

Annual Report  
**2005**



Development Bank of Japan

# Annual Report 2005

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### Figures in this publication

Figures in this publication have been rounded down to the nearest whole unit, so the sum of individual figures may not match the total shown. Any figures that fall short of a single unit are shown as zero (0). A dash (—) indicates that there is no figure for the item concerned

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## Message from the Governor

The Development Bank of Japan (DBJ) is a policy-based financial institution whose mission is to contribute to the effective implementation of Japan's socio-economic policies. To best fulfill this mission, DBJ conducts its operations according to three basic principles. These principles are: (1) clear policy objectives; (2) coordination with private-sector financial institutions; and (3) sound management.

### (1) Clear policy objectives

DBJ works with the government to contribute to policy objectives in the three priority areas of community development, environmental conservation and sustainable societies, and creation of new technologies and industries.

#### **Community development: Supporting regional and local initiatives**

Revitalizing communities is an urgent issue in ensuring the sustainable development of Japan's economy. DBJ works with local governments, local business leaders, and other community supporters, using its financial resources and knowledge to assist in creating unique and independent communities.

#### **Environmental conservation and sustainable societies: Encouraging responsibility for the future**

With the world's first environmentally-ranked loans and a variety of global warming measures, DBJ is helping to build a harmonious and sustainable society with promise for the future. DBJ is also active in the disaster prevention and public welfare sectors to ensure a safe and secure living environment for the people of Japan.

#### **Creation of new technologies and industries: Making the most of innovation**

DBJ is a firm supporter of technological development. While continuing to support venture companies and medium-sized enterprises strong in technology and skills, the Bank now also employs its new Practical Application Support Center for Technology and a Carve-out Fund to help create new technology-based industries.

To realize these policy objectives, DBJ has developed financing platforms using new methods such as private finance initiatives (PFI) and public and private sector partnerships (PPP), as well as business revitalization programs and new funds. The Bank's efforts have expanded financial frontiers in Japan.

### (2) Coordination with private-sector financial institutions

Given the dramatic changes in the financial environment, DBJ forms partnerships with major financial institutions and regional banks to aid in the promotion of socially significant projects.

### (3) Sound management

By adhering to the principle of balanced revenue and expenditures, DBJ fulfills its mission as a policy-based financial institution without adding to the government's deficit.

Japan is confronting major changes in its socio-economic environment and must address many issues as it strives to ensure new growth.

The knowledge and insight of a diverse range of people must be brought together to envision and then execute the most effective solutions. DBJ's part in this process is to serve as a catalyst for the synthesis of new value by helping to bring the right resources together at the right time and place.

On behalf of everyone at DBJ, I ask your continued support and good will.



Takeshi Komura  
Governor

A handwritten signature in black ink that reads "Takeshi Komura". The signature is written in a cursive, slightly stylized font.

The Development Bank of Japan was established in accordance with the Development Bank of Japan Law on October 1, 1999, as the successor to all rights and obligations of the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation. The finance functions of the Japan Regional Development Corporation and the Japan Environment Corporation were also transferred to DBJ.

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## Objectives

DBJ provides long-term financing and other policy-based schemes to qualified projects as a supplement and inducement to the lending and other services provided by ordinary financial institutions. By doing so, it promotes the upgrading, vitalization and sustainable development of the economy and society; the realization of an enhanced quality of life; and the creation of self-reliant regions.

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## Capitalization (as of the end of March 2005)

DBJ is capitalized at ¥1,215.4 billion (wholly owned by the government).

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## Number of Employees (as of the end of March 2005)

DBJ employs 1,357 workers.

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## Services

As an integrated policy-based financial institution, DBJ's implementation of the following functions supports desirable projects in line with Japan's economic and social policy.

### Supply of long-term funds (loans, debt guarantees, and other services):

DBJ supplies long-term, fixed-interest, good-quality funds which, in collaboration with funding from private-sector banks, support projects that have high policy content.

### Project support:

DBJ's diverse skills and financing functions are put to practical use in promoting the smooth formulation of projects with high policy content. This support is provided comprehensively at every stage, from the project's initial concept to its planning and commercialization.

### Information supply:

Using its domestic and overseas networks, DBJ carries out study and research related to important economic, social, industrial, and local trends, and furnishes a wide range of information to interested parties.

## Characteristics of Business Management

### Creating and publicly disclosing investment guidelines based on Medium-Term Policy Principles:

DBJ conducts its work according to the Medium-Term Policy Principles of the Development Bank of Japan, which are prepared by the competent ministers.

Investment and Finance Guidelines are prepared and publicly disclosed for each fiscal year. In addition, the Management Council, consisting of independent experts, deliberates on and announces the progress of work related to matters set down in the Medium-Term Policy Principles.

### Complementing and encouraging private financial institutions:

The Development Bank of Japan Law prohibits competition with private financial institutions. DBJ's role is to complement and encourage private financing.

### Ensuring sound finance:

In managing its work as a policy-based financial institution, DBJ strives for sound and efficient operations based on the principles of certainty of repayment and balanced revenues and expenditures, as well as for strong risk management capacity and an upgraded system of asset/liability management.

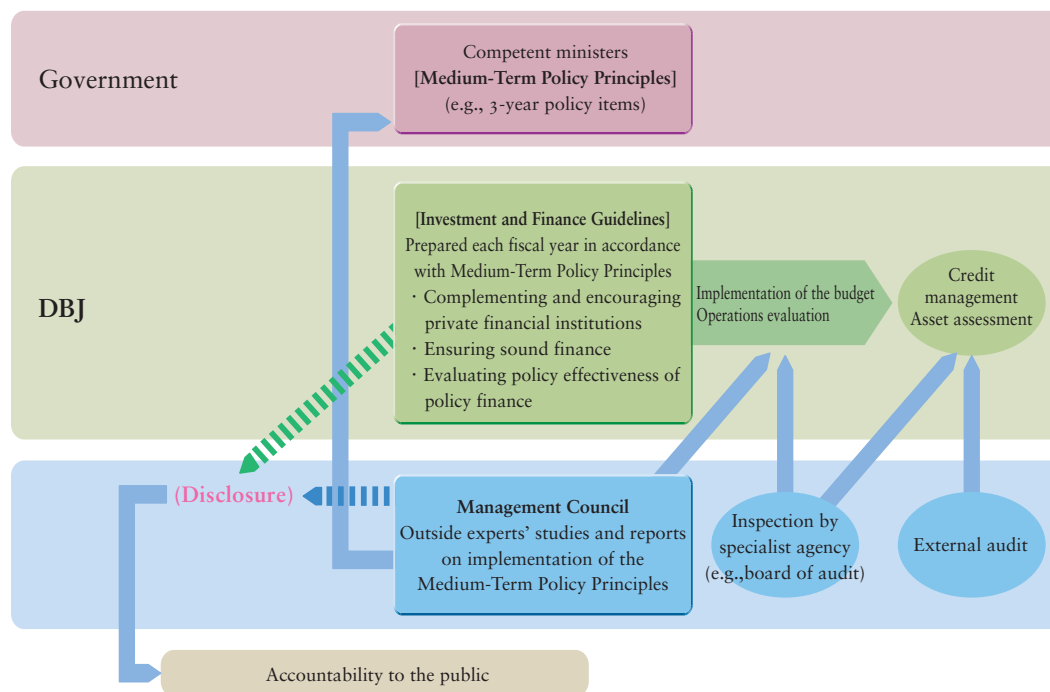
### Evaluating policy effectiveness:

DBJ works to ensure its accountability as a governmental institution by evaluating objectively the contribution of its financing to policy effectiveness.

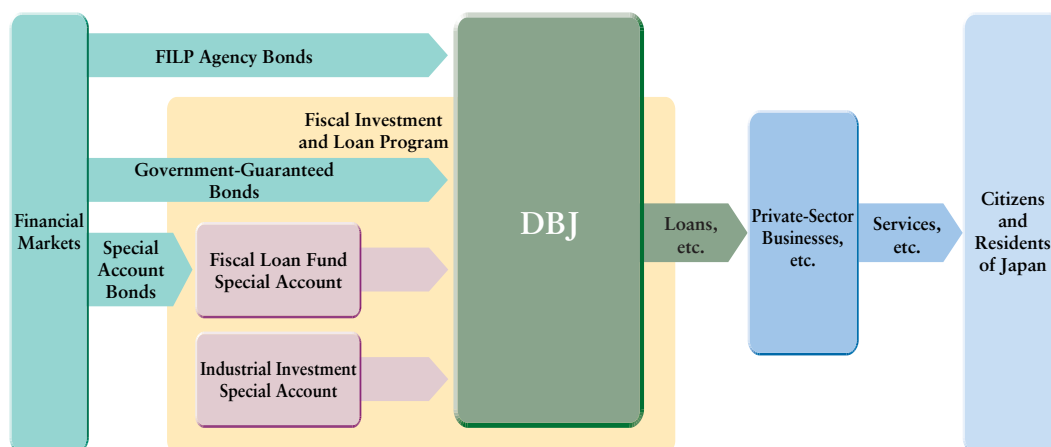
## Business Scale

Lending scale and target fields correspond to each year's policy requirements, and, together with fiscal investment plans, are determined by the Diet. Annual settlements are also submitted to the Diet. DBJ's business scale for fiscal year 2005 is ¥1,168 billion.

## Principles of Work Management



## Structure of Fund Procurement



## Financial Highlights

Consolidated	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
For the Fiscal Years ended March 31,			
Total Revenues	487,684	528,890	4,541,246
Total Expenses	373,821	414,903	3,480,968
Net Earnings	112,639	113,987	1,048,881
As of March 31,			
Total Assests	14,471,618	15,326,171	134,757,598
Loans	13,860,747	14,785,724	129,069,259
Total Liabilities	12,591,701	13,572,524	117,252,082
Bonds and Notes	1,994,801	1,780,606	18,575,297
Borrowings	10,214,800	11,403,450	95,118,726
Total Equity	1,875,419	1,753,646	17,463,630
As of March 31,			
Capital Equity			
Risk-based Capital Ratio(BIS Capital Ratio)	13.93%		12.49%

Non-Consolidated	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
For the Fiscal Years ended March 31,			
Total Revenues	484,513	528,890	4,511,718
Total Expenses	371,963	414,904	3,463,669
Net Earnings	112,550	113,986	1,048,049
As of March 31,			
Total Assests	14,465,803	15,326,174	134,703,447
Loans	13,860,747	14,785,724	129,069,259
Total Liabilities	12,590,725	13,572,527	117,242,995
Bonds and Notes	1,994,801	1,780,606	18,575,297
Borrowings	10,214,800	11,403,450	95,118,726
Total Equity	1,875,007	1,753,646	17,460,452
As of March 31,			
Capital Equity			
Risk-based Capital Ratio(BIS Capital Ratio)	13.90%		12.49%

The rate of ¥107.39=\$1.00, the effective exchange rate prevailing as of March 31, 2005, has been used in conversion.

## Ratings for Development Bank of Japan (as of June 2005)

### Ratings on FILP Agency Bonds

Moody's	S&P	R&I	JCR
A2	AA-	AAA	AAA

### Ratings on Government-Guaranteed Bonds

	Moody's	S&P
Foreign currency-denominated foreign bonds	Aaa	AA-
Yen-denominated foreign bonds		
Domestic bonds	A2	-

Notes: 1. FILP agency bonds are not government-guaranteed.  
 2. Moody's: Moody's Investors Service, Inc.  
 S&P: Standard & Poor's  
 R&I: Rating and Investment Information, Inc.  
 JCR: Japan Credit Rating Agency, Ltd.