

Intellectual Asset Report



DBJ's executives and regular employees continually take on new challenges, while remaining firmly committed to DBJ's four core values: a long-term perspective, neutrality, public-mindedness and reliability. The intellectual assets DBJ has built up over the years help form a financial platform that can meet the needs of the times and enable DBJ to provide services that extend beyond merely providing funds. Employing these assets, we endeavor to fulfill our role in enhancing socially responsible activities among enterprises.

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Corporate Value and Intellectual Asset Management

Intellectual Assets

Enterprises ensure ongoing prosperity and profit by consistently differentiating themselves from competitors. Differentiating the products and services they offer is a large part of the process. To enhance their operations, enterprises must identify their important management resources and sources of competitiveness. Specific technologies, expertise, human resources and business models are some factors that lead to differentiation but are invisible to the casual observer. Determining an entity's true corporate value requires the evaluation of these company-specific strengths. DBJ's activities related to intellectual assets are designed to foster the application of these intangible sources of corporate value that underpin a company's future economic performance.

Intellectual Asset Management Essential to Enhancing Corporate Value

Although intellectual assets are intangible in the sense that they are not recorded on a company's financial statements, they are a core component of corporate value. Clearly recognizing and thereby managing intellectual assets effectively is considered vital to increasing corporate value.

Listed companies are finding that proactively disclosing intellectual asset information helps markets value them more appropriately. For this reason, the introduction of regulatory frameworks to encourage or require listed companies to disclose non-financial information has grown into a global trend, centering on Europe.

DBJ's View on Intellectual Assets

Dating back to the time of our predecessor, maintaining the trust of our clients and society at large has been our most important objective. From this standpoint, we have created a wide variety of networks spanning both the public and private sectors.

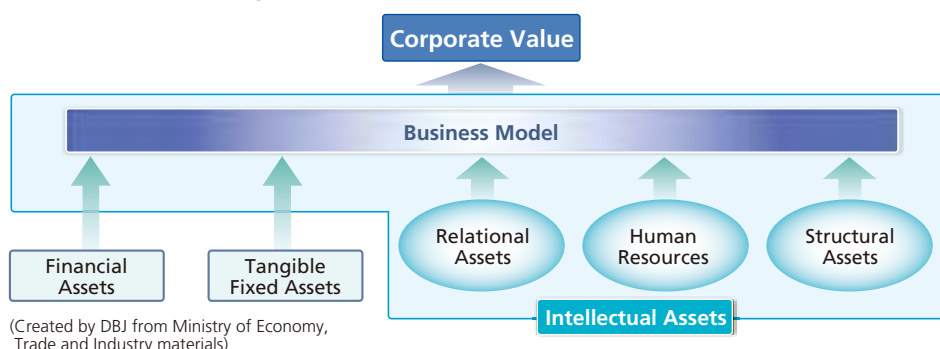
Based on our core values, our executives and regular employees have continued working to enhance their ability to evaluate enterprises and projects.

We have accumulated a wealth of expertise in the screening and evaluation of projects and enterprises from a long-term and objective perspective and a keen ability to identify and address issues that are unique in terms of the times or the local communities that face them.

In the process, we have become a repository of intellectual assets, which when combined represent an extraordinary DBJ asset: our expertise in resolving issues through the application of new financial methods, the widespread use of our financial platform and our economic and social contributions. This asset has led to our development of the financial methods described below. It enables us to respond quickly to changing policy requirements and plays a major role in our ability to continue adding economic and social value.

Since privatization, we have aimed to maintain our economic and social contributions. We believe that our ability to clearly identify and make use of intellectual assets will be an increasingly important factor in achieving this goal.

● Relationships among Intellectual Assets, Business Model and Corporate Value



DBJ's Utilization of Intellectual Assets

One school of thought defines intellectual assets as the understanding of and reporting on an entity's networks and client bases (relational assets), management team and employees (human resources) and intellectual assets and business processes (structural assets). Below, we introduce DBJ's intellectual assets and activities according to this segmentation.

Relational Assets

As our mission prior to privatization was to support projects that had policy significance, our system of planning and making investments and extending loans involved cooperation with central government agencies and regional municipal bodies. Now we take advantage of these networks in our loan and Crisis Response Operations, making use of interest rate subsidy programs for the promotion of environmental management, as well as other interest subsidy systems put in place by national and regional municipal bodies. DBJ also works to create and develop financial platforms. To construct these platforms, we collaborate with public- and private-sector financial institutions in Japan and overseas and maximize our networks of professionals, including university professors, attorneys, and certified public accountants. This multifaceted combination of networks consisting of professionals in a host of fields in industry, academia and the government constitutes DBJ's relational assets.

Human Resources

Appropriately executing medium- to long-term investments and loans requires all of DBJ's executives and regular employees to maintain a long-term perspective and make financial decisions from a neutral standpoint. In an era characterized by increasingly complex economic and social issues and more sophisticated business skills, business results are significantly affected by DBJ's ability to form its business and financial structure. Our ability to provide solutions that are appropriate for enterprises, as well as for the economy and society in a broader sense, depends on the ability of our human resources—executives and regular

employees who are professionals in various fields—as they address such issues. All DBJ executives and regular employees work to maintain a long-term and neutral perspective, approaching new business with a spirit of innovation and challenge.

To impart various financial skills, DBJ maintains training menus that include a 2.5-month financial analysis training course. This program, for all new employees, helps develop screening expertise. Our menus, combined with on-the-job training, raise the level of specialist expertise among DBJ executives and regular employees. We maintain a number of personnel exchange and dispatch programs with domestic and overseas universities and research institutions, as well as with other international institutions, that help form our networks. These programs help DBJ develop and introduce new financial methods, as well as strengthen network ties.

DBJ has also established the Research Institute of Capital Formation, which carries out financial research, as well as research on global warming countermeasures and other efforts to create a sustainable society. The research that the center produces from a neutral and long-term perspective is highly regarded by the academic community and other experts.

Structural Assets

Our introduction of new financial methods to Japan, our work with other financial institutions to create financial platforms and our many other contributions to the Japanese economy and society rely on our organizational adeptness, that is, our ability to quickly ascertain emerging issues and deploy appropriate personnel. This ability, combined with the long-term financial data we have accumulated over 50 years of investment and loan operations and a corporate culture of always considering projects in an economically rational manner, as well as in terms of their broader economic and social significance, constitute DBJ's structural assets, as does the smooth and rapid communication process resulting from the common knowledge that has evolved through financial analysis training and other channels.

Advanced Initiatives Involving New Financial Methods That Utilize Intellectual Assets

We are a leader in leveraging our intellectual assets to introduce new financial methods to Japan. Our pioneering efforts come from maximization of our intellectual assets, cooperation with local communities and extensive cultivation of in-house human resources and expertise. Operating within complex financial markets, DBJ has maintained these activities while continuing to control and hedge risk as effectively as possible.

The United Kingdom introduced the private finance initiative (PFI) scheme in 1992 to encourage private enterprises to fund or manage projects that are typically operated by the public sector. As a leader in absorbing and accumulating such expertise, DBJ has participated in numerous PFI projects in Japan. By shifting to the private sector the responsibility for constructing, maintaining and operating public facilities, the country benefits from private-sector management expertise and technical capabilities. By appropriately allocating risks among the private and public sectors, PFI is an efficient and effective way to provide public services. With PFI, project financing is the method generally used to raise funds, as project roles are allocated appropriately and long-term business is assured.

DBJ provides a full range of financing options in the area of business revitalization. After filing applications according to Civil Rehabilitation Act or Corporate Reorganization Act procedures, enterprises typically require working capital

during the period when the viability of their plans is being reviewed. To meet this need, DBJ provides debtor-in-possession (DIP) financing as temporary working capital to enable such enterprises to continue operating and maintain value in the best portions of their businesses. In addition, DBJ creates business revitalization funds to help enterprises normalize their operations, through a process of operational selection and focus, and reduce their debt levels.

In recent years, we have become actively involved in mezzanine financing. (“Mezzanine” literally refers to the partial story between two main stories of a building.) In the repayment hierarchy, mezzanine financing is lower than the senior financing* typically provided by financial institutions, so it is a higher investment risk. In the United States and other markets with a broad range of investors, mezzanine financing plays an important role in diversifying the types of funding that are provided. Mezzanine financing can be used in a number of situations, such as business or capital restructuring. Taking a long-term perspective, DBJ provides mezzanine financing as one of its tailor-made financing solutions.

*Senior financing involves relatively low risk. In Japan, most corporate bond issues and funds provided by financial institutions are senior financing.

Relationship between Intellectual Assets and CSR at DBJ

The figure below contrasts intellectual assets as viewed by DBJ and DBJ's role as seen by society. Evaluated in this sense, intellectual assets and CSR are two sides of the same coin.

For example, the DBJ Environmentally Rated Loan Program, the DBJ Enterprise Disaster Resilience Rated Loan Program, DBJ Employee's Health Management Rated Loan Program and DBJ Green Building Certification—fully mobilized through intellectual asset networks with central government bodies, regional municipal bodies, experts and clients—as well as our human resources, comprising executives and regular employees, and our accumulation of experience and expertise all serve not only DBJ's vital CSR role but also as a loan menu that buttresses our clients' CSR.

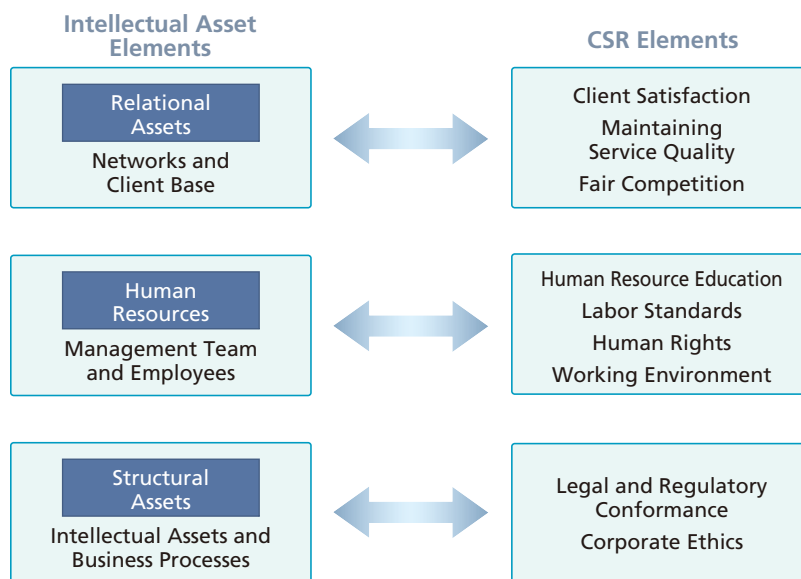
At the same time, these same loan programs strongly support the CSR activities of our business partners: these

enterprises have cause to reconsider their conformance with various laws and regulations, ensure safe and secure workplace and surrounding environments and provide quality products and services through fair competition. These activities reinforce a company's client base and raise corporate value by fulfilling social responsibilities.

By employing our intellectual assets in these ways, we go beyond merely providing financing: we also play a role in promoting increasingly sophisticated corporate CSR management.

As can be seen on pages 32 to 49, "Integrated Investment and Loan Services," and on pages 70 to 89, "CSR through Investment, Loan and Other Businesses," DBJ is taking advantage of its various accumulated intellectual assets.

● Relationship between Intellectual Assets and CSR



(Created by DBJ from Ministry of Economy, Trade and Industry materials)

Defining “Financial Platform”

In DBJ’s definition, “financial platform” refers to the amount and quality of funds to which corporate and other clients have access, the systematic formulation of bases that affect the diversity of fund-raising methods, financial expertise and practices, market transparency and the degree of market participation. The more complete the financial platforms, which are indispensable to financial system soundness and macroeconomic vigor, the greater is their effectiveness at promoting the revitalization of businesses and urban and local communities and the creation of new industries.

However, financial platforms, which are an institutional, general-access capital good, are not formed overnight. Creating the framework of systems and laws that support

corporate economic activity involves the application of experienced and real-world expertise of financial institutions and businesses, as well as an accumulated body of results that can be used for future reference (transaction cases, precedents and the like).

Furthermore, as financial platforms function inadequately if they are used by only a minority of participants, a catalyst is needed to encourage participation from a broad range of players.

Owing to our neutral position and advanced-player status, we are perfectly suited to serve as the catalyst for developing and maintaining financial platforms in cooperation with other financial institutions.

Activities Involving Financial Platforms

DBJ fulfills a broad range of information functions. In addition to corporate monitoring, DBJ exchanges information with government agencies, regional municipal bodies and private financial institutions and coordinates their interests. In the investment and loan department, DBJ promotes and helps develop financial platforms for structured financing, business restructuring support, financing related to environmental and disaster policies, M&A advisory services, safety nets and other functions. In the research department, DBJ established the Research Institute of Capital Formation in July 1964, with Dr. Osamu Shimomura as its

first executive director. This institute creates the foundation for creating intellectual assets through collaboration with outside experts, centered on university instructors. Taking an academic and liberal perspective, the institute promotes research activities targeting a sustainable socioeconomic structure. (For details, please refer to the Research Institute of Capital Formation website, at <http://www.dbj.jp/ricf/en/>.)

On pages 32 to 49, “Integrated Investment and Loan Services,” and pages 70 to 89, “CSR through Investment, Loan and Other Businesses,” DBJ introduces its activities involving financial platforms.