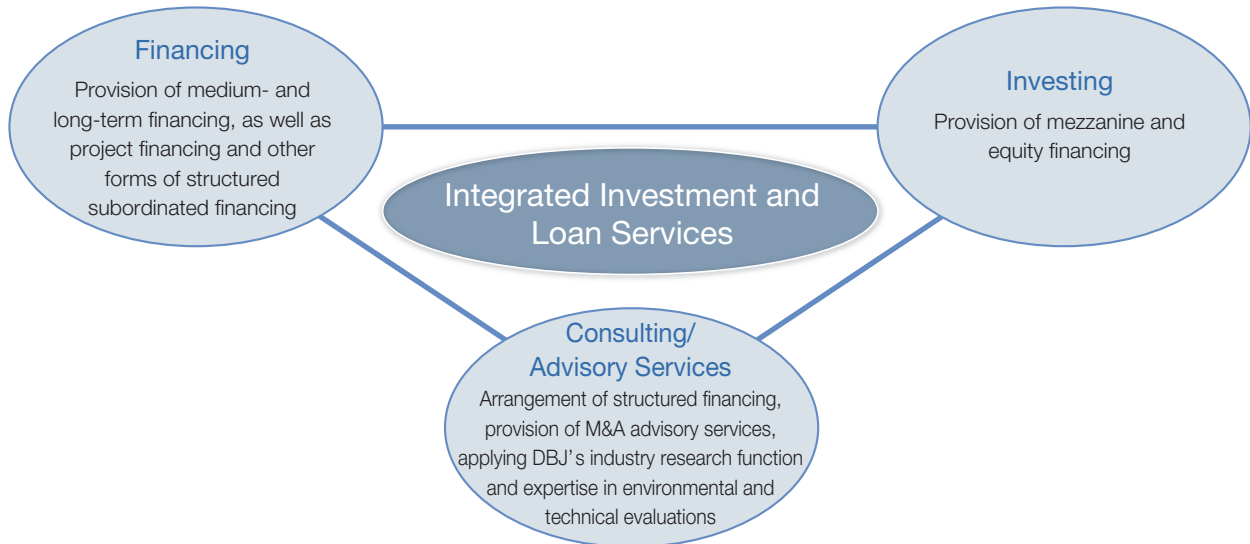
- Networks we have built with companies, public institutions, financial institutions and other entities

DBJ’s Four Corporate Values (Values DBJ Shares with Its Clients)

- 1. A long-term perspective** Using our capital effectively, we work to earn the trust of customers in Japan and overseas by accepting risk and contributing to their long-term development. Our focus is on the long-term growth of entities to which we provide investment and financing.
- 2. Neutrality** We adopt a neutral stance and are not beholden to any specific corporate group.
- 3. Public-mindedness** Applying the policy-oriented expertise that we have accumulated as a public institution, we maintain a focus on public-sector and environmentally oriented initiatives.
- 4. Reliability** We consider reliability important, based on the three corporate values indicated above.

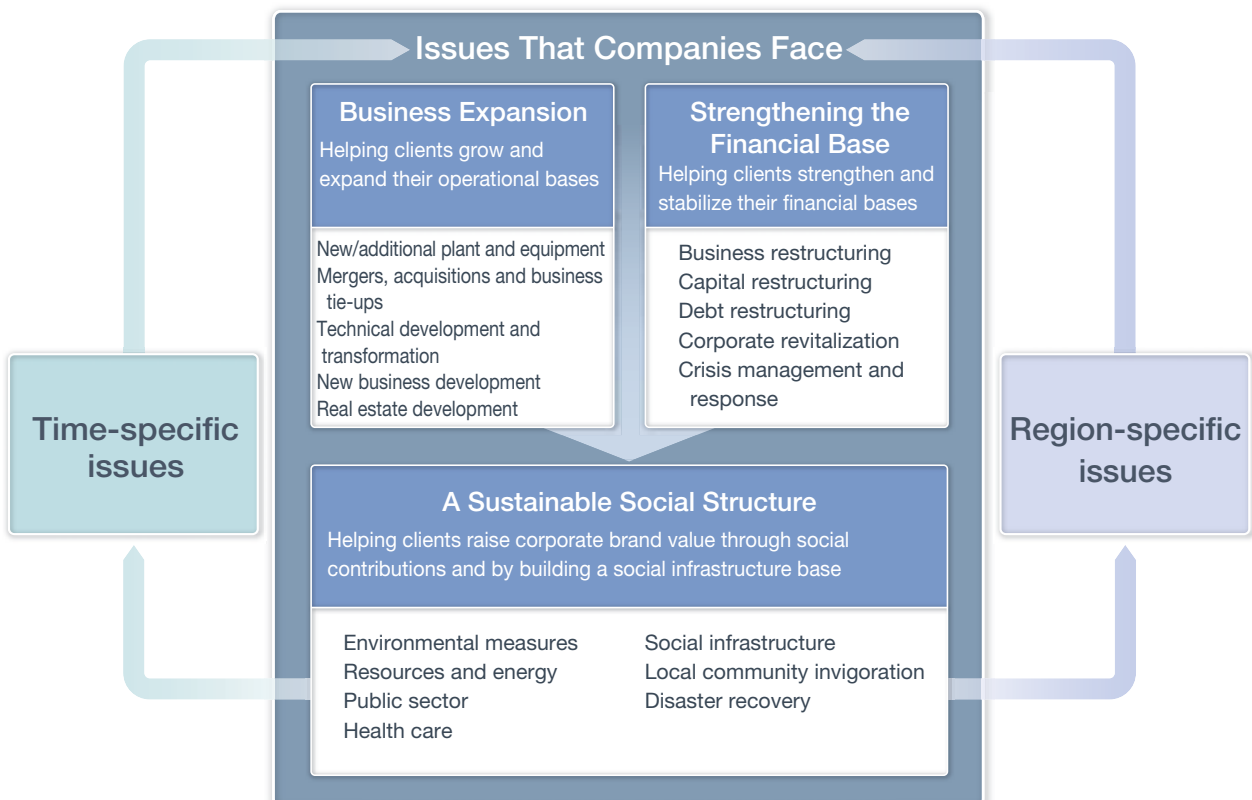
Business Model of the New DBJ

We will work to resolve the issues customers face by providing specialized financial services involving integrated investment and loans.



Resolving Client Issues through DBJ's Financial Expertise

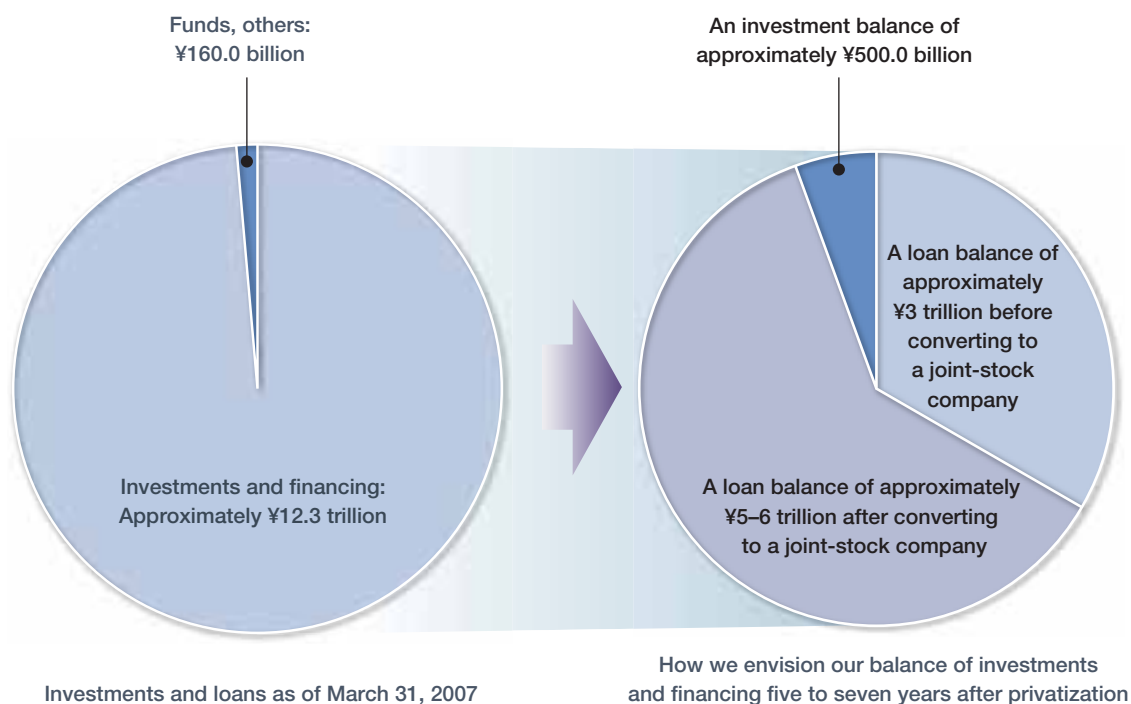
By remaining closely in tune with the changing times, we aim to apply financial expertise to resolve the issues faced by our clients (private companies, public entities and financial institutions), create new economic and social value and contribute to future prosperity.



Our Asset Model as We Move toward Privatization

Through the seamless development of investment and financing, we will endeavor to shift from an asset structure that centers on loans to one that emphasizes investment, aiming to raise profitability.

Raising Profitability While Sustaining Management Soundness



Organization Structure to Create Our Business Model

(Transition period)

We are considering the governance structure outlined below as one that is appropriate for a joint-stock company.

Build a structure that will ensure compliance with financial regulations, such as the Companies Act and the Financial Instruments and Exchange Law, and avoid potential conflicts of interest.

Create a structure that strikes a balance between the profit-generation and monitoring functions.

Put in place a risk management system commensurate with the risk profile we adopt.

(After full privatization)

After full privatization, we will strengthen our integrated investment and loan business in line with creating our new business model. We will select a form of organization that fits these functions.

In line with existing financial regulations, we will strive to become an integrated financial group that conducts business in the banking, investment and securities arenas.

FAQs on DBJ's Privatization

Question
Answer

What is New DBJ's corporate philosophy?

Occasioned by privatization, DBJ has created the new corporate philosophy of "Applying financial expertise to design the future" and established new goals. This philosophy expresses our conviction that creative financing is the key to solving problems, building the trust of our clients and achieving future prosperity.

While retaining the identity that DBJ has built for itself, this corporate philosophy clearly outlines the qualities that we will develop as a private-sector company. Our enthusiasm for the new vistas that will open to us as a private-sector company is inherent in the phrase "design the future."

Question
Answer

Can you be more specific about DBJ's business model?

Upon privatization, DBJ aims to operate on the business model of a highly specialized financial institution that provides integrated investment and loan services.

In the past, long-term lending operations have been the core of DBJ's business. In response to the increasingly diverse customer needs that have arisen in recent years, we plan to increase our involvement in business that takes advantage of our screening expertise on long-term projects, as well as structured financing and fund investment. After privatization, we will enhance our investment and financing functions, providing a wide range of services that contain facets of both.

In addition to providing new M&A advisory services, consulting and other information services, we intend to mold ourselves into a financial institution that provides specific value to its customers.

Question
Answer

Tell us about your community initiatives.

Along with the environment and technology, DBJ positions community initiatives as one of its three pillars of business. After privatization as well, we will respond to the business succession needs of medium-sized local companies, conduct M&A activities employing our networks that cover a broad range of key industries, and respond to customer needs through business revitalization initiatives that leverage our relationships with local financial institutions.

Question
Answer

Will the new DBJ conduct business overseas?

Given that many of our customers have global operations, we believe that taking a multifaceted approach to their needs will make overseas business an inevitable development for us. As we are not legally restricted from conducting business overseas, we consider international business within our scope.

Question As a designated financial institution, what will become of your crisis response (safety net) business?

Answer Under the Japan Public Finance Corporation Law, certain financial institutions are designated to provide credit in the event of natural disaster and other crises, and DBJ is so designated. Such institutions receive credit from the Japan Public Finance Corporation, which they employ to provide loans. As a designated financial institution, we plan to continue providing such loans as we apply our expertise in this area to crisis response operations.

Question How do you expect government-owned shares in DBJ will be sold?

Answer The process for selling government-owned shares is stipulated in the Administrative Reform Promotion Law. Article 2 of the Supplementary Provisions to the New DBJ Law states that “The Government shall from time to time review matters, such as matters regarding the method in which the Government-Owned Shares should be disposed of and take the required measures based on the result of such review, so that the foundation of the Corporation’s investment and financing functions for long-term business funds will be maintained.” Basically, the government will determine the specific method and schedule for the disposal of shares, as well as the parties to which they will be sold.

Question Please describe your future fund-raising efforts.

Answer We will develop a medium- to long-term fund-raising platform concentrating on corporate bonds. We will round out these efforts with diverse methods to raise funds in a stable and efficient manner, such as by borrowing from other financial institutions.

Question What will be your business categories?

Answer In the immediate future, we will operate as a special stock corporation under the New DBJ Law. In the interval until we are fully privatized, we will study ways to meet customers’ needs. Ultimately, we and other DBJ Group companies will determine our business categories on this basis.

The Three Faces of DBJ

Applying the financial strength stemming from the capabilities and expertise it has accumulated over the years, DBJ maintains unwavering “client-first” orientation as it addresses the issues clients face and provides them with distinctive services.





...▶

Core Competencies (the “Three Ws”)

P.16

Three specific characteristics that form the foundation of DBJ’s strength—financial expertise

...▶

Problem-Solving Support

P.18

Contributing to the future prosperity of Japanese society by creating economic and social value stemming from contemporary and community characteristics

...▶

Financial Services

P.20

Resolving client issues through distinctive financial services—integrated investments and loans

The Characteristic “Three Ws” at the Core of DBJ-Specific Financial Expertise

- Intangible assets we have nurtured/values to pass on (the “Three Ws” and the “Four corporate values”)
- The wherewithal to solve clients’ problems by applying strong financial technologies and information capabilities plus robust provisioning for capital investment



Will

DBJ's fundamental stance is based on sharing with its clients a long-term perspective, neutrality, public-mindedness and reliability.

- We have built our financial expertise by providing social value, thereby earning the trust of our clients and society as a whole. Rather than being constrained by an over-emphasis on short-term profit, all DBJ executives and regular employees work to maintain a long-term and neutral perspective, approaching new business with a spirit of innovation and challenge.

Wisdom

Wisdom is a catch-all that refers to the intellectual assets—the ability to think ahead, make discerning judgments and introduce new financial technologies—that we have built through our experience in applying our industry research and screening expertise.

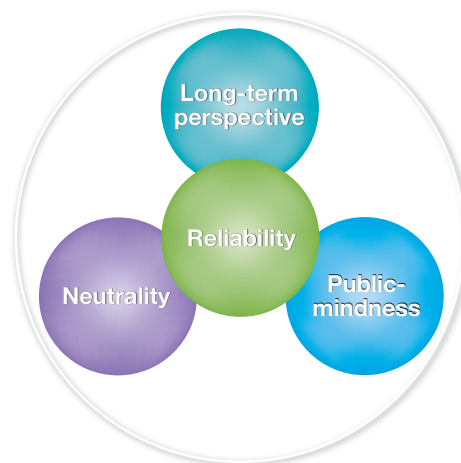
- “Financial expertise” is a broad-ranging phrase that includes DBJ's screening expertise, stemming from its highly valued research capabilities and predilection toward thinking ahead. In addition to advanced financial methods, the integration of investing and financing enables DBJ to offer a host of services to meet diverse client needs.

With

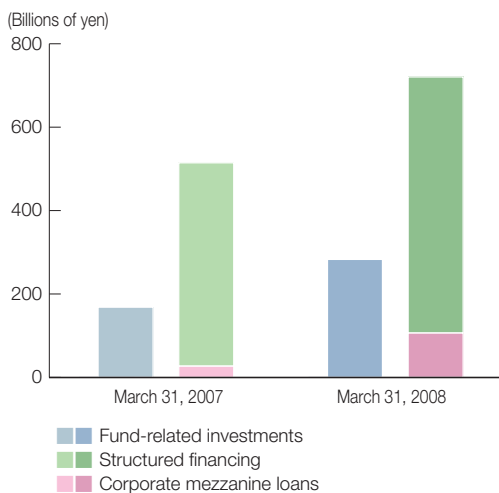
DBJ enjoys trust-based relationships with clients, as well as partners among public-sector and financial institutions.

- DBJ's strength derives from its liaisons with the industrial sector, government bodies and financial institutions. These relationships define the “With,” the third of the “Three Ws,” and support the other two—“Will” and “Wisdom.” Our broad-ranging activities are designed to ensure the functioning of our financial platforms.

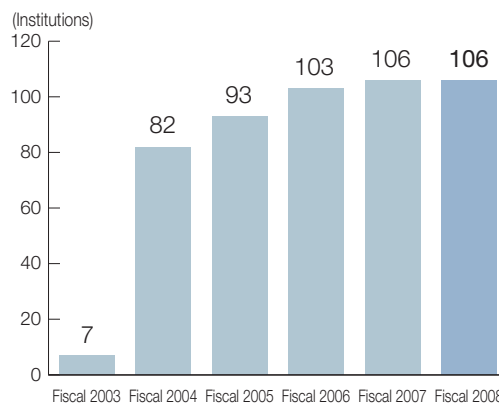
DBJ's Four Corporate Values



Investment and Loans Employing New Financial Methods



Total Operating Agreements with Financial Institutions



Providing the solutions that serve as the backbone for sustained social growth

Resolving Client Issues

Corporate Issues

- Business and industry revitalization
- Business restructuring
- Smooth business succession (making successors aware of problems and passing on technical expertise)
- Creating new industries (Converting innovation and technology into businesses)
- Formulating capital policies and building a sound financial base
- Strengthening CSR and governance
- Others

Contemporary Issues

- Environmental measures
- Environmentally responsible energy investment
- Global warming countermeasures
- Measures to ensure safety, security and disaster preparedness
- Responding to globalization
- Introducing information technology and other responses to sudden market changes
- Others

Community Challenges

- Creating regional infrastructures for the railway business and safety measures
- Building vigorous communities (Such as providing infrastructure equipment for areas in need of urgent urban renewal)
- Creating employment in the community
- Building attractive tourist destinations
- Formulating measures for medical care, social welfare and measures befitting an aging society
- Others

Resolving Client Issues

Resolving Contemporary Issues

Throughout its history, DBJ has played a variety of roles to meet the needs of the times. Making the most of our expertise and abilities, we provide financing services that suit changing social and economic conditions.

■ Effectiveness of Investments and Loans (Fiscal 2008)

- Construction of waste-processing facilities in terms of annual waste-processing capacity: 724,000 tons
- Reduction in greenhouse gas emissions: 35,000 tons

Resolving Community Challenges

In the interest of creating prosperous lifestyles, we take a long-term perspective in providing appropriate solutions to the challenges communities face, such as stimulating regional economies, building local infrastructure and building wide-ranging networks.

■ Effectiveness of Investments and Loans (Fiscal 2008)

- Area served by newly introduced district heating and cooling systems: 375,000 m²
- Number of locations where railway crossings eliminated: 355

Resolving Corporate Issues

DBJ takes a multifaceted approach to resolving corporate issues. We aim to help clients become more competitive, grow further, expand their operational bases, strengthen and stabilize their financial bases and raise brand value by supporting social sustainability.

■ Effectiveness of Investments and Loans (Fiscal 2008)

- Patents received by venture companies: 55
- Annual revenues of companies undergoing reconstruction or recovery: ¥2.6 trillion

Resolving client issues through integrated investment and loan services



Loans

DBJ provides medium- and long-term loans that meet the needs of the times, as well as clients' requirements, meeting a range of funding needs. In addition to senior financing through traditional corporate loans, we offer project financing, non-recourse loans and other types of structured financing as well as a variety of other loans that employ advanced financial methods.

- Provide medium- and long-term loans
- Offer unique high-value-added financial services (environmentally and socially responsible investment, disaster countermeasures and safety measures, rating-linked financing for technology commercialization)
- Respond to diverse needs by offering non-recourse loans; develop and provide financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, intellectual property rights as collateral, etc.)

Investment

We provide investment funding to meet specific needs, based on a long-term perspective, to resolve the host of issues that clients face. For example, DBJ provides investment to help clients expand their bases of operations, meet long-term growth strategies and shore up their financial bases. We offer funding support, mezzanine financing and financing that employs equity and other methods.

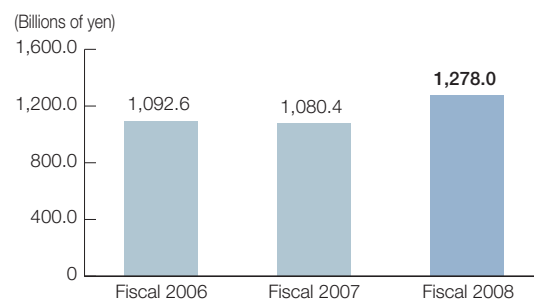
- We provide investment to assist with business revitalization, restructuring, growth strategies, raising international competitiveness and infrastructure operations. We provide such funding through mezzanine financing, as well as through equity and other funding.

Consulting and Advisory Services

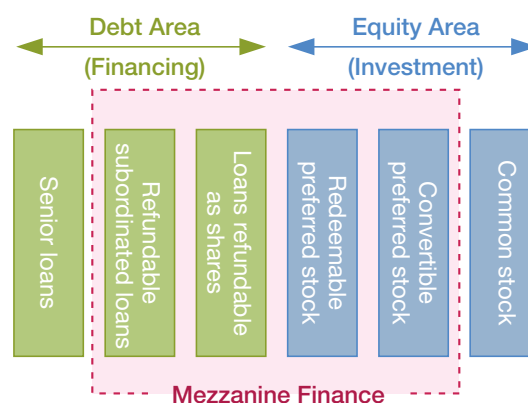
We also offer consulting and advisory services and make use of networks with allied financial institutions. Though our consulting and advisory support services, we help clients become more competitive and contribute to the vigor of regional economies.

- Make proposals that apply our expertise in industry research and ability to develop new financial technologies
- Arrange structured and other types of financing

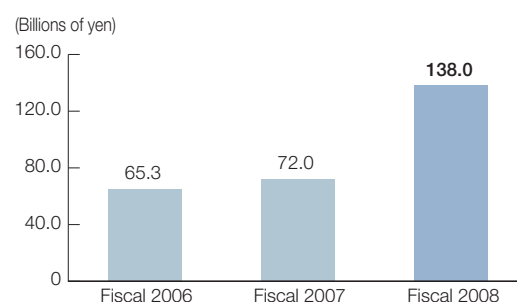
■ Loan Amounts Provided (Non-consolidated)



■ Overview of Mezzanine Financing



■ Investment Amount Provided (Non-consolidated)



■ M&A Advisory and Consulting Agreements (Cumulative)

