

Management Structure



DBJ's most important public social responsibility is to instill public confidence as a financial institution and achieve the highest levels of management transparency. We employ an operations management cycle that reflects the voice of society, particularly in terms of addressing the issues society faces from a long-term perspective, at the appropriate time and in the appropriate manner. We undertake projects that are meaningful from both economic and social perspectives and work to offer superior investment and loan solutions.

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Basic Position on Corporate Governance

DBJ has formulated a corporate philosophy to encapsulate management's position regarding DBJ's integrated investment and loan services. We consider this philosophy the core of our corporate activities.

Corporate Philosophy **Applying financial expertise to design the future**

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

Core Competencies

The core competencies described below support DBJ's efforts to realize its corporate philosophy.

Intention

The fundamental stance at the core of our corporate values: long-term perspective, neutrality, public-mindedness and reliability.

Intellectual Assets

Expertise in fields including industry research, credit analysis,

financial technology and R&D, based on skills gathered over many years of experience.

Networks

Networks created with clients, local governments and other financial institutions.

We conduct our business in accordance with the action guidelines described below as we strive to realize our corporate philosophy.

Customers First

DBJ will operate from our clients' viewpoints, addressing their challenges and sharing pleasure in their success.

Professional

With discernment and creative skill, DBJ will be a unique financial platform providing integrated investment and loans both in Japan and abroad.

Global & Local

DBJ will maintain a long-term viewpoint, considering the needs of the times, the world and the region.

Speed & Teamwork

Relying on skilled teamwork, DBJ will act rapidly and in good faith, building strong foundations for clients' trust.

Corporate Governance Measures and Their Implementation Status

Internal Organizations

DBJ elects outside directors from the standpoint of ensuring management transparency and enhancing corporate governance.

The Advisory Board has been established as a Management Committee advisory body. This board provides advice on overall management issues, including DBJ's management strategies, from a neutral standpoint.

The Compensation Committee, which includes outside directors, has been created to deliberate on director compensation and advise the Board of Directors in this regard. At the same time, DBJ has established a Personnel Evaluation Committee comprising outside experts to evaluate personnel proposals on the selection and resignation of directors and Audit & Supervisory Board members.

Board of Directors

The Board of Directors comprises 10 members. To ensure management transparency, two Board members are outside directors. During the fiscal year ended March 31, 2013, the Board of Directors met 14 times.

The following two members are outside directors:

Akio Mimura, Senior Advisor, Nippon Steel & Sumitomo Metal Corporation and
Kazuo Ueda, Professor, Faculty of Economics, the University of Tokyo.

Audit & Supervisory Board Members, Audit & Supervisory Board

The Audit & Supervisory Board comprises five members. This board convened 14 times during the fiscal year ended March 31, 2013.

As prescribed by the Companies Act, a majority of the five Audit & Supervisory Board members are outside members. DBJ has three Audit & Supervisory Board members, one of whom is an outside member. The Audit & Supervisory Board Office has been created to assist Audit & Supervisory Board members (including outside members) in performing their duties. Specialized staff members are assigned to the Audit & Supervisory Board Office, which is directed by the Audit & Supervisory Board.

The three outside Audit & Supervisory Board members are as follows:

Kazuyoshi Arakawa, former Managing Director, Sumishin
Panasonic Financial Services Co., Ltd.;

Makoto Ito, Attorney and Visiting Legal Research
Professor, Graduate School of Waseda University;
Shinji Hatta, Professor of Graduate School of Professional
Accountancy, Aoyama Gakuin University.

Content of Standards and Policies Related to Independence in the Selection of Outside Directors and Outside Audit & Supervisory Board Members

Not applicable.

Operations Audit Committee

The Board of Directors has established the Operations Audit Committee, delegating to this body the authority to deliberate important matters related to internal audits. This committee met three times during the fiscal year ended March 31, 2013.

Compensation Committee

The Compensation Committee, whose members include outside directors, has been established as an advisory body to the Board of Directors from the standpoint of ensuring transparency and objectivity. The committee considers the type of executive compensation structure that befits DBJ.

Personnel Evaluation Committee

DBJ has established the Personnel Evaluation Committee, composed of outside directors and other outside experts, as an advisory body to the Board of Directors. The committee's role is to evaluate personnel proposals on the selection and resignation of directors and Audit & Supervisory Board members.

Management Committee

The Board of Directors has vested in the Management Committee decision-making authority regarding the execution of business.

Accordingly, the Management Committee makes important management decisions. The committee met 39 times during the fiscal year ended March 31, 2013.

Committees under the Management Committee

Various committees have been established under the Management Committee assigned specific decision-making tasks, excluding decisions made by the Board of Directors or the Management Committee within each field of specialization.

ALM & Risk Management Committee

This committee deliberates and makes decisions pertaining to portfolio risk management and asset/liability management.

General Risk Management Committee

This committee deliberates and makes decisions on important items related to legal compliance, client protection management, operational risk management and system risk management.

Committee on Investment and Loan Decisions

This committee handles, deliberates and makes decisions related to investments and loans, as well as the investment and loan management.

New Operation Screening Committee

This committee deliberates and makes decisions on the commencement of initiatives involving new businesses.

Advisory Panel on Investments and Loans

This panel handles the advance deliberation on and monitoring of investments and loans.

Committee on International Operations

This committee deliberates items related to the overseas business strategies, operations and management conditions.

Advisory Board

The Advisory Board has been created as a body to advise the Management Committee, providing advice on DBJ's overall management.

The Advisory Board is composed of the following outside experts and outside directors.

Outside Experts

Masayuki Oku, Chairman of the Board, Sumitomo Mitsui Financial Group, Inc.

Kiyofumi Kamijo, Executive Corporate Advisor, Tokyu Corporation

Sakie Fukushima-Tachibana, President of G&S Global Advisors Inc., Senior Advisor of Korn/Ferry International's Asia Pacific

Fujio Cho, Honorary Chairman of Toyota Motor Corporation

Katsunori Nakanishi, President & Chief Executive Officer, The Shizuoka Bank, Ltd.

Outside Directors

Akio Mimura, Senior Advisor, Nippon Steel & Sumitomo Metal Corporation

Kazuo Ueda, Professor, Faculty of Economics, the University of Tokyo

Matters Requiring Approval of Competent Minister

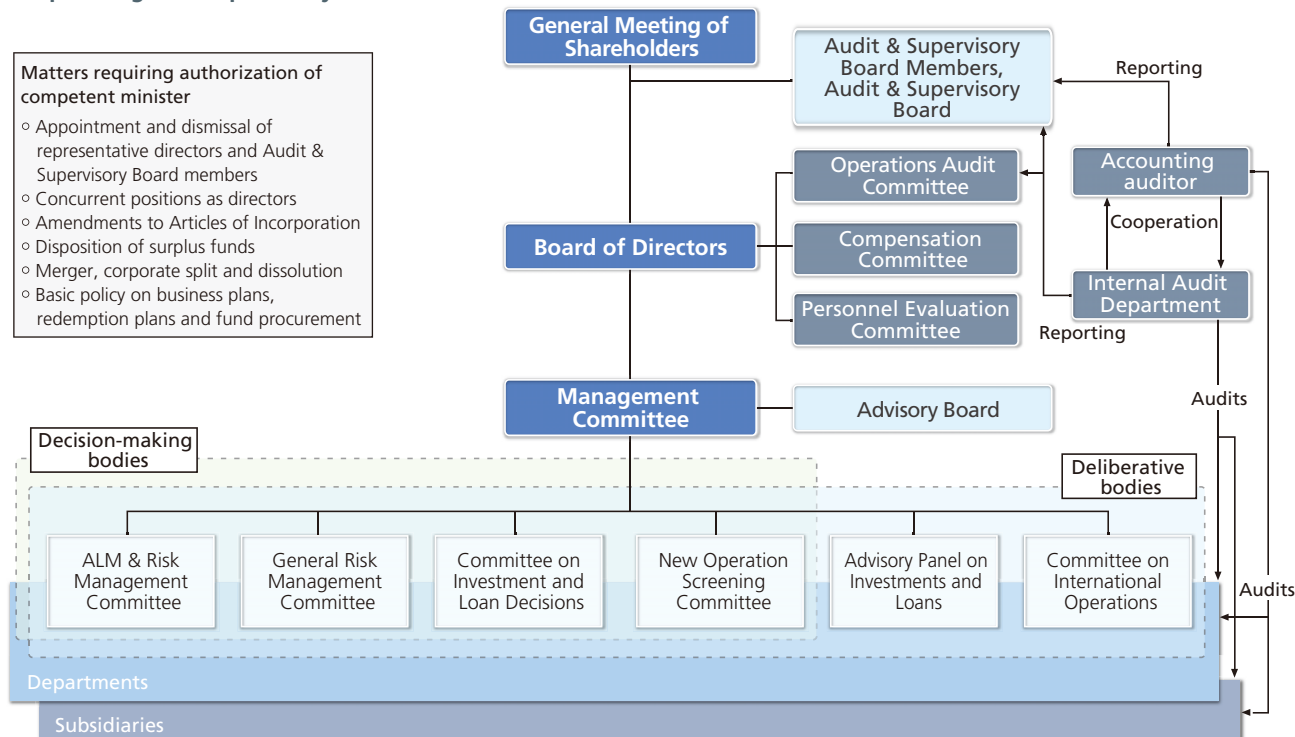
The New DBJ Act prescribes matters for which DBJ requires the permission of the Minister of Finance. Major items requiring such permission are as follows:

- Appointment and dismissal of representative directors and Audit & Supervisory Board members
- Concurrent positions as directors
- Amendments to Articles of Incorporation

- Disposition of surplus funds
- Merger, corporate split and dissolution
- Basic policy on business plans, redemption plans and fund procurement

The organization outlined below has been put in place to execute and supervise the abovementioned activities.

• Operating and Supervisory Structure



Executive Officer System

DBJ has an executive officer system to clarify responsibility for the execution of duties and accelerate decision-making. The Board of Directors has designated eight managing executive officers, excluding officers who are concurrently directors, and seven executive officers.

Status of Internal Control System

To ensure operational soundness and in accordance with the Companies Act, the Board of Directors has established an internal control system under the Internal Control System Basic Policy.

Specifically, this system is designed to determine the status of legal compliance, risk management and internal audits, as well as other items of management importance. The internal control system is designed to confirm the formulation of various regulations and the status of their implementation in various departments.

Internal Control System Basic Policy

Purpose

Article 1. This basic policy has been established in accordance with Item 6, Paragraphs 4 and 5, Article 362, of the Companies Act (hereinafter, the "Act"), and Item 1 and 3, Article 100, of the Act's Enforcement Regulations (hereinafter, "Enforcement Regulations") to create a system (internal control system) to ensure Development Bank of Japan Inc. (hereinafter, "DBJ") conducts operations in an appropriate manner.

System to Ensure Compliance with Laws and the Articles of Incorporation in the Execution of Duties by Directors and Employees

Article 2. The directors and the Board of Directors recognize legal compliance as one of DBJ's most important management issues. Accordingly, DBJ has formulated a basic policy to ensure that the execution of duties by executives complies with laws and the Articles of Incorporation and establishes the corporate philosophy and a basic policy on legal compliance.

2. A Compliance Manual, compliance program and internal regulations shall be created in preparation to ensure compliance by executives with laws and regulations.
3. A committee shall be formed to promote and manage legal compliance, and an executive and a control division shall be placed in charge of legal compliance.
4. A compliance hotline system shall be established to enable a response to acts that contravene laws and regulations and acts of potential concern from the perspective of legal compliance.
5. Preparations shall be made to ensure that DBJ has absolutely no connection with antisocial forces that threaten social order or safety.
6. The Board of Directors shall formulate an Internal Audit Basic Policy pertaining to the status of internal control, including legal compliance. This policy shall establish internal audit departments that are independent of departments responsible for the execution of business and that report audit results promptly and appropriately.

System for the Storage and Management of Information Related to the Execution of Duties by Directors

Article 3. Information pertaining to the execution of duties by directors shall be stored and managed appropriately, and this information shall be accessible, as necessary.

Regulations and Other Systems Related to Managing the Risk of Loss

Article 4. To ensure the soundness of management and manage risk properly, a risk management process that defines, evaluates, monitors and controls risks with various characteristics encountered in the course of business shall be put in place.

2. A comprehensive risk management process shall be created. Also, a committee for risk management shall be created, and an executive and a department shall be assigned to take charge of risk management.
3. Risks shall be segmented into the following categories, and risk management policies shall be established for each:
 - 1) credit risk, 2) investment risk, 3) country risk, 4) market credit risk, 5) market risk, 6) market liquidity risk, 7) financial liquidity risk, 8) settlement risk, 9) operational risk.
4. To the extent possible, the abovementioned risks shall be measured using a consistent system, risk guidelines shall be established and the risks shall be managed.
5. The necessary systems shall be put in place to minimize the effects of economic loss and credit collapse in the event of disaster, to ensure business continuity in crisis situations and to ensure a prompt return to normal functioning.
6. The Board of Directors shall establish an Internal Audit Basic Policy to determine the status of internal control, including risk management. The board shall receive prompt and appropriate reports of the results of internal audits from internal audit departments.

Systems to Ensure the Efficient Execution of Duties by Directors

Article 5. The Board of Directors shall formulate management plans and perform appropriate management control.

2. The Board of Directors shall establish a Management Committee and delegate decision-making on specific items to this council. In addition to making decisions on the items with which it has been entrusted, to contribute to expeditious decision-making the Management Committee shall deliberate in advance matters for resolution by the Board of Directors. Furthermore, the Management Committee shall establish various committees as advisory insti-

tutions or as bodies to which to delegate decision-making on specific items.

3. To ensure the efficient execution of business based on decisions made by the Board of Directors, regulations shall be established regarding the organizational structure and the execution of tasks shall be allocated appropriately.
4. To enable swift decision-making, an executive officer system shall be established. Executive Officer Regulations shall be formulated to define executive officers' roles and responsibilities.

System to Ensure the Adequacy of Operations of the Corporate Group, Comprising DBJ and Its Subsidiaries and Affiliated Companies

Article 6. The Board of Directors shall ensure the adequacy of operations of the DBJ Group in accordance with the corporate philosophy.

2. The Board of Directors shall manage operations appropriately, in accordance with the scope and characteristics of operations of its subsidiaries and affiliated companies. Furthermore, the Board shall introduce appropriate measures from the perspective of legal compliance, client protection and risk management.
3. The Board of Directors shall create reporting, guidance, management process and other systems related to operations management between DBJ and its subsidiaries and affiliated companies.
4. In accordance with the necessary scope of legal regulations, the Internal Audit Department shall conduct internal audits of subsidiaries and affiliated companies and report the results of these audits promptly and appropriately to the Board of Directors.

System Related to Employees Assisting the Audit & Supervisory Board Members in Their Duties

Article 7. As a specialized organization to assist Audit & Supervisory Board members with their duties, if so requested by the members, an Audit & Supervisory Board Office shall be established under the direction of the Audit & Supervisory Board.

Matters Concerning Employees Supporting the Audit & Supervisory Board Members in Their Duties and the Independence of Such Personnel from Directors

Article 8. Personnel issues related to the employees supporting the duties of Audit & Supervisory Board members and matters related to the independence of such personnel shall be left in the control of the Audit & Supervisory Board.

System for Reporting by Directors and Employees to Audit & Supervisory Board Members and Other Systems for Reporting to Them

- Article 9. Directors and employees shall report to Audit & Supervisory Board members on the status of execution of DBJ's business and other necessary information.
2. If directors or employees become aware of any major potential damage to DBJ's credibility or operating performance, they shall immediately report such information to the Audit & Supervisory Board members.
3. If Audit & Supervisory Board members find that they require certain information to perform their duties, they may request reports from directors and employees as needed, and the party to whom the request is addressed shall report appropriately.

Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

- Article 10. In addition to attending meetings of the Board of Directors, Audit & Supervisory Board members may attend meetings of the Management Committee and other important meetings and offer their opinions as necessary.
2. The Representative Director shall exchange opinions with the Audit & Supervisory Board members regularly, or at their request. The Representative Director shall also cooperate in the preparation of a reporting environment.
3. The Internal Audit Department works with the Audit & Supervisory Board members to establish internal audit plans. The department reports the results of internal audits and exchanges opinions and liaises with the Audit & Supervisory Board members when requested to do so.
4. Directors and employees shall cooperate with the Audit & Supervisory Board members in their audit activities and shall respect the Audit & Supervisory Board Regulations, Audit & Supervisory Board members' audit standards and other regulations.
5. To ensure the adequacy and reliability of accounting audits, directors and employees shall cooperate in creating a system to ensure the independence of the accounting auditors.

Status of Internal Audits and Audits by Audit & Supervisory Board Members

DBJ has established the Internal Audit Department under the direct supervision of the DBJ president and independent from other operating departments. The department conducts inspections to ensure the appropriateness and effectiveness of internal controls, including DBJ's overall operational compliance and risk management, and performs evaluations and recommends improvements.

The Operations Audit Committee deliberates and decides audit plans, audit reports and other important matters related to internal audits, and this information is reported to the Board of Directors.

As of June 27, 2013, 21 people belonged to the Internal Audit Department.

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

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

Status of Accounting Audits

DBJ has in place an agreement with Deloitte Touche Tohmatsu LLC to conduct accounting audits as its accounting auditor. During the fiscal year ended March 31, 2013, these operations were conducted by designated certified public accountants (designated limited liability partners) Yukio Ono (continuous audit period* of five years), Atsuyuki Shimada (same, two years) and Hitoshi Torii (same, one year).

* In accordance with the Companies Act, as designated limited liability partners, the number of years of continuous audit must be stated. As designated limited liability partners, the number of continuing years of performing audits conducted in accordance with the Financial Instruments and Exchange Act was five years for Yukio Ono, two years for Atsuyuki Shimada and one year for Hitoshi Torii. The number of business periods during which an audit was performed is the standard used to indicate the number of years. Assisting in this audit were 77 people, including a systems specialist, a licensed tax accountant, a specialist in determining fair value, a specialist in pension mathematics, real estate appraiser and a specialist in credit risk.

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

Overview of Personal, Equity, Transactional or Other Special-Interest Relationships with Outside Directors and Outside Audit & Supervisory Board Members

Akio Mimura, Senior Advisor of Nippon Steel & Sumitomo Metal Corporation, is an outside director of DBJ. DBJ has no special-interest relationship with Mr. Mimura, and its business with Nippon Steel & Sumitomo Metal Corporation is conducted normally.

DBJ has no special-interest relationship with any other of its outside directors or outside Audit & Supervisory Board members.

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

Overview of Agreements with Outside Directors and Outside Audit & Supervisory Board Members under Paragraph 1, Article 427, of the Companies Act (Liability Limitation Agreements)

DBJ's Articles of Incorporation allow it to establish liability limitation agreements with its outside directors and outside Audit & Supervisory Board members, limiting their responsibility for damages under Paragraph 1, Article 425, of the Companies Act, provided their duties are executed with good intent and without gross negligence, to the total amounts specified in each item in Paragraph 1, Article 425, of the Companies Act.

Number of Directors

DBJ's Articles of Incorporation limit the number of directors to 13 or fewer.

Requirements for Determination of Director Appointments

DBJ's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the General Meeting of Shareholders shall attend the meeting and determine the appointment of directors based on a majority vote. The Articles of Incorporation further specify that the appointment of directors shall not be resolved by cumulative voting.

Limiting the Responsibility of Directors and Audit & Supervisory Board Members

To enable them to perform their duties and fulfill the roles that are expected of them, in accordance with Paragraph 1, Article 426, of the Companies Act, DBJ has established in its Articles of Incorporation that the liability for damages incurred by directors (and former directors) and Audit & Supervisory Board members (and former members) may be reduced to the legal limit by resolution of the Board of Directors.

Requirements for Special Resolutions at the General Meeting of Shareholders

To ensure a smooth General Meeting of Shareholders, DBJ's Articles of Incorporation stipulate that shareholders possessing at least one-third of the voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at general meetings of shareholders" provided in Paragraph 2, Article 309, of the Companies Act.

Compliance

Specific compliance initiatives are as follows.

DBJ recognizes compliance as one of its most important management issues. As basic policies to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, we have formulated a corporate philosophy, a Basic Compliance Policy and other compliance-related regulations.

In addition to its fundamental regulations on compliance, DBJ has created a Compliance Manual and a compliance program. Via activities in and around DBJ, we seek to thoroughly implement the compliance activities outlined below.

Compliance Principles

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

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

conduct activities appropriately and in compliance with the law.

- 2) DBJ's executives and employees are well aware that DBJ must conduct its businesses legally and appropriately and be responsible for explaining its actions to the general public.

Compliance System

DBJ has established the Legal and Compliance Department to take overall responsibility for planning, preparing and adjusting compliance activities. In addition, DBJ has established the General Risk Management Committee to reflect on legal compliance matters, determine the extent of compliance, and deliberate on improvements to DBJ's internal system.

DBJ also has established a Compliance Hotline. The objective of this internal reporting system is to swiftly identify and resolve any legal violations.

DBJ, in matters relating to managing conflicts of interest, formulated as a basic policy "Conflicts of Interest Management Regulations" against undue infringement of the interests of its clients, and is preparing a system to manage conflicts of interest.

Risk Management

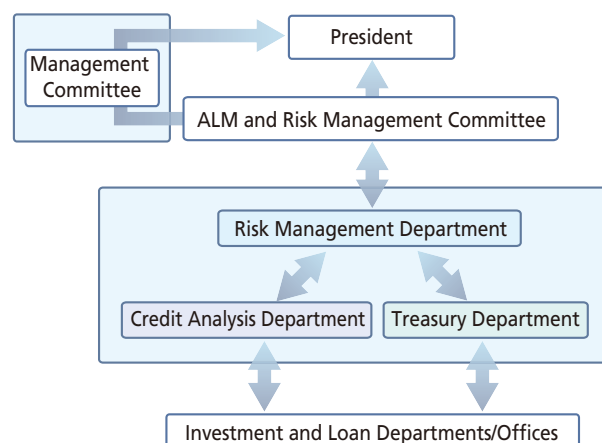
To ensure management soundness and safety, as well as raise corporate value, DBJ works to manage risk appropriately in line with specific business and risk characteristics. Controlling risk is an issue of utmost importance, and therefore we have established risk management processes and methods.

Risk Management System

DBJ conducts risk management from the perspectives of maintaining financial soundness and improving operational efficiency, which are the prerequisites to ongoing operational viability. To ensure appropriate management of individual risk categories, DBJ has developed a risk management system that clarifies which department is responsible for each type of risk. The Risk Management Department oversees comprehensive asset/liability and risk management activities. The ALM & Risk Management Committee, consisting of DBJ's executives, deliberates on important matters concerning risks and conducts regular monitoring, in line with the basic policy related to comprehensive risk management approved by the Board of Directors.

From the standpoint of comprehensive risk management, DBJ has established a Risk Management Department, which is overseen by a director in an official capacity. DBJ seeks to control its total risk within a specified target range. In addition, we have set risk guidelines for each risk category to help manage total risk.

● Asset/Liability and Risk Management System Overview



Credit Risk Management

Credit risk refers to the risk of sustaining losses resulting from a decline in the value of assets due to deterioration in the financial condition of the borrower. Credit risk management requires credit management of individual loans as well as bankwide portfolio management.

Credit Administration of Individual Loans

When making an investment or loan, DBJ examines the entity's project viability and the project's profitability from a fair and neutral standpoint, as well as its benefits. We also have an internal borrower rating system. DBJ is not subject to the Banking Act or the Act on Emergency Measures for the Revitalization of the Financial Functions (Act No. 132 of 1998) but carries out independent asset assessments in line with internal policies for self-assessment of credit quality based on the Financial Services Agency's Financial Inspection Manual. The results of self-assessments are subject to an audit by an auditing corporation and are reported to the management. Credit risk and amounts are monitored to confirm they are within the limits established for individual borrowers.

The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual 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. These mutual checking functions serve to ensure the appropriateness of the lending operation and management environment.

Borrower Rating System

DBJ's borrower rating system measures creditworthiness by combining an evaluation point rating and a borrower category rating, with the result quantifying a potential client's credit circumstances. The evaluation point rating selects indicator/evaluation categories that are common across all industries, scoring the creditworthiness of the potential borrower quantitatively and qualitatively. On the other hand, the borrower category rating measures specific items related to the borrower, looking at the borrower's realistic financial condition, cash flows and debt repayment history. By putting the ratings together, the system generates a comprehensive assessment of a borrower's repayment capacity.

● Borrower Rating Classifications

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

Asset Self-Assessment System

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

Portfolio Management

DBJ performs a comprehensive analysis of data based on borrower ratings, and calculates the loan portfolio's overall exposure to credit risk. Credit risk exposure can be classified as (1) expected loss (EL), the average loss expected during a specific loan period; and (2) unexpected loss (UL), the maximum loss that could be incurred at a certain rate of probability. The EL and UL calculations are reported to the ALM & Risk Management Committee.

Monitoring the situation and considering countermeasures allow DBJ to control risk and devise effective measures to improve risk return.

Market and Liquidity Risk Management

Market Risk

Market risk can be broadly classified into interest rate risk, exchange risk and stock market risk. Market risk describes the risk of loss from fluctuations in the value of assets or liabilities (including off-balance sheet items), owing to changes in interest rates, exchange rates, stock markets and various other markets. DBJ divides these risks broadly into interest rate risk and exchange risk.

Interest Rate Risk

Interest rate fluctuations can create mismatches on rates of interest on assets and liabilities or on interest periods,

creating the risk of reduced profits or the risk of losses. Interest rate risk can reduce the economic value of DBJ's assets or interest income.

DBJ calculates and analyzes risk exposure with cash flow ladder analyses (gap analysis), value at risk (VaR), interest rate sensitivity analyses (basis point value), and other methods. A portion of the interest rate risk associated with lending operations is covered through interest rate swaps, which are used solely for hedging purposes. DBJ does not have any trading-related risk because it does not engage in trading (specified transactions).

Exchange Risk

Exchange risk is the risk of loss due to unexpected shifts in exchange prices, and this risk affects entities holding a net excess of assets or liabilities denominated in foreign currencies. Exchange risk entails the possibility of a decline in the economic value of DBJ's assets due to the impact of changes in currency exchange rates. DBJ's exchange risk derives from foreign currency investment and financing and issuing foreign currency bonds. DBJ uses currency swaps and other instruments to hedge this risk.

DBJ manages counterparty risk in swap transactions, the risk that the counterpart in the swap transaction will be unable to fulfill its obligations, by continually monitoring the creditworthiness of all parties, and by diversifying transactions among several institutions.

Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised, causing unexpected differences in the flow of funds (cash liquidity risk). This situation makes securing funds difficult and creates situations in which interest rates on borrowed funds are substantially higher than usual rates. At such

times, because of market complexities, entities in these circumstances may become unable to participate in market transactions, compelling them to conduct transactions under substantially less favorable terms than otherwise would be the case. The risk of losses for these reasons is known as market liquidity risk.

As its main methods of acquiring funds, in addition to issuing corporate bonds and taking out long-term loans, DBJ relies on the stable procurement of long-term funds from the government's Fiscal Investment and Loan Program (FILP) and government-guaranteed bonds rather than on short-term funds such as deposits. To meet unexpected short-term funding requirements, funds on hand are used, taking security and liquidity into consideration. Overdraft lines of credit have been established with multiple other financial institutions.

Additionally, DBJ maintains daytime liquidity by using the Bank of Japan's Real Time Gross Settlement (RTGS), whereby settlements are made instantly for each transaction. Every effort is made to ensure that settlement conditions are managed appropriately.

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

Operational Risk Management

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

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

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

Operational Risk Management

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

System Risk Management

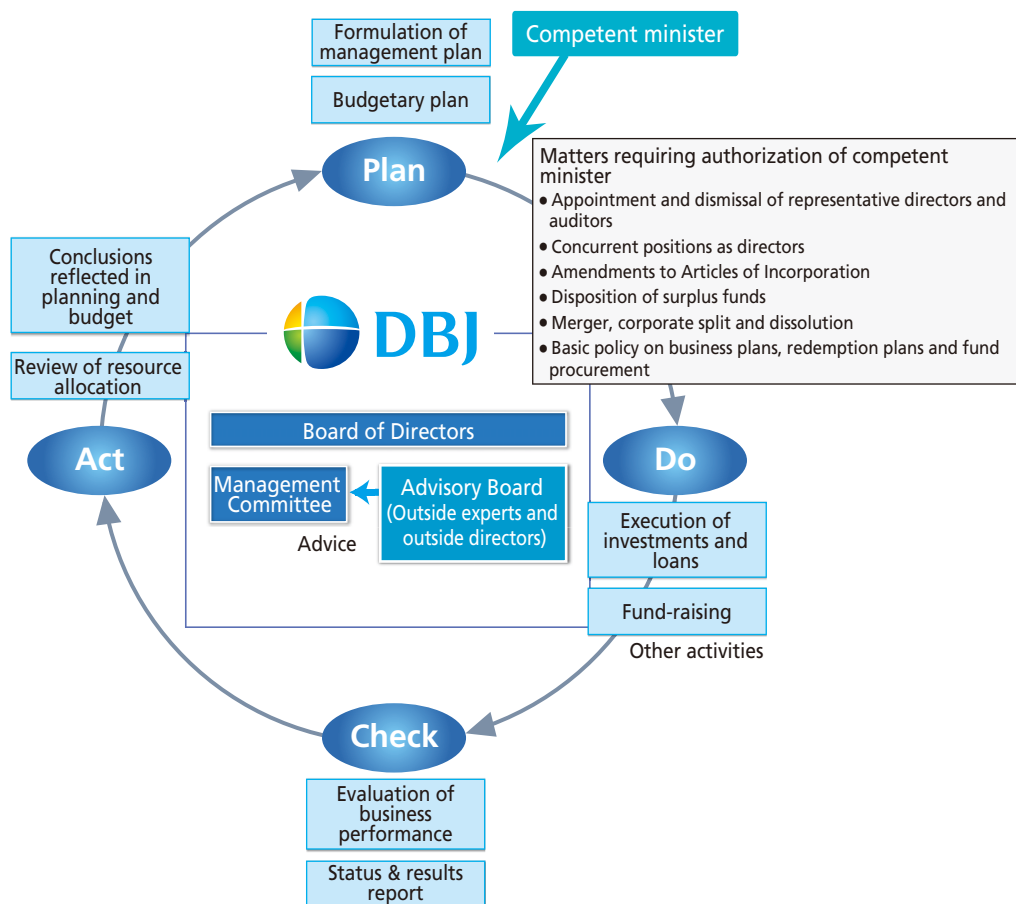
System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer usage. To properly manage systems risk, DBJ has implemented the following internal processes to optimize system risk management. The Information Resources Department is responsible for managing DBJ's system risk centrally, based on its system risk management regulations. By determining security standards from a variety of viewpoints, from information system planning and development to operation and use, the department extends the risk management system bankwide, and addresses appropriate system risk management operations.

Building a PDCA Cycle

DBJ follows the Plan, Do, Check, Act management cycle to boost accountability for the appropriateness of its operations and their results. This cycle encourages ongoing improvement.

We also strive to manage effectively the wide range of risks we face as a financial institution, and to earn the trust of our clients and society as a whole.

● DBJ's PDCA Cycle



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

The establishment and maintenance of a client protection management system is vital because it protects the people who use the financial institution's systems and raises

their level of convenience. DBJ recognizes the extreme importance of such a system from the standpoint of operational soundness and appropriateness.

Client Protection Management Policy and Declaration on Personal Information Protection

DBJ has formulated a Client Protection Management Policy to ensure strict compliance with laws and regulations, protect the interests of its clients and raise the level of client convenience. We have also created internal regulations based on this policy, which we employ in briefings to raise in-house awareness.

Our Client Protection Management Policy is outlined below:

- 1) When transacting with clients, we endeavor to provide and explain information that is accurate and appropriate in line with laws and regulations.
- 2) When we receive requests for consultation, other requests or complaints, we strive to see the issue from the client's point of view, listen sincerely and respond in an operationally appropriate manner.

- 3) We acquire information about clients through legal and appropriate means and manage such information safely. In transactions with clients, in the event that DBJ outsources operations, it ensures appropriate information management and client response.

We have incorporated a declaration on our policies related to personal information into our Declaration on Personal Information Protection.

DBJ is a registered financial institution under the Financial Instruments and Exchange Act. DBJ has drawn up policies introduced for the management of conflicts of interest under this act and provides an overview of the publicly announced policy.

Declaration on Personal Information Protection

1. Policy

DBJ considers the appropriate protection of personal information an important social responsibility. DBJ endeavors to use personal information appropriately in all its activities by conforming with the requirements of the Act on the Protection of Personal Information, as well as other related laws and regulations, as well as its own Declaration.

2. Appropriate Obtainment of Personal Information

DBJ acquires clients' personal information only within the scope that is required to perform its operations, and employs appropriate procedures for obtaining such information.

3. Purpose of Using Personal Information

DBJ obtains clients' personal information only for specific purposes and uses such information only within the scope necessary to satisfy such purpose of use. In the event that other purposes of use are limited by legal regulations concerning specified purposes of use, such information is not used for purposes other than so specified. DBJ discloses on its website the purposes of use of clients' personal information. If information is obtained for other purposes of use, such purposes are clearly indicated at the time such information is obtained.

4. Providing Personal Information to Third Parties

In principle, DBJ does not provide clients' personal information to third parties unless it has received from the client permission to provide such information or unless it is legally required to provide such information. However, DBJ may, without obtaining client approval, provide clients' personal information to parties it has commissioned to conduct activities within the scope for

which the information was obtained or provide such information in the event of a corporate merger.

5. Provisions for Safe Management of Personal Information

DBJ seeks to appropriately manage clients' updated personal information and prevent the leakage of such information, and accordingly maintains rationally sound management measures. Furthermore, DBJ appropriately supervises its directors and regular employees and subcontractors who handle clients' personal information.

6. Continuous Improvements in Handling Personal Information

DBJ strives to ensure ongoing improvements in its handling of clients' personal information and to update the Declaration as appropriate in accordance with developments in information technology or changes in social requirements.

7. Procedures for Requesting Personal Information

DBJ endeavors to respond appropriately by notifying clients of the purpose of use of the personal information it retains; responding to requests to disclose such information; and in the event that the content of such information is incorrect, responding to clients' requests for revisions, additions or deletions, discontinuing use, deleting information, or discontinuing the provision of such information to third parties.

8. Inquiries

DBJ endeavors to respond in good faith to all opinions or requests regarding the use of personal information.

Overview of Policy for Managing Conflicts of Interest

1. Purpose

As the services provided by financial institutions grow increasingly diverse, the potential for multiple competing or opposing interests within financial institutions or financial groups increases, and the likelihood increases that conflicts of interest will arise.

Under these conditions, DBJ manages transactions that are likely to involve conflicts of interest to ensure against undue infringement of the interests of its clients.

DBJ is a registered financial institution under the Financial Instruments and Exchange Act. DBJ has drawn up these "Rules for Management of Conflicts of Interest" (hereinafter, "the Policy") in accordance with policies introduced for the management of conflicts of interest under this act and as prescribed by Cabinet Office Ordinances pertaining to the financial instruments business. This document provides an overview of the Policy.

2. Types of Transaction That Are Likely to Involve Conflicts of Interest

(1) Subject Transaction

Targets of this Policy, or "transactions that are likely to involve conflicts of interest," are those transactions conducted by DBJ or DBJ's subsidiary financial institutions or others (defined in 3 below; hereinafter, "the DBJ Group") that have a likelihood of unduly infringing on the interests of clients as a result of conflicts of interest (hereinafter, "Subject Transactions").

"Conflicts of interest" are (a) situations of opposing interests between the DBJ Group and its clients, or (b) situations of opposing interests between the DBJ Group's clients and other clients (hereinafter, together, "Situations of Opposing Interests") that unduly infringe on the interests of clients.

"Clients" are, in the case of "business operations related to financial instruments" conducted by the DBJ Group, (a) counterparties in existing transactional relationships, (b) parties in negotiation with the DBJ Group with regard to transactions or otherwise having the potential to become counterparties in transactional relationships, or (c) parties that have been transactional counterparties in the past and that currently are also legally competent with respect to past transactional relationships.

"Business operations related to financial instruments" are those businesses provided for in Article 70 (2) of the Cabinet Office Ordinance pertaining to financial instruments business, etc., that are performed by DBJ or DBJ's subsidiary financial institutions, etc.

(2) Types of Subject Transaction

Specific individual circumstances determine whether transactions are judged as Subject Transactions, but below are examples of transactions that are likely to be considered said Subject Transactions.

- Based on a contract of mandate that exists between the DBJ Group and its clients, notwithstanding that the DBJ Group has a duty of due care of prudent manager or duty of loyalty to said client, the DBJ Group is in danger of being unable to fulfill such duties owing to Situations of Opposing Interests.
- Based on a deep trust-based relationship formed between the DBJ Group and its clients, notwithstanding the client's expectation that the Group would act in the client's interests, the DBJ Group is in danger of being unable to act according to such expectation owing to Situations of Opposing Interests.
- By utilizing undisclosed client information that the DBJ Group has the duty to protect, the DBJ Group could rationally act in its own self interest or the interest of other clients in transactions that exceed the scope of that duty.
- Cases in addition to the above in which the danger exists of unduly infringing on the interests of clients owing to Situations of Opposing Interests.

Furthermore, Subject Transactions do not include acts that are prohibited under the Financial Instruments and Exchange Act or other laws and regulations.

3. Scope of Companies Subject to Management of Conflicts of Interest

As stated in 2 (1) above, Subject Transactions are transactions conducted by DBJ or by DBJ's subsidiary financial institutions, etc. "Subsidiary financial institutions, etc." are those DBJ subsidiaries or affiliated companies prescribed in Article 36-5 of the Financial Instruments and Exchange Act.

As of May 24, 2013, DBJ's subsidiary institutions, etc., were as follows.

DBJ Asset Management Co., Ltd.
Sun Arrows Investment Co., Ltd.
Healthcare Management Partners, Inc.
Milestone Turnaround Management Co., Ltd.
DBJ Europe Limited
DBJ Investment Advisory Co., Ltd.
AD Capital Co., Ltd.
DBJ Securities Co., Ltd.
South East Asia Growth Capital L.L.C

4. Policy for Managing Transactions That Are Likely to Involve Conflicts of Interest

In the case of transactions prescribed as Subject Transactions, to the extent that the DBJ Group is not in violation of its legal or contractual duties (including but not limited to the duty of confidentiality), the DBJ Group is determined to act properly in the interest of its clients through the following or other measures.

(The following are only specific examples of methods. Subject Transactions are not limited to those indicated below.)

- Separation of the department conducting Subject Transactions from the department conducting transactions for said client
- Amending the conditions or instruments of Subject Transactions or said client transactions
- Cessation of Subject Transactions or said client transactions
- Disclosing to said client the risk of Subject Transactions unduly infringing on the interests of said client

5. Management of Conflicts of Interest—Organization

To ensure the appropriate management of conflicts of interest, the duties of a Conflicts of Interest Management Control Department are handled within its Legal Affairs & Compliance Department. In accordance with the Policy, the Conflicts of Interest Management Control Department appropriately manages prescribed Subject Transactions and conflicts of interest. Furthermore, as the DBJ Group is required to manage conflicts of interest in accordance with its status as a registered financial institution under the Financial Instruments and Exchange Act, provided that the DBJ Group does not violate its legal duty of confidentiality or its duty of confidentiality in relation to its clients, information pertaining to Subject Transactions, including those of transactions handled by DBJ's subsidiary financial institutions, etc., may be managed in a centralized manner.

Records shall be prepared of measures undertaken by the Conflicts of Interest Management Control Department with regard to prescribed Subject Transactions and their management, and such records shall be retained for a period of five years following the creation date. To ensure appropriate management, the Conflicts of Interest Management Control Department shall periodically verify the content of activities by DBJ Group executives and regular employees and the content of business activities at each branch to ensure the operations are being conducted in accordance with the Policy and the operational procedures for the policy, and shall periodically verify the management of conflicts of interest.

DBJ believes that public relations and investor relations have the important function of bringing management and stakeholders together. In addition, these activities help stakeholders gain an accurate understanding of DBJ's

status and operating policies, which are an essential part of being trusted in a wide range of markets and societies. Accordingly, we seek to disclose information through our public relations and investor relations activities.

Basic PR/IR Philosophy

In its PR and IR activities, DBJ aims to comply with relevant laws and regulations, operate in good faith and in a dignified manner with its stakeholders, and disclose information clearly and accurately in a timely and appropriate manner.

DBJ maintains personal and client information, without disclosing such information in a manner that would encroach upon the rights of individuals or related parties. We do not disclose information that would counter the doctrine of good faith.

PR/IR Structure

The Corporate Planning & Coordination Department takes overall charge of PR and IR activities and plays a central role in the flow of information within and outside

DBJ. Through printed materials and over the Internet, the department uses numerous communication tools to disclose information.

DBJ offers a wide range of information, using such media as newsletters and its website:

(1) Materials legally required for disclosure

Securities Report (Japanese)
Stock Exchange Report (Japanese)
Business Report (Japanese)



(2) Voluntarily disclosed information

Annual Report & CSR Report
End-of-Period Financial Reports



(3) Others

DBJ Quarterly Journal (newsletter)
The *DBJ Quarterly Journal* is also available in iPhone and iPad formats.

<http://itunes.apple.com/jp/app/id389307222> (Japanese)

DBJ News Digest (mail magazine; Japanese)

Website: <http://www.dbj.jp/en>

