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Consolidated Balance Sheet

Development Bank of Japan Inc. and Consolidated Subsidiaries

As of March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Assets			
Cash and due from banks (Note 28)	¥ 175,618	¥ 233,297	\$ 2,136,741
Call loans and bills bought (Note 28)	89,500	61,852	1,088,940
Reverse repurchase agreements (Notes 3 and 28)	152,889	—	1,860,200
Money held in trust (Notes 28 and 30)	24,423	24,819	297,154
Securities (Notes 3, 14, 28 and 30)	1,176,622	1,165,580	14,315,887
Loans (Notes 4, 5, 14 and 28)	13,645,469	13,031,480	166,023,471
Other assets (Notes 6 and 14)	132,487	122,296	1,611,971
Tangible fixed assets (Note 7)	180,962	181,486	2,201,754
Intangible fixed assets	7,057	5,960	85,864
Deferred tax assets (Note 24)	18,854	36,137	229,397
Customers' liabilities for acceptances and guarantees (Note 13)	128,518	145,068	1,563,674
Allowance for loan losses (Notes 8 and 28)	(151,448)	(161,607)	(1,842,667)
Allowance for investment losses	(1,072)	(1,158)	(13,049)
Total assets	¥15,579,881	¥14,845,213	\$189,559,337
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,130,495	¥ 3,312,713	\$ 38,088,519
Borrowed money (Notes 10 and 28)	9,170,553	8,576,482	111,577,487
Short-term corporate bonds (Notes 9 and 28)	50,999	—	620,503
Corporate bonds (Notes 9 and 28)	541,327	316,675	6,586,298
Other liabilities (Notes 11 and 12)	78,631	52,981	956,702
Accrued bonuses to employees	4,694	4,581	57,121
Accrued bonuses to directors and corporate auditors	12	17	158
Reserve for employees' retirement benefits (Note 23)	13,484	25,885	164,062
Reserve for directors' and corporate auditors' retirement benefits	55	52	677
Reserve for contingent losses	—	711	—
Deferred tax liabilities (Note 24)	43	48	525
Acceptances and guarantees (Note 13)	128,518	145,068	1,563,674
Total liabilities	13,118,816	12,435,218	159,615,727
Equity:			
Common stock authorized, 160,000 thousand shares in 2012 and 2011; issued, 43,632 thousand shares in 2012 and 43,623 thousand shares in 2011 (Note 15)	1,187,788	1,181,194	14,451,734
Capital surplus (Note 15)	1,060,466	1,060,466	12,902,620
Retained earnings (Note 15)	159,606	132,329	1,941,926
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	19,313	13,169	234,981
Deferred gain on derivatives under hedge accounting	27,711	17,406	337,160
Foreign currency translation adjustments	(149)	(101)	(1,817)
Total	2,454,736	2,404,464	29,866,604
Minority interests	6,329	5,530	77,006
Total equity	2,461,065	2,409,995	29,943,610
Total liabilities and equity	¥15,579,881	¥14,845,213	\$189,559,337

See notes to consolidated financial statements.

Consolidated Statement of Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Income			
Interest income:	¥277,360	¥298,929	\$3,374,627
Interest on loans	253,849	271,860	3,088,567
Interest and dividends on securities	15,590	19,268	189,694
Interest on call loans and bills bought	115	165	1,408
Interest on reverse repurchase agreements	287	149	3,493
Interest on due from banks	105	171	1,287
Interest on swaps	7,287	7,238	88,671
Other interest income	123	75	1,506
Fees and commissions (Note 17)	9,461	9,998	115,118
Other operating income (Note 18)	5,522	12,642	67,197
Other income (Note 19)	37,868	42,275	460,747
Total income	330,213	363,846	4,017,689
Expenses			
Interest expense:	155,517	172,231	1,892,168
Interest on debentures	47,668	52,920	579,975
Interest on call money and bills sold	41	149	505
Interest on borrowed money	104,564	116,646	1,272,235
Interest on short-term corporate bonds	56	10	693
Interest on corporate bonds	3,182	2,500	38,722
Other interest expense	3	3	38
Fees and commissions (Note 20)	551	607	6,714
Other operating expenses (Note 21)	2,622	12,012	31,906
General and administrative expenses	37,870	36,708	460,765
Other expenses (Note 22)	23,447	37,903	285,287
Total expenses	220,009	259,464	2,676,841
Income before income taxes and minority interests	110,204	104,381	1,340,848
Income taxes (Note 24):			
Current	21,488	371	261,446
Deferred	10,444	944	127,076
Total income taxes	31,932	1,315	388,522
Net income before minority interests	78,271	103,065	952,326
Minority interests in net income	957	1,481	11,655
Net income	¥ 77,313	¥101,583	\$ 940,671
		Yen	U.S. Dollars (Note 1)
Per share of common stock (Note 16)			
Basic net income	¥1,772.27	¥2,328.63	\$21.56
Cash dividend applicable to the year	856	1,147	10.41

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥78,271	¥103,065	\$ 952,326
Other comprehensive income (Note 26):			
Unrealized gain on available-for-sale securities	8,854	2,073	107,728
Deferred gain on derivatives under hedge accounting	10,288	6,273	125,178
Foreign currency translation adjustments	(49)	(46)	(601)
Share of other comprehensive income in affiliates accounted for by the equity method	17	(22)	209
Total other comprehensive income	19,110	8,277	232,514
Comprehensive income	¥97,382	¥111,343	\$1,184,840
Total comprehensive income attributable to:			
Owners of the parent	¥93,714	¥109,867	\$1,140,212
Minority interests	3,668	1,475	44,628

See notes to consolidated financial statements.

Consolidated Statement of Change in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Common stock:			
Balance at beginning of year	¥1,181,194	¥1,181,194	\$14,371,505
Capital increase due to redemption of government compensation bonds	6,170	—	75,070
Issuance of new shares of common stock	424	—	5,159
Balance at end of year	1,187,788	1,181,194	14,451,734
Capital surplus:			
Balance at beginning of year	1,060,466	1,060,466	12,902,620
Balance at end of year	1,060,466	1,060,466	12,902,620
Retained earnings:			
Balance at beginning of year	132,329	40,779	1,610,047
Cash dividends	(50,036)	(10,033)	(608,792)
Net income	77,313	101,583	940,671
Balance at end of year	159,606	132,329	1,941,926
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Balance at beginning of year	13,169	11,091	160,232
Net change during the year	6,143	2,078	74,748
Balance at end of year	19,313	13,169	234,981
Deferred gain on derivatives under hedge accounting:			
Balance at beginning of year	17,406	11,154	211,789
Net change during the year	10,304	6,252	125,371
Balance at end of year	27,711	17,406	337,160
Foreign currency translation adjustments:			
Balance at beginning of year	(101)	(54)	(1,238)
Net change during the year	(47)	(46)	(579)
Balance at end of year	(149)	(101)	(1,817)
Minority interests:			
Balance at beginning of year	5,530	22,908	67,288
Net change during the year	798	(17,378)	9,718
Balance at end of year	6,329	5,530	77,006
Total equity:			
Balance at beginning of year	2,409,995	2,327,538	29,322,243
Capital increase due to redemption of government compensation bonds	6,170	—	75,070
Issuance of new shares of common stock	424	—	5,159
Cash dividends	(50,036)	(10,033)	(608,792)
Net income	77,313	101,583	940,671
Net change during the year	17,198	(9,094)	209,259
Balance at end of year	¥2,461,065	¥2,409,995	\$29,943,610

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥110,204	¥104,381	\$1,340,848
Adjustments for:			
Depreciation	2,583	1,984	31,428
Losses on impairment of long-lived assets	132	21	1,614
Equity in gains of affiliates	2,020	(1,837)	24,587
Interest income	(277,360)	(298,929)	(3,374,627)
Interest expense	155,517	172,231	1,892,168
(Gain) loss on securities—net	(3,166)	7,923	(38,522)
Gain on money held in trust—net	(1,132)	(623)	(13,780)
Foreign exchanges losses	1,482	15,330	18,032
Loss (gain) on sales of fixed assets—net	210	(3)	2,563
Changes in operating assets and liabilities:			
Allowance for loan losses	(10,158)	(41,815)	(123,597)
Allowance for investment losses	(85)	(1,845)	(1,045)
Accrued bonuses to employees	106	2,342	1,300
Accrued bonuses to directors and corporate auditors	(4)	(4)	(54)
Reserve for employees' retirement benefits	(12,401)	(6,727)	(150,891)
Reserve for contingent losses	(711)	(2,104)	(8,654)
Loans	(613,988)	483,181	(7,470,359)
Debentures	(182,217)	(191,498)	(2,217,033)
Borrowed money	594,071	(505,997)	7,228,025
Short-term corporate bonds	50,999	—	620,503
Corporate bonds	224,652	74,494	2,733,326
Due from banks	(17,871)	(9,665)	(217,443)
Call loans and bills bought	(27,648)	63,148	(336,391)
Reverse repurchase agreements	(152,889)	179,991	(1,860,200)
Call money and bills sold	—	(153,000)	—
Interest received	280,304	303,109	3,410,445
Interest paid	(157,633)	(175,029)	(1,917,911)
Other—net	(17,184)	(2,107)	(209,084)
Sub-total	(52,170)	16,948	(634,753)
Returns on (payments for) income taxes	11,816	(15,157)	143,768
Net cash (used in) provided by operating activities	(40,354)	1,790	(490,985)
Cash flows from investing activities:			
Payments for purchases of securities	(621,860)	(1,727,311)	(7,566,130)
Proceeds from sales of securities	103,706	362,248	1,261,792
Proceeds from redemption of securities	530,838	1,469,407	6,458,680
Payments for increase of money held in trust	(110)	(1,215)	(1,338)
Proceeds from decrease of money held in trust	1,579	8,111	19,213
Payments for purchases of tangible fixed assets	(1,708)	(26,021)	(20,787)
Proceeds from sales of tangible fixed assets	1,234	17	15,016
Payments for purchases of intangible fixed assets	(2,630)	(2,020)	(32,004)
Proceeds from sales of intangible fixed assets	—	0	—
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	110	—	1,350
Net cash provided by investing activities	11,160	83,217	135,791
Cash flows from financing activities:			
Capital increase due to redemption of government compensation bonds	6,170	—	75,070
Proceeds from issuance of stock	424	—	5,159
Payments for cash dividends	(50,036)	(10,033)	(608,792)
Proceeds from issuance of securities to minority shareholders of subsidiaries	540	2,848	6,582
Dividends paid to minority shareholders of subsidiaries	(3,517)	(22,439)	(42,794)
Net cash used in financing activities	(46,418)	(29,624)	(564,775)
Foreign currency translation adjustments on cash and cash equivalents	61	(553)	754
Net change in cash and cash equivalents	(75,550)	54,828	(919,215)
Cash and cash equivalents of newly consolidated subsidiaries	—	106	—
Cash and cash equivalents at beginning of year	199,692	144,756	2,429,639
Cash and cash equivalents at end of year	¥124,141	¥199,692	\$1,510,425

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Development Bank of Japan Inc. and Consolidated Subsidiaries

1. Basis of Presentation

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82.19=\$1.00, the effective exchange rate prevailing as of March 31, 2012, has been used in the conversion. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

(1) Scope of Consolidation

Under the control concept, those companies in which DBJ Inc., directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for the period and the fiscal years ending on or after September 8, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics.

(i) Consolidated Subsidiaries

The number of consolidated subsidiaries as of March 31, 2012 is 17. The consolidated subsidiaries as of March 31, 2012 are as follows:

- DBJ Business Investment Co., Ltd.
- DBJ Corporate Mezzanine Partners Co., Ltd.
- UDS Corporate Mezzanine Limited Partnership
- UDS Corporate Mezzanine No. 3 Limited Partnership
- DBJ Credit Line, Ltd.
- New Business Investment Co., Ltd.
- DBJ Singapore Limited
- Japan Economic Research Institute Inc.
- Asuka DBJ Investment LPS
- DBJ Europe Limited
- DBJ Real Estate Co., Ltd.
- DBJ Investment Advisory Co., Ltd.
- DBJ Capital Co., Ltd.
- DBJ Capital Investment Fund No. 1
- DBJ New Business Investment Fund
- DBJ Capital Investment Fund No. 2
- DBJ Securities Co., Ltd.

In the year ended March 31, 2012, DBJ Securities Co., Ltd. was newly consolidated due to acquisition of its shares.

(ii) Unconsolidated Subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2012 is 23. The major unconsolidated subsidiary as of March 31, 2012 was UDS II Corporate Mezzanine Limited Partnership.

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

(2) Application of the Equity Method

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

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

The number of unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2012 was 23. The major unconsolidated subsidiary not accounted for by the equity method was UDS II Corporate Mezzanine Limited Partnership.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2012 was 15. The major affiliates accounted for by the equity method as of March 31, 2012 were as follows:

Makuhari Messe, Inc.
Hokkaido International Airlines Co., Ltd.
Urban Redevelopment Private Fund

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

Since DBJ-JAIC Investment Consulting (Beijing) Co., Ltd. was newly incorporated and the materiality of Asahikawa Airport Terminal Building Co., Ltd. increased during the year ended March 31, 2012, these two companies were newly accounted for by the equity method as of March 31, 2012.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2012 was 93. One of the major affiliates as of March 31, 2012 was:

New Perspective One LLC

Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method have been excluded from the scope of the equity method because their aggregate effect in terms of net income, retained earnings and deferred gains and losses has no material impact on the consolidated financial statements of DBJ Inc.

(iv) Entities not recognized as affiliates where DBJ Inc. owns the voting rights between 20% and 50%

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

As of March 31, 2012

Narumi Corporation
Shinwa Seiko Corporation
Mediclude Co., Ltd.
Advangen, Inc.
Asahi Fiber Glass Company, Limited
Nihon Shoryoku Kikai Co., Ltd.
PRISM BioLab Corporation
Izumi Products Company
OPAL Co., Ltd.
Springsoft, Inc.
SKYROCKIT, Inc.
Teibow Co., Ltd.

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries	
	2012	
December 31	7	
March 31	10	

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

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

(4) Elimination of Intercompany Balances and Transactions

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

(5) Amortization of Goodwill

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

(b) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statement of cash flows consist of cash on hand and due from banks. The reconciliation between "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheet is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash and due from banks	¥175,618	¥233,297	\$2,136,741
Time deposits with banks	(51,476)	(33,605)	(626,317)
Cash and cash equivalents	¥124,141	¥199,692	\$1,510,425

(c) Securities

Held-to-maturity debt securities are stated at amortized cost with amortization computed on a straight-line basis, using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method). Financial instruments whose fair value cannot be reliably determined are stated at cost using the weighted average method.

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

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

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

(d) Valuation Method for Derivative Financial Instruments

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

(e) Hedge Accounting**(1) Hedge Accounting**

DBJ Inc. applies the deferral method of hedge accounting or the accrual method (*1). The portfolio hedge is accounted for by the method stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public

Accountants (the "JICPA Industry Audit Committee Report No. 24"). In addition, foreign currency swaps which are used to hedge foreign currency fluctuations are not translated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(2) Hedging Instruments and Hedged Items

- Hedging Instruments : Interest rate swaps
Hedged Items : Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments : Foreign currency swaps
Hedged Items : Foreign currency denominated loans and Debentures

(3) Hedging Policy

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

(4) Evaluation of Hedge Effectiveness

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

In addition, as for portfolio hedging activities to fix the cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and the hedging instrument.

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

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

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

(i) If a foreign currency swap is executed to hedge existing foreign currency assets or liabilities, a) the difference, if any, between the Japanese yen amount of the hedged foreign currency asset or liability translated using the spot rate at the inception date of the contract and the book value of the asset or liability is recognized in the statement of income in the period 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.

(ii) 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 foreign exchange forward contract are recognized.

(f) Fixed Assets

(1) Depreciation of Tangible Fixed Assets

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

The estimated useful lives are principally as follows:

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

(2) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (mainly from 3 to 5 years).

(3) Lease Assets

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

(g) Long-lived Assets

DBJ Inc. reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. Impairment losses are recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment losses would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(h) Debentures and Corporate Bonds Issuance Costs

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

(i) Foreign Currency Translation and Revaluation Method

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

(j) Allowance for Loan Losses

DBJ Inc. provides for "Allowance for Loan Losses" as detailed below pursuant to the internal policies for self-assessment of credit quality and loan losses. The allowance for claims on debtors who are legally bankrupt, in special liquidation or effectively bankrupt is provided for based on the amount of claims, after the write-off described below, net of amounts expected to be recovered through disposal of collateral or execution of guarantees. The allowance for claims on debtors who are not legally bankrupt at the moment, but are likely to become bankrupt, and for which future cash flows cannot reasonably be estimated (possibly bankrupt), is provided for at the amount considered to be necessary based on an overall solvency assessment performed on the claims, net of amounts expected to be recovered through disposal of collateral or execution of guarantees. With respect to the claims on debtors who are likely to become bankrupt or to be closely monitored, and for which future cash flows can reasonably be estimated, the allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims. The allowance for claims on debtors other than those described above is provided based on the historical default rate, which is calculated based on the actual defaults over a certain historical period. All claims are assessed initially by the investment and lending departments and then by the Credit Analysis Department, which is independent of the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided for based on the results of the self-assessment.

With respect to the claims on debtors who are legally or substantially bankrupt with collateral or guarantees, the amount of claims exceeding the estimated market values of collateral or guarantees which are deemed uncollectible were written-off, and totaled ¥59,113 million (\$719,235 thousand) and ¥45,551 million for the years ended March 31, 2012 and 2011, respectively. The consolidated subsidiaries calculate the general reserve for "normal" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "effectively bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

(k) Allowance for Investment Losses

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

(l) Accrued Bonuses to Employees, Directors and Corporate Auditors

"Accrued Bonuses to Employees, Directors and Corporate Auditors" are provided for in the amount of the estimated bonuses which are attributable to the years ended March 31, 2012 and 2011.

(m) Reserve for Employees' Retirement Benefits

DBJ Inc. has defined benefit pension plans, which consist of a defined-benefit corporate pension plan and a lump-sum severance indemnity plan. "Reserve for Employees' Retirement Benefits" represents future payments for pension and retirement benefits to employees. It is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. Prior service cost is amortized using the straight-line method over the period of ten years within the employees' average remaining service period at incurrence. Net actuarial gains and losses is amortized using the straight-line method over the period of ten years within the employees' average remaining service period commencing from the next fiscal year after incurrence.

DBJ Inc. has two types of pension plans for employees: a non-contributory and a contributory funded defined benefit pension plan.

The contributory funded defined benefit pension plan, established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by DBJ Inc. on behalf of the government and a corporate portion established at the discretion of DBJ Inc. In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, DBJ Inc. applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. DBJ Inc. obtained an approval for exemption from the future obligation by the Ministry of Health, Labor and Welfare on July 1, 2010.

In the current year, DBJ Inc. applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labor and Welfare on November 1, 2011. The actual transfer of the pension obligations and related assets to the government is to take place subsequently after the government's approval.

Based upon the above approval in November 2011, DBJ Inc. recognized a gain on transfer of the substitutional portion of the governmental pension program in the amount of ¥ 11,036 million (\$134,281 thousand) for the year ended March 31, 2012.

(n) Reserve for Directors' and Corporate Auditors' Retirement Benefits

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

(o) Asset Retirement Obligations

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

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

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

(p) Lease Transactions

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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

DBJ Inc. applied the revised accounting standard on October 1, 2008. In addition, DBJ Inc. continues to account for leases which existed at March 31, 2008 and were transferred to DBJ Inc. on October 1, 2008, and does not transfer ownership of the leased property to the lessee as operating lease transactions.

(q) Consumption Taxes

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

(r) Income Taxes

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

(s) Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share for the years ended March 31, 2012 and 2011 is not disclosed because there are no dilutive securities.

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

(t) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

- (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Securities

Securities as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Japanese government bonds	¥ 247,012	¥ 418,710	\$ 3,005,380
Corporate bonds	392,589	282,139	4,776,608
Equities	169,806	164,136	2,066,028
Other securities	367,214	300,594	4,467,871
Total	¥1,176,622	¥1,165,580	\$14,315,887

- *1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2012 and 2011, are ¥24,066 million (\$292,818 thousand) and ¥24,293 million. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2012 and 2011, are ¥44,288 million (\$538,857 thousand) and ¥42,919 million.
- *2. DBJ Inc. has contingent liabilities for guarantees of corporate bonds among securities which were issued by private placement (Article 2, Paragraph 3 of Financial Instruments and Exchange Act) and amount to ¥697 million as of March 31, 2011.
- *3. There are no securities repledged as of March 31, 2012 and 2011. Securities accepted under repurchase agreements can be sold or repledged. Securities neither sold nor repledged are ¥152,889 million (\$1,860,200 thousand) as of March 31, 2012.
- *4. Marketable securities available-for-sale are considered impaired if there is a considerable decline in the market value below the acquisition cost and such decline is not believed to be recoverable. The difference between the acquisition cost and the market value is the impairment loss for the fiscal year.
The criterion for determining "Considerable decline in market value" is as follows:
Market value declined by 50% or more of the acquisition cost.
Market value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses on marketable securities available-for-sale for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Equities	¥64	¥ 8	\$ 784
Bonds	31	4,104	377
Other	0	6	3
Total	¥95	¥4,119	\$1,165

4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans to bankrupt debtors	¥ 10,686	¥ 6,811	\$ 130,020
Delinquent loans	136,477	111,000	1,660,513
Loans past due three months or more	—	259	—
Restructured loans	52,782	49,210	642,199
Total	¥199,946	¥167,281	\$2,432,731

- *1. The amounts of loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.
- *2. "Loans to bankrupt debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.
- *3. "Delinquent loans" represent non-accrual loans other than (i) Loans to bankrupt debtors and (ii) Loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.
- *4. "Loans past due three months or more" are loans whose principal or interest payment is three months or more past due and do not fall under the category of "Loans to bankrupt debtors" or "Delinquent loans."
- *5. "Restructured loans" are loans whose repayment terms have been modified to the advantage of debtors through means such as a reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to bankrupt debtors," "Delinquent loans," or "Loans past due three months or more."

5. Commitments

Loan commitment limits are contracts under which DBJ Inc. lends to customers up to the prescribed limits in response to customers' applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2012 and 2011, the amounts of unused commitments are ¥580,042 million (\$7,057,341 thousand) and ¥245,482 million. As of March 31, 2012 and 2011, the amounts of unused commitments whose remaining contract term are within one year are ¥455,229 million (\$5,538,740 thousand) and ¥132,978 million.

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

6. Other Assets

Other assets as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Prepaid expenses	¥ 8,597	¥ 11,895	\$ 104,609
Accrued income	44,382	40,250	539,995
Derivatives	62,528	49,509	760,784
Other	16,979	20,640	206,583
Total	¥132,487	¥122,296	\$1,611,971

7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Buildings	¥ 8,682	¥ 9,191	\$ 105,634
Land	45,562	47,808	554,353
Leased assets	59	74	720
Construction in progress	124,802	123,589	1,518,460
Other	1,856	822	22,587
Total	¥180,962	¥181,486	\$2,201,754

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2012 and 2011, is ¥2,538 million (\$30,886 thousand) and ¥1,837 million.

8. Allowance for Loan Losses

An allowance for loan losses as of March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
General allowance for loan losses	¥ 58,589	¥ 88,187	\$ 712,853
Specific allowance for loan losses	92,859	73,420	1,129,815
Total	¥151,448	¥161,607	\$1,842,667

9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2012 and 2011 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen		Thousands of U.S. Dollars
				2012	2011	2012
Debentures						
Japanese government-guaranteed bonds 5-23*1, 7	Aug. 2001– Aug. 2008	0.8– 2.2	Aug. 2011– Jun. 2023	¥ 632,606 [50,000]	¥ 682,486	\$ 7,696,883 [608,347]
Japanese government-guaranteed bonds 1-14	Nov. 2008– Mar. 2012	0.4– 2.1	Jul. 2016– Feb. 2024	528,178	348,923	6,426,313
Japanese government-guaranteed foreign bond 67*2	Sep. 1998	1.81	Sep. 2028	25,066	25,070	304,987
Japanese government-guaranteed foreign bonds 1, 3-14*1, 7	Nov. 1999– Nov. 2007	1.05– 6.875	Aug. 2011– Nov. 2027	777,920 [74,996]	936,344	9,464,904 [912,476]
Japanese government-guaranteed Euro MTN bonds 1-5*3	Dec. 2009– Mar. 2012	0.7175– 2.875	Dec. 2014– Mar. 2017	284,868	163,092	3,465,974
FILP agency domestic bonds 5, 7, 9, 11, 13, 16, 17, 19, 20, 22, 24-51*4, 7	Oct. 2002– Jul. 2008	0.78– 2.74	Jun. 2011– Mar. 2047	829,856 [219,990]	1,104,812	10,096,808 [2,676,615]
FILP agency foreign bond 1*4, 7	Jun. 2007	1.65	Jun. 2012	49,997 [49,997]	49,982	608,316 [608,316]
Euro MTN bonds 2* 4, 5	Sep. 2008	2.032	Sep. 2023	2,000	2,000	24,334
Short-term corporate bonds*7	Apr. 2011– Mar. 2012	0.104– 0.12499	May 2011– May 2012	50,999 [50,999]	—	620,503 [620,503]
Corporate bonds						
Corporate bonds through public placement 1-23*7	Dec. 2008– Feb. 2012	0.241– 1.745	Dec. 2011– Mar. 2019	474,000 [60,000]	267,000	5,767,125 [730,016]
Corporate bonds through private placement 1-2	Aug. 2009– May 2011	0.48– 0.847	Sep. 2014– Jun. 2015	20,000	10,000	243,339
Corporate bonds Euro MTN 6-15, 17-30*6, 7	Mar. 2009– Jul. 2011	0.61586– 1.47355	Mar. 2012– Jul. 2018	47,327 [9,040]	39,675	575,835 [110,000]
Total				¥3,722,822	¥3,629,389	\$45,295,320

*1. These bonds are government-guaranteed bonds issued by the Development Bank of Japan.

*2. This bond is a government-guaranteed bond issued by the Japan Development Bank.

*3. These bonds are non-guaranteed bonds issued based on MTN program.

*4. Fiscal Investment and Loan Program (FILP) agency bonds issued are not government-guaranteed. These bonds are issued by the Development Bank of Japan.

*5. These bonds are FILP bonds issued based on MTN program.

*6. These bonds are unsecured corporate bonds issued based on MTN program.

*7. Figures indicated in brackets [] indicate the amounts to be redeemed within one year.

Scheduled redemptions of debentures and corporate bonds which have been assumed and repaid by DBJ Inc. for subsequent years as of March 31, 2012 are as follows:

The fiscal year ending March 31,	2013	2014	2015	2016	2017
	¥515,024 million	\$6,266,272 thousand			
	296,353	3,605,707			
	437,994	5,329,053			
	342,311	4,164,877			
	619,563	7,538,189			

10. Borrowed Money

Borrowed money as of March 31, 2012 and 2011 is as follows:

	Average interest rate (%)	Due date of repayment	Millions of Yen		Thousands of U.S. Dollars
			2012	2011	2012
Borrowings	1.13	May 2012–Jan. 2032	¥9,170,553	¥8,576,482	\$111,577,487

Scheduled redemptions of borrowings for subsequent years as of March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
The fiscal year ending March 31, 2013	¥1,341,870 million	\$16,326,443 thousand
2014	1,204,191	14,651,310
2015	1,194,500	14,533,405
2016	1,102,995	13,420,068
2017	965,233	11,743,934

11. Other Liabilities

Other liabilities as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accrued expenses	¥28,621	¥30,908	\$348,240
Unearned income	562	739	6,839
Accrued income taxes	20,754	76	252,518
Derivatives	12,752	8,805	155,158
Lease obligations	87	132	1,060
Asset retirement obligations (Note 12)	1,047	1,046	12,742
Other	14,806	11,272	180,146
Total	¥78,631	¥52,981	\$956,702

12. Asset Retirement Obligations

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

The asset retirement obligation is calculated based on the sum of the discounted cash flows using discount rates from 0.4% to 1.1% with the estimated useful lives of 4 to 8 years.

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥1,046	¥1,043	\$12,728
Reconciliation associated with passage of time	0	1	12
Other	0	1	2
Balance at end of year	¥1,047	¥1,046	\$12,742

13. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Guarantees	¥128,518	¥145,068	\$1,563,674

14. Assets Pledged as Collateral

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥697,263 million (\$8,483,557 thousand) and ¥14,714 million (\$179,026 thousand) as of March 31, 2012. In addition, they are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2012. Also, in other assets, ¥937 million (\$11,407 thousand) of margin deposits for futures transactions is included and ¥42 million (\$514 thousand) of guarantee deposits are included as of March 31, 2012. Under the DBJ Inc. Act (Act No. 17 and 26), the DBJ Act (Act No. 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. The denomination value of these debentures amounts to ¥2,318,822 million (\$28,212,946 thousand) as of March 31, 2012.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥700,942 million and ¥235,556 million as of March 31, 2011. In addition, they are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2011. ¥1,575 million of securities are pledged as collateral for loans of companies which are investees of DBJ Inc. as of March 31, 2011. Also, in other assets, ¥937 million of margin deposits for futures transactions is included and ¥41 million of guarantee deposits are included as of March 31, 2011. Under the DBJ Inc. Act (Act No. 17 and 26), the DBJ Act (Act No. 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. The denomination value of these debentures amounts to ¥2,802,443 million as of March 31, 2011.

15. Equity

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

(a) Dividends

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

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

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

(e) Common Stock Issued during the year ended March 31, 2012

On November 24, 2011, DBJ Inc. executed a request for redemption of government compensation bonds equivalent to ¥6,170 million (\$75,070 thousand) to the Finance Minister and accordingly, capital stock of DBJ Inc. increased by that amount. And on March 24, 2012, DBJ Inc. issued 8,480 new shares of common stock by way of allocation of new stocks to the Finance Minister at ¥50,000 per share for ¥424 million (\$5,159 thousand). As a result, ¥6,594 million (\$80,229 thousand) was included in Capital stock.

16. Per Share Information

Basic net income per common share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2012	Net income	Weighted average shares	EPS	EPS
Basic EPS				
Net income available to common shareholders	¥ 77,313	43,624	¥1,772.27	\$21.56
Year ended March 31, 2011				
Basic EPS				
Net income available to common shareholders	¥101,583	43,623	¥2,328.63	

Note: Diluted net income per share for the years ended March 31, 2012 and 2011 is not disclosed because there are no dilutive securities.

17. Fees and Commissions (Income)

Fees and commissions (income) for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Commissions	¥9,461	¥9,998	\$115,118

18. Other Operating Income

Other operating income for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gains on sales of bonds	¥ 492	¥ 121	\$ 5,994
Gains on redemption of bonds	5,000	77	60,836
Gains on derivative instruments	—	12,301	—
Other	30	141	367
Total	¥5,522	¥12,642	\$67,197

19. Other Income

Other income for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Reversal of allowance for investment losses	¥ —	¥ 445	\$ —
Reversal of allowance for loan losses	—	8,095	—
Reversal of reserve for contingent losses	711	2,104	8,654
Gains on sales of equities and other securities	3,634	12,471	44,215
Gains on money held in trust	1,142	1,194	13,903
Equity in net income of affiliates	—	1,837	—
Gains on sales of fixed assets	104	7	1,267
Collection of written-off claims	10,120	8,002	123,140
Gain on transfer of the substitutional portion of the governmental pension program	11,036	—	134,281
Gains on investments in limited partnerships and other similar partnerships	7,750	5,777	94,294
Other	3,369	2,339	40,993
Total	¥37,868	¥42,275	\$460,747

20. Fees and Commissions (Expenses)

Fees and commissions (expenses) for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Commissions	¥551	¥607	\$6,714

21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Foreign exchange losses	¥ 892	¥ 6,939	\$10,859
Debentures issuance costs	686	434	8,356
Corporate bonds issuance costs	518	184	6,308
Write-off of bonds	31	4,104	380
Other	493	350	6,002
Total	¥2,622	¥12,012	\$31,906

22. Other Expenses

Other expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Provision for allowance for loan losses	¥ 1,413	¥ —	\$ 17,197
Write-off of loans	5,194	3,104	63,205
Losses on sales of equities and other securities	1,804	1,311	21,959
Write-off of equities	6,867	15,188	83,557
Losses on money held in trust	10	571	123
Losses on sales of fixed assets	314	3	3,830
Impairment losses	132	21	1,614
Early redemption charges	—	8,881	—
Losses on investments in limited partnerships and other similar partnerships	5,000	5,754	60,843
Other	2,708	3,065	32,960
Total	¥23,447	¥37,903	\$285,287

23. Employees' Retirement Benefits

Employees whose service with DBJ Inc. is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

Reserve for employees' retirement benefits as of March 31, 2012 and 2011 consisted of the following:

(a) The Funded Status of the Pension Plans

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥(36,101)	¥(47,110)	\$(439,247)
Fair value of plan assets	21,466	19,316	261,176
Unfunded pension obligation	(14,635)	(27,793)	(178,071)
Unrecognized net actuarial losses	1,043	2,370	12,699
Unrecognized prior service cost	107	(462)	1,311
Reserve for employees' retirement benefits	¥(13,484)	¥(25,885)	\$(164,062)

*1. The above projected benefit obligation as of March 31, 2011 includes a portion which the pension fund manages on behalf of the Japanese government welfare program.

*2. Certain subsidiaries apply the simplified method for the calculation of liability for employees' retirement benefits.

(b) Components of Pension Cost

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 1,169	¥1,167	\$ 14,234
Interest cost	842	923	10,251
Expected return on plan assets	(96)	(63)	(1,178)
Amortization of prior service cost	(23)	(35)	(286)
Amortization of net actuarial losses	220	171	2,683
Other	1	1	20
Net pension cost	¥ 2,114	¥2,166	\$ 25,724
Gain on transfer of the substitutional portion of the governmental pension program	¥(11,036)	¥ —	\$(134,281)

*1. All retirement benefit costs are classified as service cost for the subsidiaries applying the simplified method.

*2. Contribution of pension premiums to the defined contribution pension plans of certain consolidated overseas subsidiaries is included in "Other".

(c) Principal Assumptions Used

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.5%	0.5%
Amortization period of prior service cost	10 Years	10 Years
Amortization period of actuarial gains/losses	10 Years	10 Years

24. Income Taxes

DBJ Inc. and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2012 and 2011.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	40.69%	40.69%
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	(12.85)	(37.59)
Reduction of deferred tax assets due to changes of tax rate	3.16	—
Minority interests in net income of subsidiaries	0.75	(0.71)
Other	(2.77)	(1.13)
Actual effective tax rate	28.98%	1.26%

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for loan losses	¥ 57,367	¥ 71,580	\$ 697,984
Losses from revaluation of securities	27,394	37,916	333,310
Tax loss carryforwards	8,117	12,789	98,761
Reserve for retirement benefits	4,916	10,499	59,823
Other	6,700	5,374	81,530
Sub-total	104,497	138,162	1,271,409
Less—valuation allowance	(62,670)	(85,281)	(762,504)
Total	41,826	52,880	508,904
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	(15,795)	(11,873)	(192,180)
Unrealized gain on available-for-sale securities	(7,052)	(4,136)	(85,803)
Other	(168)	(782)	(2,049)
Total	(23,015)	(16,792)	(280,032)
Net deferred tax assets	¥ 18,810	¥ 36,088	\$ 228,872

On December 2, 2011, the "Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used

to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.69% to 38.01% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.64% for temporary differences to be eliminated on or after April 1, 2015. As a result, deferred tax assets and deferred tax liabilities decreased by ¥698 million (\$8,500 thousand) and ¥5 million (\$69 thousand), respectively and deferred gain on derivatives under hedge accounting, unrealized gain on available-for-sale securities and income taxes – deferred increased by ¥1,862 million (\$22,656 thousand), ¥930 million (\$11,325 thousand) and ¥3,483 million (\$42,387 thousand), respectively.

25. Lease Transactions

DBJ Inc. and its domestic consolidated subsidiaries lease certain equipment and others. Lease payments under finance leases for the years ended March 31, 2012 and 2011 amounted to ¥150 million (\$1,833 thousand) and ¥208 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		
	2012		
	Tangible fixed assets	Intangible fixed assets	Total
Acquisition cost	¥81	¥204	¥286
Accumulated depreciation	(56)	(178)	(234)
Accumulated impairment losses	—	—	—
Net leased property	¥25	¥ 25	¥ 51

	Millions of Yen		
	2011		
	Tangible fixed assets	Intangible fixed assets	Total
Acquisition cost	¥448	¥224	¥673
Accumulated depreciation	(328)	(144)	(473)
Accumulated impairment losses	(3)	—	(3)
Net leased property	¥115	¥ 80	¥195

	Thousands of U.S. Dollars		
	2012		
	Tangible fixed assets	Intangible fixed assets	Total
Acquisition cost	\$997	\$2,483	\$3,481
Accumulated depreciation	(686)	(2,170)	(2,855)
Accumulated impairment losses	—	—	—
Net leased property	\$312	\$ 313	\$ 625

Pro forma amounts of obligations under finance leases as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
	Due within 1 year	¥42	¥149
Due after 1 year	10	53	133
Total	¥53	¥203	\$657

Pro forma amounts of depreciation expense and interest expense under finance leases for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥144	¥200	\$1,759
Interest expense	2	5	31
Total	¥147	¥206	\$1,790

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

*2. The difference between total lease payments and the assumed acquisition cost of leased assets is charged to assumed interest expense and is allocated to each fiscal year using the interest method.

The minimum rental commitments under non-cancelable operating leases as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within 1 year	¥230	¥218	\$2,811
Due after 1 year	100	148	1,217
Total	¥331	¥366	\$4,028

26. Other Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥15,948	\$194,047
Reclassification adjustments to profit or loss	(4,179)	(50,848)
Amount before income tax effect	11,769	143,200
Income tax effect	(2,915)	(35,472)
Total	8,854	107,728
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	22,440	273,032
Reclassification adjustments to profit or loss	(8,229)	(100,133)
Amount before income tax effect	14,210	172,899
Income tax effect	(3,922)	(47,721)
Total	10,288	125,178
Foreign currency translation adjustments:		
Losses arising during the year	(49)	(601)
Reclassification adjustments to profit or loss	—	—
Amount before income tax effect	(49)	(601)
Income tax effect	—	—
Total	(49)	(601)
Share of other comprehensive income in affiliates:		
Gains arising during the year	70	855
Reclassification adjustments to profit or loss	(53)	(646)
Amount before income tax effect	17	209
Income tax effect	—	—
Total	17	209
Total other comprehensive income	¥19,110	\$232,514

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

27. Segment Information

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

Related information:

Segment information by service for the years ended March 31, 2012 and 2011 is following:

Year ended March 31, 2012	Millions of Yen			
	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥263,970	¥32,467	¥22,337	¥318,775

Year ended March 31, 2011	Millions of Yen			
	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥271,860	¥37,716	¥35,612	¥345,189

Year ended March 31, 2012	Thousands of U.S. Dollars			
	Loan business	Securities investment	Other	Total
Ordinary income from external customers	\$3,211,707	\$395,032	\$271,777	\$3,878,517

28. Financial Instruments and Related Disclosures

(a) The Situation of Financial Instruments

(1) Policy for Financial Instruments

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

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

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

The financial assets in DBJ Inc. are mainly investments and loans in domestic clients, which are exposed to credit risk that stems from customers' default of contracts and decline of their creditworthiness. Main categories of industries of debtors are transport and postal activities, manufacturing and others as of March 31, 2012. The changes of economic circumstances surrounding these industries may cause influence on fulfillment of their obligations. DBJ Inc. holds securities such as bonds, equities and investments in limited partnerships and other similar partnerships, which are exposed to issuer's credit risk, interest rate risk, price volatility risk and other risks. DBJ Inc. does not have any trading-related risk because it does not engage in trading (specified transactions).

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

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

DBJ Inc. utilizes derivative financial transactions such as interest-rate swap agreements and currency swap agreements in order to hedge or control the risks related to interest and currency. As for hedge accounting, DBJ Inc. applies the deferral hedge method or the accrual method to interest-rate swaps, and the assignment method to foreign currency swaps. Hedged items of interest-rate swaps are loans, securities, borrowings, debentures and corporate bonds. Hedged items of foreign currency swaps are foreign-currency denominated loans, debentures and corporate bonds. According to the risk management policy, DBJ Inc. evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

(3) Risk Management for Financial Instruments

(i) Credit Risk Management

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

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

(ii) Market Risk Management

1) Interest Rate Risk Management

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

2) Foreign Exchange Risk Management

Foreign currency receivable and bonds are exposed to the exchange rate risk, therefore those risks are hedged or controlled not only by setting off some foreign currency denominated investments and loans as foreign currency denominated corporate bonds and debentures but also by making currency-related transactions.

3) Price Volatility Risk Management

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

4) Derivative Transactions

About derivative transactions, the front office, the back office and the risk management department are separated from each other, and each department keeps the operations of the other in check based on in-house regulations.

5) Quantitative Information about Market Risk

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

Market risk volume (estimated loss) is based on VaR using the historical simulation method (holding period of 1 year, observation period of 5 years, and confidence interval of 99.9%). The amount of market risk (risks pertaining to the changes in interest rates, foreign exchanges and market prices) as of March 31, 2012 and 2011 was ¥41,484 million (\$504,744 thousand) and ¥73,672 million, respectively. Such measurements are

conducted by the risk management department on a regular basis and reported to ALM & Risk Management Committee to utilize for establishing ALM operating policies.

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

(iii) Liquidity Risk Management on Financing

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

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is measured at the quoted market price. If the quoted price is not available, DBJ Inc. measures reasonably assessed price. Because assessed price is computed under certain conditions, it could differ in price according to the different conditions.

(b) Fair Values Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2012 and 2011.

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

	Millions of Yen		
	2012		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 175,618	¥ 175,618	¥ —
Call loans and bills bought	89,500	89,500	—
Reverse repurchase agreements	152,889	152,889	—
Securities			
Held-to-maturity debt securities	672,405	695,762	23,357
Available-for-sale securities	213,894	213,894	—
Loans	13,645,469		
Allowance for loan losses*1	(149,928)		
	13,495,540	14,113,871	618,330
Total assets	¥14,799,848	¥15,441,536	¥641,687
Debentures	3,130,495	3,260,653	130,158
Borrowed money	9,170,553	9,290,125	119,571
Short-term bonds	50,999	50,999	—
Corporate bonds	541,327	544,484	3,157
Total liabilities	¥12,893,376	¥13,146,263	¥252,887
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	12,904	12,904	—
Derivative transactions qualifying for hedge accounting	36,871	36,871	—
Total derivative transactions	¥ 49,776	¥ 49,776	¥ —

	Millions of Yen		
	2011		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 233,297	¥ 233,297	¥ —
Call loans and bills bought	61,852	61,852	—
Securities			
Held-to-maturity debt securities	526,637	548,939	22,301
Available-for-sale securities	360,318	360,318	—
Loans	13,031,480		
Allowance for loan losses*1	(160,292)		
	12,871,187	13,449,875	578,687
Total assets	¥14,053,292	¥14,654,282	¥600,989
Debentures	3,312,713	3,410,637	97,924
Borrowed money	8,576,482	8,692,747	116,264
Corporate bonds	316,675	318,865	2,190
Total liabilities	¥12,205,871	¥12,422,250	¥216,379
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	13,262	13,262	—
Derivative transactions qualifying for hedge accounting	27,441	27,441	—
Total derivative transactions	¥ 40,703	¥ 40,703	¥ —
	Thousands of U.S. Dollars		
	2012		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$ 2,136,741	\$ 2,136,741	\$ —
Call loans and bills bought	1,088,940	1,088,940	—
Reverse repurchase agreements	1,860,200	1,860,200	—
Securities			
Held-to-maturity debt securities	8,181,106	8,465,289	284,183
Available-for-sale securities	2,602,440	2,602,440	—
Loans	166,023,471		
Allowance for loan losses*1	(1,824,167)		
	164,199,304	171,722,491	7,523,187
Total assets	\$180,068,730	\$187,876,101	\$7,807,371
Debentures	38,088,519	39,672,150	1,583,631
Borrowed money	111,577,487	113,032,308	1,454,821
Short-term bonds	620,503	620,503	—
Corporate bonds	6,586,298	6,624,710	38,412
Total liabilities	\$156,872,807	\$159,949,671	\$3,076,864
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	157,014	157,014	—
Derivative transactions qualifying for hedge accounting	448,612	448,612	—
Total derivative transactions	\$ 605,626	\$ 605,626	\$ —

*1. General and specific allowances for loan losses are deducted. Allowance for loan losses is set off against the carrying amount directly due to immateriality.

*2. Assets and liabilities arising from derivative transactions are presented on a net basis.

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

(i) Cash and due from banks

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

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

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

(iii) Securities

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

(iv) Loans

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

Liabilities

(i) Debentures

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

(ii) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the fair value of such borrowed money because the terms of these were set within a short time period for such variable rate borrowings and that there has been no significant change in the creditworthiness of DBJ Inc. nor consolidated subsidiaries before and after such borrowings were made. For fixed rate borrowed money, the fair values are determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to borrowings, the

contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. or consolidated subsidiaries.

(iii) Short-term corporate bonds

The carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of the short contract terms (1 year or less).

(iv) Corporate bonds

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

Derivatives

The information of the fair values for derivatives is included in Note 29.

(2) Following are the financial instruments whose fair value cannot be reliably determined as of March 31, 2012 and 2011:

These securities are not included in the amount in the table summarizing fair values of financial Instruments.

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Money held in trust* ¹	¥ 24,423	¥ 24,819	\$ 297,154
Unlisted equities* ^{2, 3}	127,999	133,860	1,557,367
Investments in limited partnerships and other similar partnerships* ^{1, 3}	126,977	117,040	1,544,922
Unlisted other securities* ^{2, 3}	35,346	27,723	430,053
Total	¥314,746	¥303,444	\$3,829,496

*1. Assets in trust and partnership assets which consist of financial instruments, whose fair value cannot be reliably determined, such as unlisted equities and other securities, are not subject to disclosing of fair values.

*2. Financial instruments for which the quoted price is not available and fair value cannot be reliably determined, are not subject to disclosing of fair values.

*3. Impairment loss on financial instruments whose fair value cannot be reliably determined for the year ended March 31, 2012 and 2011 was ¥6,803 million (\$82,772 thousand) and ¥15,173 million, respectively. The breakdown is; unlisted equities ¥6,685 million (\$81,340 thousand) and ¥13,548 million, unlisted other securities ¥117 million (\$1,433 thousand) and ¥1,592 million for the years ended March 31, 2012 and 2011, respectively, and investments in limited partnerships ¥32 million for the year ended March 31, 2011.

(3) Following are the maturity analysis for financial assets and securities with contractual maturities as of March 31, 2012:

	Millions of Yen					
	2012					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 175,614	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	89,500	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	44,344	85,551	299,014	148,379	43,226	51,888
Japanese government bonds	—	—	36,372	67,074	30,626	40,388
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	38,200	60,172	162,498	28,700	2,600	11,500
Other	6,143	25,378	100,143	52,605	10,000	—
Available-for-sale securities with contractual maturities*	52,591	25,296	34,946	3,200	48,542	2,833
Japanese government bonds	49,978	—	—	1,048	21,523	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	2,613	21,815	34,940	2,151	27,018	—
Other	—	3,480	6	—	—	2,833
Loans*	1,786,870	3,884,502	3,247,912	1,835,293	1,967,851	775,873
Total	¥2,148,921	¥3,995,350	¥3,581,874	¥1,986,873	¥2,059,620	¥830,595
	Thousands of U.S. Dollars					
	2012					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	\$ 2,136,692	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	1,088,940	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	539,532	1,040,896	3,638,094	1,805,326	525,938	631,320
Japanese government bonds	—	—	442,544	816,088	372,634	491,400
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	464,782	732,115	1,977,110	349,191	31,634	139,920
Other	74,749	308,782	1,218,440	640,047	121,669	—
Available-for-sale securities with contractual maturities*	639,879	307,775	425,193	38,937	590,609	34,479
Japanese government bonds	608,079	—	—	12,758	261,876	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	31,801	265,428	425,120	26,179	328,733	—
Other	—	42,347	73	—	—	34,479
Loans*	21,740,733	47,262,476	39,517,127	22,329,892	23,942,706	9,440,004
Total	\$26,145,777	\$48,611,148	\$43,580,414	\$24,174,155	\$25,059,253	\$10,105,802

* Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amount to ¥147,541 million (\$1,795,128 thousand) are not included as of March 31, 2012. The breakdown is; available-for-sale securities with contractual maturities ¥377 million (\$4,596 thousand) and loans ¥147,163 million (\$1,790,533 thousand).

(4) Maturity analysis for Debentures, Borrowed money and Other Liability with Interest as of March 31, 2012 are as follows:

	Millions of Yen					
	2012					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	¥1,341,870	¥2,398,691	¥2,068,229	¥1,163,007	¥1,129,073	¥1,069,681
Short-term corporate bonds	50,999	—	—	—	—	—
Debentures and corporate bonds	464,025	734,347	961,875	452,038	408,507	651,029
Total	¥1,856,895	¥3,133,039	¥3,030,104	¥1,615,045	¥1,537,581	¥1,720,710

	Thousands of U.S. Dollars					
	2012					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	\$16,326,443	\$29,184,714	\$25,164,002	\$14,150,232	\$13,737,359	\$13,014,737
Short-term corporate bonds	620,503	—	—	—	—	—
Debentures and corporate bonds	5,645,769	8,934,759	11,703,067	5,499,915	4,970,282	7,921,025
Total	\$22,592,715	\$38,119,474	\$36,867,068	\$19,650,148	\$18,707,641	\$20,935,762

29. Derivative Transactions

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

(1) Interest Rate-related Transactions

	Millions of Yen			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥590,096	¥507,934	¥17,267	¥17,267
Receive float/ Pay fixed	588,298	506,242	(13,908)	(13,908)
Total	—	—	¥ 3,358	¥ 3,358

	Millions of Yen			
	2011			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥603,529	¥532,868	¥15,372	¥15,372
Receive float/ Pay fixed	602,607	532,028	(11,479)	(11,479)
Total	—	—	¥ 3,892	¥ 3,892

	Thousands of U.S. Dollars			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps				
Receive fixed/ Pay float	\$7,179,663	\$6,180,008	\$210,089	\$210,089
Receive float/ Pay fixed	7,157,781	6,159,422	(169,225)	(169,225)
Total	—	—	\$ 40,864	\$ 40,864

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.

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

(2) Currency-related Transactions

	Millions of Yen			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps	¥ 97,497	¥97,497	¥14,030	¥14,030
Forwards				
Sold	107,290	—	(3,437)	(3,437)
Bought	8	—	(0)	(0)
Total	—	—	¥10,592	¥10,592

	Millions of Yen			
	2011			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps	¥ 97,497	¥97,497	¥12,779	¥12,779
Forwards				
Sold	158,859	—	(1,620)	(1,620)
Bought	38,139	—	(76)	(76)
Total	—	—	¥11,082	¥11,082

	Thousands of U.S. Dollars			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Swaps	\$1,186,245	\$1,186,245	\$170,709	\$170,709
Forwards				
Sold	1,305,391	—	(41,829)	(41,829)
Bought	102	—	(1)	(1)
Total	—	—	\$128,880	\$128,880

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.

*2. Fair values are based primarily on discounted present values.

(3) Equity-related Transactions

Not applicable.

(4) Bond-related Transactions

Not applicable.

(5) Commodity-related Transactions

Not applicable.

(6) Credit Derivatives Transactions

	Millions of Yen			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Credit default options				
Sold	¥85,219	¥74,219	¥ (895)	¥ (895)
Bought	11,000	—	(150)	(150)
Total	—	—	¥(1,046)	¥(1,046)
	Millions of Yen			
	2011			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Credit default options				
Sold	¥178,660	¥95,110	¥(1,272)	¥(1,272)
Bought	36,000	11,000	(439)	(439)
Total	—	—	¥(1,712)	¥(1,712)
	Thousands of U.S. Dollars			
	2012			
	Contract amount		Fair value	Unrealized gains (losses)
Total	Due after 1 year			
Over-the-counter				
Credit default options				
Sold	\$1,036,865	\$903,029	\$(10,894)	\$(10,894)
Bought	133,856	—	(1,836)	(1,836)
Total	—	—	\$(12,730)	\$(12,730)

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.

*2. Fair values are based on discounted present values or the counterparties' tendered price.

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

(b) Derivative Transactions to which Hedge Accounting is applied

(1) Interest Rate-related Transactions

		Millions of Yen		
		2012		
		Contract amount		
Hedged item		Total	Due after 1 year	Fair value
Deferral method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds, Securities	¥485,498	¥479,741	¥39,656
Receive float/ Pay fixed	and Loans	66,529	61,028	(2,784)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	566,400	547,724	*3
Receive float/ Pay fixed	Loans	444	325	
Total		—	—	¥36,871
		Millions of Yen		
		2011		
		Contract amount		
Hedged item		Total	Due after 1 year	Fair value
Deferral method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	¥585,389	¥577,498	¥29,925
Receive float/ Pay fixed	Loans	50,231	45,129	(2,484)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	405,804	394,040	*3
Receive float/ Pay fixed	Loans	563	444	
Total		—	—	¥27,441
		Thousands of U.S. Dollars		
		2012		
		Contract amount		
Hedged item		Total	Due after 1 year	Fair value
Deferral method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds, Securities	\$5,907,024	\$5,836,975	\$482,496
Receive float/ Pay fixed	and Loans	809,465	742,526	(33,884)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	6,891,361	6,664,124	*3
Receive float/ Pay fixed	Loans	5,408	3,966	
Total		—	—	\$448,612

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

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

*3. The above interest rate swap contracts which qualify for the hedging requirements of the accrual method are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as debentures, borrowed money, corporate bonds and loans.

(2) Currency-related Transactions

		Millions of Yen		
		2012		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates	Foreign-currency loans			
Swaps		¥5,427	¥—	*
Total		—	—	—

		Millions of Yen		
		2011		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates	Foreign-currency debentures and loans			
Swaps		¥164,228	¥5,427	*
Total		—	—	—

		Thousands of U.S. Dollars		
		2012		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates	Foreign-currency loans			
Swaps		\$66,036	\$—	*
Total		—	—	—

Note: The above foreign currency swap contracts which qualify for the hedging requirements of assignment method are not subject to the disclosure of fair value information. In addition, the fair value of such foreign currency swaps in Note 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures and loans.

(3) Equity-related Transactions

Not applicable.

(4) Bond-related Transactions

Not applicable.

30. Fair Value of Securities and Money Held in Trust

Fair value of securities, money held in trust and negotiable certificate of deposit classified as "Cash and due from banks" as of March 31, 2012 and 2011 is summarized below.

(a) Securities

(1) Held-to-maturity Debt Securities as of March 31, 2012

		Millions of Yen		
		2012		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥174,461	¥182,231	¥ 7,769
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	134,420	141,047	6,626
	Other	134,405	147,887	13,482
Sub-total		443,288	471,166	27,878
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	169,250	166,282	(2,968)
	Other	59,866	58,312	(1,553)
Sub-total		229,116	224,595	(4,521)
Total		¥672,405	¥695,762	¥23,357
		Thousands of U.S. Dollars		
		2012		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	\$2,122,666	\$2,217,198	\$ 94,531
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,635,487	1,716,110	80,624
	Other	1,635,302	1,799,341	164,039
Sub-total		5,393,455	5,732,649	339,194
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,059,265	2,023,151	(36,114)
	Other	728,385	709,489	(18,897)
Sub-total		2,787,651	2,732,640	(55,011)
Total		\$8,181,106	\$8,465,289	\$284,183

(2) Held-to-maturity Debt Securities as of March 31, 2011

		Millions of Yen		
		2011		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥175,234	¥178,884	¥ 3,650
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	107,993	114,241	6,248
	Other	109,469	123,851	14,382
Sub-total		392,696	416,977	24,281
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	99,396	98,633	(762)
	Other	34,545	33,328	(1,216)
Sub-total		133,941	131,961	(1,979)
Total		¥526,637	¥548,939	¥22,301

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

(3) Available-for-sale Securities as of March 31, 2012

		Millions of Yen		
		2012		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 36,467	¥ 19,193	¥17,273
	Bonds	109,333	103,156	6,176
	Japanese government bonds	22,572	22,241	330
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	86,761	80,914	5,846
	Other	10,376	4,716	5,659
	Sub-total	156,177	127,067	29,109
Carrying amount does not exceed cost	Equities	5,339	6,411	(1,071)
	Bonds	52,134	52,141	(7)
	Japanese government bonds	49,978	49,980	(2)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,156	2,160	(4)
	Other	50,242	50,242	—
	Sub-total	107,717	108,796	(1,078)
	Total	¥263,894	¥235,863	¥28,030
		Thousands of U.S. Dollars		
		2012		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	\$ 443,693	\$ 233,531	\$210,161
	Bonds	1,330,253	1,255,100	75,153
	Japanese government bonds	274,634	270,615	4,020
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,055,619	984,485	71,134
	Other	126,253	57,390	68,863
	Sub-total	1,900,199	1,546,021	354,178
Carrying amount does not exceed cost	Equities	64,968	78,010	(13,042)
	Bonds	634,316	634,403	(86)
	Japanese government bonds	608,079	608,112	(33)
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	26,238	26,291	(53)
	Other	611,303	611,303	—
	Sub-total	1,310,587	1,323,715	(13,128)
	Total	\$3,210,786	\$2,869,736	\$341,050

(4) Available-for-sale Securities as of March 31, 2011

		Millions of Yen		
		2011		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 22,824	¥ 15,762	¥ 7,062
	Bonds	317,387	311,496	5,891
	Japanese government bonds	243,476	242,898	577
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	73,911	68,597	5,313
	Other	13,876	6,779	7,097
Sub-total		354,089	334,037	20,051
Carrying amount does not exceed cost	Equities	7,450	10,296	(2,846)
	Bonds	838	859	(20)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	838	859	(20)
	Other	30,014	30,014	—
Sub-total		38,303	41,170	(2,866)
Total		¥392,392	¥375,207	¥17,185

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

(5) Available-for-sale Securities sold during the year ended March 31, 2012 and 2011

		Millions of Yen		
		2012		
		Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities		¥ 29,932	¥1,858	¥1,803
Bonds		91,584	492	—
Japanese government bonds		91,070	477	—
Japanese local government bonds		—	—	—
Short-term corporate bonds		—	—	—
Corporate bonds		514	15	—
Other		1,789	995	1
Total		¥123,307	¥3,346	¥1,804

		Millions of Yen		
		2011		
		Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities		¥ 39,944	¥11,244	¥1,225
Bonds		265,768	121	7
Japanese government bonds		265,768	121	7
Japanese local government bonds		—	—	—
Short-term corporate bonds		—	—	—
Corporate bonds		—	—	—
Other		36,547	1,205	86
Total		¥342,260	¥12,571	¥1,319

	Thousands of U.S. Dollars		
	2012		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	\$ 364,191	\$22,614	\$21,941
Bonds	1,114,308	5,994	—
Japanese government bonds	1,108,054	5,809	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	6,254	185	—
Other	21,778	12,108	18
Total	\$1,500,278	\$40,717	\$21,959

(6) Change in Classification of Securities

Reclassification from held-to-maturity debt securities to available-for-sale securities due to deterioration of issuers' creditworthiness amounted to ¥2,460 million for the year ended March 31, 2011.

(b) Money Held in Trust

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

	Millions of Yen	
	2012	
	Carrying amount	Net unrealized gain on the consolidated statement of income
Money held in trust for the purpose of investment	¥43	¥4

	Millions of Yen	
	2011	
	Carrying amount	Net unrealized loss on the consolidated statement of income
Money held in trust for the purpose of investment	¥38	¥(1)

	Thousands of U.S. Dollars	
	2012	
	Carrying amount	Net unrealized gain on the consolidated statement of income
Money held in trust for the purpose of investment	\$527	\$58

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

	Millions of Yen				
	2012				
	Carrying amount	Acquisition cost	Unrealized gains (losses)		
Net			Carrying amount exceeds cost	(Carrying amount does not exceed cost)	
Other money held in trust	¥24,379	¥21,470	¥2,909	¥2,909	¥—

	Millions of Yen				
	2011				
	Carrying amount	Acquisition cost	Unrealized gains (losses)		
Net			Carrying amount exceeds cost	(Carrying amount does not exceed cost)	
Other money held in trust	¥24,781	¥21,834	¥2,946	¥2,968	¥(21)

	Thousands of U.S. Dollars				
	2012				
	Carrying amount	Acquisition cost	Unrealized gains (losses)		(Carrying amount does not exceed cost)
Net			Carrying amount exceeds cost		
Other money held in trust	\$296,627	\$261,233	\$35,394	\$35,394	\$—

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unrealized gain on			
available-for-sale securities	¥26,159	¥14,352	\$318,276
Other money held in trust	2,909	2,946	35,394
Deferred tax liabilities	(7,052)	(4,136)	(85,803)
Unrealized gain on available-for-sale securities before interest adjustments	22,015	13,161	267,867
Amount corresponding to minority interests	2,695	14	32,798
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	(7)	(6)	(88)
Unrealized gain on available-for-sale securities, net of taxes	¥19,313	¥13,169	\$234,981

Note: Unrealized gain includes foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

31. Related Party Transactions

Related party transactions for the years ended March 31, 2012 and 2011 are as follows:

Related party	Category	Description	Account item	Amounts of the transactions		Balance at March 31, 2012	
				Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Finance Minister	Shareholder	Subscription of capital increase*1	—	¥ 6,594	\$ 80,229	¥ —	\$ —
		Borrowings*2	Borrowed money	500,000	6,083,465	4,577,285	55,691,512
		Repayments	Accrued expenses	789,299	9,603,350		
		Payment for interest		68,915	838,489	17,299	210,486
		Guarantees*3	—	2,257,667	27,468,883	—	—

*1. It consists of subscription due to redemption of government compensation bonds in an amount of ¥6,170 million (\$75,070 thousand) and subscription for third party allotment of capital increase (¥50,000 per share) in an amount of ¥424 million (\$5,159 thousand).

*2. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is January 20, 2032 without putting up collateral.

*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

*4. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,711,361 million (\$45,155,871 thousand) from Japan Finance Corporation relating to the crisis response business.

Related party	Category	Description	Account item	Amounts of the transactions	Balance at March 31, 2011
				Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Borrowings*1	Borrowed money	¥ 300,000	¥4,866,584
				836,315	
		Payment for interest	Accrued expenses	78,916	18,434
		Guarantees*2	—	2,164,887	—

*1. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is November 20, 2030 without putting up collateral.

*2. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

*3. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,035,757 million from Japan Finance Corporation relating to the crisis response business. In the year ended March 31, 2011, DBJ Inc. implemented early redemption in an amount of ¥307,520 million to Japan Finance Corporation and recognized early redemption charges in an amount of ¥8,881 million in the consolidated statements of income for the year ended March 31, 2011.

32. Subsequent event

On June 28, 2012, the shareholders meeting resolved the following appropriations of retained earnings. After that, the timing and amounts for dividends were authorized by the Finance Minister on the same day:

Appropriations of Retained earnings as of March 31, 2012

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥856-\$10.41 per share)	¥37,349	\$454,426

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Development Bank of Japan Inc. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Development Bank of Japan Inc. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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



June 18, 2012
 (June 28, 2012 as to Note 32)

Member of
 Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

Development Bank of Japan Inc.

As of March 31,	Millions of Yen		Thousands of U.S. Dollars (Note)
	2012	2011	2012
Assets			
Cash and due from banks	¥ 164,534	¥ 220,743	\$ 2,001,885
Call loans	89,500	61,852	1,088,940
Reverse repurchase agreements	152,889	—	1,860,200
Money held in trust	20,610	20,903	250,768
Securities	1,139,649	1,150,145	13,866,036
Loans	13,704,999	13,067,978	166,747,778
Other assets	133,473	123,178	1,623,966
Tangible fixed assets	154,673	156,032	1,881,904
Intangible fixed assets	7,045	5,937	85,726
Deferred tax assets	18,790	36,083	228,620
Customers' liabilities for acceptances and guarantees	128,518	148,068	1,563,674
Allowance for loan losses	(150,350)	(158,806)	(1,829,307)
Allowance for investment losses	(1,072)	(1,158)	(13,049)
Total assets	¥15,563,263	¥14,830,957	\$189,357,142
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,130,495	¥ 3,312,713	\$ 38,088,519
Borrowed money	9,170,553	8,573,482	111,577,487
Short-term corporate bonds	50,999	—	620,503
Corporate bonds	541,327	316,675	6,586,298
Other liabilities	78,229	52,882	951,814
Accrued bonuses to employees	4,600	4,500	55,968
Accrued bonuses to directors and corporate auditors	12	17	158
Reserve for employees' retirement benefits	13,342	25,748	162,338
Reserve for directors' and corporate auditors' retirement benefits	52	52	645
Reserve for contingent losses	—	711	—
Acceptances and guarantees	128,518	148,068	1,563,674
Total liabilities	13,118,132	12,434,852	159,607,404
Equity:			
Common stock authorized, 160,000 thousand shares in 2012 and 2011; issued, 43,632 thousand shares in 2012 and 43,623 thousand shares in 2011	1,187,788	1,181,194	14,451,734
Capital surplus	1,060,466	1,060,466	12,902,620
Retained earnings	154,539	129,855	1,880,272
Unrealized gain on available-for-sale securities	14,817	7,350	180,286
Deferred gain on derivatives under hedge accounting	27,519	17,238	334,826
Total equity	2,445,130	2,396,104	29,749,738
Total liabilities and equity	¥15,563,263	¥14,830,957	\$189,357,142

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥82.19=\$1.00, the effective exchange rate prevailing as of March 31, 2012, has been used in the conversion.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Development Bank of Japan Inc.

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note)
	2012	2011	2012
Common stock:			
Balance at beginning of year	¥1,181,194	¥1,181,194	\$14,371,505
Capital increase due to redemption of government compensation bonds	6,170	—	75,070
Issuance of new shares of common stock	424	—	5,159
Balance at end of year	1,187,788	1,181,194	14,451,734
Capital surplus:			
Balance at beginning of year	1,060,466	1,060,466	12,902,620
Balance at end of year	1,060,466	1,060,466	12,902,620
Retained earnings:			
Balance at beginning of year	129,855	39,834	1,579,949
Cash dividends	(50,036)	(10,033)	(608,792)
Net income	74,720	100,054	909,115
Balance at end of year	154,539	129,855	1,880,272
Unrealized gain on available-for-sale securities:			
Balance at beginning of year	7,350	7,092	89,429
Net change during the year	7,467	257	90,856
Balance at end of year	14,817	7,350	180,286
Deferred gain on derivatives under hedge accounting:			
Balance at beginning of year	17,238	10,982	209,738
Net change during the year	10,281	6,255	125,088
Balance at end of year	27,519	17,238	334,826
Total equity:			
Balance at beginning of year	2,396,104	2,299,571	29,153,242
Capital increase due to redemption of government compensation bonds	6,170	—	75,070
Issuance of new shares of common stock	424	—	5,159
Cash dividends	(50,036)	(10,033)	(608,792)
Net income	74,720	100,054	909,115
Net change during the year	17,748	6,512	215,945
Balance at end of year	¥2,445,130	¥2,396,104	\$29,749,738

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥82.19=\$1.00, the effective exchange rate prevailing as of March 31, 2012, has been used in the conversion.

Capital Adequacy Status

Capital adequacy ratios indicate eligibility of the institution's capital under regulations on capital requirements in light of the purposes of "Criteria for Judging Whether A Financial Institution's Own Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (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 to uniform international standards.

As of this disclosure (July 2012), DBJ has not yet applied Article 14-2 of the Banking Act 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 DBJ 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)

Quantitative Disclosure

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

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Loans	¥13,147,987	¥12,483,080
Equities, funds	272,894	242,864
Commitments and customers' liabilities for acceptances and guarantees	293,406	295,370
Bonds (JGBs and corporate bonds, etc.)	769,702	827,885
Repurchase agreement/call loan	242,390	61,866
Other	497,046	605,151
Total	¥15,223,428	¥14,516,218

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

(1) By region

(Millions of yen)

	March 31, 2012	March 31, 2011
Domestic total	¥15,222,544	¥14,515,336
Overseas total	883	882

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

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2012	March 31, 2011
Manufacturing	¥3,774,990	¥3,494,246
Forestry and fisheries	1,401	922
Mining	54,714	45,348
Construction	68,098	40,325
Wholesale and retail	1,196,031	1,156,814
Finance and insurance	1,387,525	1,082,887
Real estate	1,334,769	1,383,031
Transportation and communications	3,429,722	3,735,347
Electrical, gas and water	2,475,942	1,818,276
Services	994,334	1,012,804
Other	505,898	746,214

(3) Breakdown by period to maturity		(Millions of yen)	
		March 31, 2012	March 31, 2011
Five years or less		¥6,704,444	¥5,767,717
More than five years, up to 10		5,230,813	5,412,965
More than 10 years, up to 15		1,954,710	1,988,982
More than 15 years		820,874	824,102
No maturity date		512,585	522,451

(c) Breakdown of exposure by risk weight (after accounting for credit risk mitigations)		(Millions of yen)	
		March 31, 2012	March 31, 2011
Risk weight 0%		¥ 485,398	¥ 550,730
Risk weight 10%		86,205	98,610
Risk weight 20%		2,903,066	3,817,147
Risk weight 50%		5,164,121	4,244,213
Risk weight 100%		6,377,135	5,613,238
Risk weight 150%		25,005	32,081

2. Securitization Exposure

(a) Securitization exposure in which the Consolidated Group is the originator
Not applicable.

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

(1) Retained securitization exposure amount and breakdown by major underlying asset type		(Millions of yen)	
		March 31, 2012	March 31, 2011
Structured finance		¥715,430	¥690,796
Of which, resecuritization exposure		3,499	—
Credit derivatives		71,312	120,510
Of which, resecuritization exposure		41,763	—
Funds*		182,600	175,106

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

(2) Balance of retained securitization exposure by risk weight and required capital amounts			(Millions of yen)	
			March 31, 2012	March 31, 2011
Risk weight	20%	Balance	¥112,263	¥213,080
		Capital requirement	1,796	3,409
Risk weight	50%	Balance	8,403	13,867
		Capital requirement	336	554
Risk weight	100%	Balance	374,858	304,261
		Capital requirement	29,988	24,340
Risk weight	350%	Balance	3,412	954
		Capital requirement	955	267
Risk weight	Capital deductions	Balance	418,199	444,358
		Capital requirement	—	—
Risk weight	Other*	Balance	6,943	9,891
		Capital requirement	1,142	1,697

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

Resecuritization exposure			(Millions of yen)	
			March 31, 2012	March 31, 2011
Risk weight	40%	Balance	¥41,763	¥—
		Capital requirement	1,336	—
Risk weight	100%	Balance	618	—
		Capital requirement	49	—
Risk weight	225%	Balance	1,133	—
		Capital requirement	204	—
Risk weight	650%	Balance	1,195	—
		Capital requirement	621	—
Risk weight	Capital deductions	Balance	551	—
		Capital requirement	—	—

(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, 2012	March 31, 2011
Structured finance			¥236,150	¥269,252
Funds*			182,600	175,106

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

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

Not applicable.

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

			(Millions of yen)	
			March 31, 2012	March 31, 2011
Credit risk assets			¥14,286	¥21,220

3. Interest Rate Risk in the Banking Book

	March 31, 2012	March 31, 2011
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: ¥19.5 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon: ¥56.4 billion

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

Qualitative Disclosure

1. Overview of Fund-Raising Methods	All capital contributions are from the government of Japan.
2. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Bank	Regarding the degree of capital adequacy, DBJ 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 DBJ 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 Credit risk refers to the risk of loss to DBJ resulting from the decline in or disappearance of the value of credit assets, owing to the worsening credit standing of clients for loans or debt guarantees. These risks include expected losses (EL), or losses that on average can be expected to occur within a certain measurement period; and unexpected losses (UL), which go extend beyond the boundaries of losses that, on average, are expected within a period of time. DBJ periodically compares UL and capital to measure the amount of capital in surplus.</p> <p>(b) Rating Agencies Eligible to Weight Risks The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to type of exposure. The rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Corp. (S&P).</p>
4. Overview of Risk Management Policies and Procedures for Reducing Credit Risk	<p>DBJ obtains collateral or guarantees as necessary based on changes in the borrower's creditworthiness. If required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation or the creditworthiness of the guarantor, respectively.</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 DBJ 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	DBJ regularly refers to the ratings and credit amounts of transaction counterparties to determine the advisability of entering a transaction or to understand the risks of existing transactions.
6. Securitization Exposure	<p>(a) Overview of Risk Management Policies and Procedures Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialised lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Different from the internal ratings that are applied to standard corporate credit, this exposure is given a rating by using a grading system applied to match the characteristics of specialised lending. DBJ conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, DBJ reviews these ratings periodically. DBJ's involvement in securitized and resecuritized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity.</p> <p>(b) Overview of status of implementation and operation of systems stipulated in Article 249, Paragraph 4, Items 3-6, of the Capital Adequacy Ratio Notification (including application with modifications in Capital Adequacy Ratio Notification Article 254, Paragraph 2, and Article 302-4, Item 1) DBJ has created the systems necessary for operating within its credit risk management framework. Specifically, as one aspect of our credit risk management, our sales department endeavors to appropriately collect information related to comprehensive risk characteristics and performance, and DBJ monitors conditions to determine any changes in the borrower's creditworthiness. Related information is also provided to the credit analysis department, which may revise borrower ratings or make other adjustments on the basis of this related information as necessary.</p> <p>(c) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations.</p>

	<p>(d) Method of Accounting for Securitized Transactions DBJ's involvement in securitized transactions is that of an investor. DBJ accounts for these transactions in accordance with the "Accounting Standard for Financial Instruments."</p> <p>(e) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure The rating agencies that DBJ uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Eligible rating agencies are not selected according to type of securitization exposure. The rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Corp. (S&P).</p>
7. Market Risk	Based on Article 16 of the Capital Adequacy Ratio Notification, DBJ includes in its calculation method no market risk equivalent amount.
8. Operational risk	<p>(a) Overview of Risk Management Policies and Procedures DBJ defines operational risk as the risk of loss arising from internal processes, the activities of officers and employees or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ establishes its management structure and basic risk management policy pertaining to management methods after considering the wide range of operational risks that it potentially faces, such as operational risk, systems risk, legal risk, human risk, tangible asset risk and reputational risk. DBJ designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, remaining aware of risks and creating risk databases. In line with the increasing level of sophistication and complexity of the financial business, DBJ 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 DBJ 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	DBJ defines investment risk as its risk of sustaining a partial or total loss on the economic value of assets (including off-balance-sheet assets), owing to such factors as the worsening of an investee's financial conditions or to fluctuations in the market environment. For newly acquired exposure, DBJ considers the balance between investment risk and potential return in each field of investment. Thereafter, DBJ regularly conducts performance evaluations on its exposure.
10. Interest Rate Risk on the Banking Book	<p>(a) Overview of Risk Management Policies and Procedures Long-term, fixed-rate loans make up the majority of the DBJ's lending, and DBJ seeks to reduce its interest rate risk by raising funds featuring similarly long-term, fixed rates. DBJ also employs the value at risk (VaR) and 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). DBJ regularly compares 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 DBJ calculates interest rate risk based on the following method.</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 99.9% confidence level (ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon (iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value <p>((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.)</p>

Quantitative Disclosure

1. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2012	March 31, 2011
(a) Capital requirement to total credit risk	¥805,644	¥714,187
(1) Exposure by portfolio to which standardized method applied	769,519	684,046
(i) Japanese government and regional municipal bodies	—	—
(ii) Exposure to financial institutions	8,867	7,527
(iii) Exposure to corporations	723,673	639,510
(iv) Equity exposure	21,306	18,711
(v) Other exposure	15,672	18,295
(2) Securitization risk exposure	36,124	30,141
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	20,803	19,194
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	826,447	733,382
(e) Non-consolidated capital ratio and non-consolidated Tier I ratio		
Capital ratio	18.30%	20.39%
Tier I ratio	22.89%	25.32%

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

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Loans	¥13,192,835	¥12,483,395
Equities, funds	296,948	267,120
Commitments and customers' liabilities for acceptances and guarantees	293,406	295,370
Bonds (JGBs and corporate bonds, etc.)	769,702	827,885
Repurchase agreement/call loan	242,390	61,866
Other	456,927	564,120
Total	¥15,252,211	¥14,499,758

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

(1) By region

(Millions of yen)

	March 31, 2012	March 31, 2011
Domestic total	¥15,252,211	¥14,499,758
Overseas total	—	—

Note: DBJ has no overseas sales locations.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2012	March 31, 2011
Manufacturing	¥3,774,990	¥3,494,246
Forestry and fisheries	1,401	922
Mining	54,714	45,348
Construction	68,098	40,325
Wholesale and retail	1,196,031	1,156,814
Finance and insurance	1,450,669	1,099,731
Real estate	1,362,796	1,411,058
Transportation and communications	3,429,722	3,735,347
Electrical, gas and water	2,475,942	1,818,276
Services	995,400	1,013,870
Other	442,443	683,817

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2012	March 31, 2011
Five years or less	¥6,704,444	¥5,767,717
More than five years, up to 10	5,267,556	5,412,965
More than 10 years, up to 15	1,960,287	1,988,982
More than 15 years	820,874	824,102
No maturity date	499,049	505,991

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Risk weight 0%	¥ 485,398	¥ 550,730
Risk weight 10%	86,205	98,610
Risk weight 20%	2,896,755	3,808,137
Risk weight 50%	5,164,121	4,244,213
Risk weight 100%	6,411,453	5,608,858
Risk weight 150%	25,005	32,081

3. Items Related to the Effect of Credit Risk Mitigations

Exposure to Items to Which Effect of Credit Risk Mitigations Applied

(Millions of yen)

	March 31, 2012	March 31, 2011
Eligible financial collaterals	¥ 152,830	¥ —
Guarantees or credit derivatives	1,210,309	1,426,488

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	¥133,953	¥133,529
Gross add-on, by transaction type	80,789	98,100
Interest rate transactions	49,504	59,554
Foreign exchange transactions	30,734	36,745
Credit derivative transactions	550	1,800
Reducing credit equivalent amounts through netting	115,667	142,371
Net equivalent credit	99,075	89,258
Net restructuring cost	54,916	39,180
Notional amounts of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision		
Credit default swaps provision	85,219	178,660
Credit default swaps purchase	11,000	36,000
Notional amounts of credit derivatives taking into account credit risk mitigations	—	—

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

2. Credit derivatives used to compute the credit equivalent amount are included in securitization exposure; there is some data overlap with securitization exposure indicated elsewhere and what are known as single-name CDS offerings include the measurement of customers' liabilities for acceptances and guarantees as consisting of the legal and other exposure of the company in question.

5. Securitization Exposure

(a) Securitization exposure in which DBJ is the originator

Not applicable.

(b) Securitization exposure in which DBJ is an investor

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Structured finance	¥692,945	¥657,037
Credit derivatives	62,467	120,510
Of which, resecuritization exposure	41,763	—
Funds*	223,486	210,271
Of which, resecuritization exposure	2,274	—

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

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

(Millions of yen)

	March 31, 2012	March 31, 2011
Risk weight 20%		
Balance	¥112,263	¥213,080
Capital requirement	1,796	3,409
Risk weight 50%		
Balance	8,403	13,867
Capital requirement	336	554
Risk weight 100%		
Balance	374,858	304,009
Capital requirement	29,988	24,320
Risk weight 350%		
Balance	3,412	569
Capital requirement	955	159
Risk weight Capital deductions		
Balance	428,980	446,402
Capital requirement	—	—
Risk weight Other*		
Balance	6,943	9,891
Capital requirement	1,142	1,697

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

Resecuritization exposure			(Millions of yen)	
			March 31, 2012	March 31, 2011
Risk weight	40%	Balance	¥41,763	¥—
		Capital requirement	1,336	—
Risk weight	100%	Balance	402	—
		Capital requirement	32	—
Risk weight	225%	Balance	736	—
		Capital requirement	132	—
Risk weight	650%	Balance	777	—
		Capital requirement	404	—
Risk weight	Capital deductions	Balance	358	—
		Capital requirement	—	—

(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, 2012	March 31, 2011
Structured finance	¥207,768	¥237,072
Funds*	221,570	209,329

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

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

Not applicable.

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

	March 31, 2012	March 31, 2011
Credit risk assets	¥14,286	¥21,220

6. Items Related to Market Risk

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

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

	March 31, 2012	March 31, 2011
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets		
Exposure to listed shares	¥ 37,900	¥ 34,209
Exposure to other equity investments and capital injections	249,942	221,289
(b) Gains or losses on the sale of equity investments or shares	1,303	10,034
Gain or loss on write-off of equity exposure	6,402	14,199
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statement of income	14,817	7,350
(d) Included amount stipulated in Article 18, Paragraph 1, Item 1 of the Capital Adequacy Ratio Notification	9,841	5,168

Notes: 1. The Group has no gains or losses from valuation recognized on the non-consolidated balance sheets or the non-consolidated statement of income.

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

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

Not applicable.

9. Interest Rate Risk in the Banking Book

	March 31, 2012	March 31, 2011
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: ¥19.5 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon: ¥56.4 billion