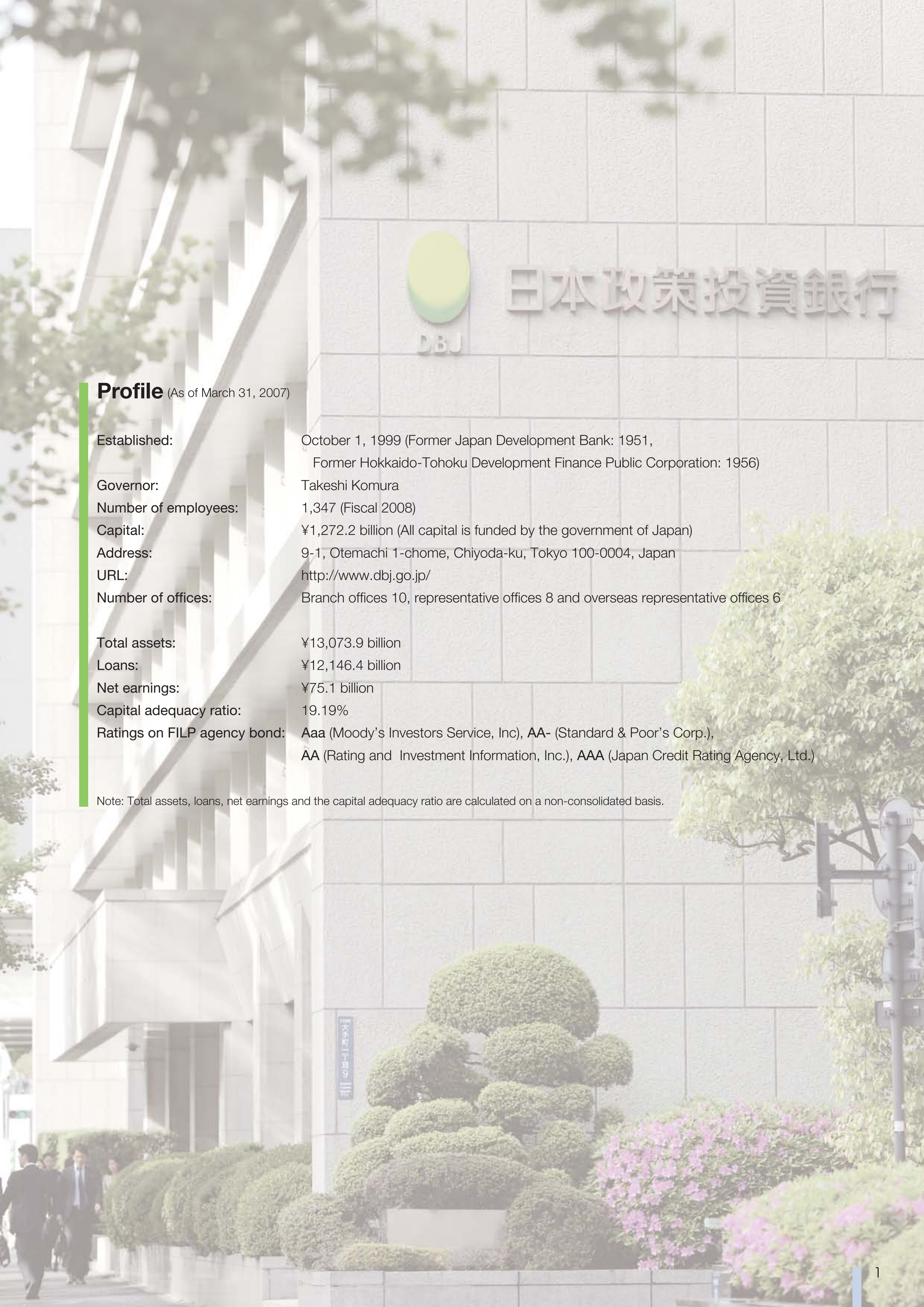
DBJ

Annual Report & CSR Report 2007

Development Bank of Japan

Contents



Profile (As of March 31, 2007)

Established:	October 1, 1999 (Former Japan Development Bank: 1951, Former Hokkaido-Tohoku Development Finance Public Corporation: 1956)
Governor:	Takeshi Komura
Number of employees:	1,347 (Fiscal 2008)
Capital:	¥1,272.2 billion (All capital is funded by the government of Japan)
Address:	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan
URL:	http://www.dbj.go.jp/
Number of offices:	Branch offices 10, representative offices 8 and overseas representative offices 6
Total assets:	¥13,073.9 billion
Loans:	¥12,146.4 billion
Net earnings:	¥75.1 billion
Capital adequacy ratio:	19.19%
Ratings on FILP agency bond:	Aaa (Moody's Investors Service, Inc), AA- (Standard & Poor's Corp.), AA (Rating and Investment Information, Inc.), AAA (Japan Credit Rating Agency, Ltd.)

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

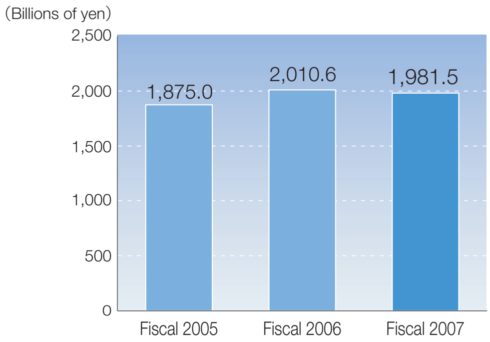
Financial Highlights (Non-consolidated)

For the years ended March 31 or as of March 31

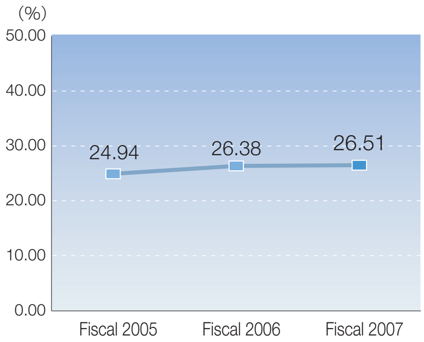
	FY 2007	(Billions of yen) FY 2006	FY 2005	(Millions of U.S.dollars) FY 2007
Total revenue	398.9	411.6	484.5	3,379.7
Net earnings	75.1	92.6	112.5	636.7
Capital	1,272.2	1,272.2	1,215.4	10,777.5
Total net assets	1,981.5	2,010.6	1,875.0	16,785.9
Total assets	13,073.9	13,682.1	14,465.8	110,749.5
Loans	12,146.4	12,873.2	13,860.7	102,892.5
Securities	366.4	429.5	391.1	3,104.3
Capital adequacy ratio (BIS standard) (%)	19.19	16.07	13.90	
Ratio of risk monitored loan (Banking Law base) (%)	1.2	1.6	2.9	
Return on equity (%)	3.91	4.77	6.20	
Return on assets (%)	0.57	0.67	0.77	
Overhead ratio (%)	26.51	26.38	24.94	
Number of employees	1,352	1,357	1,362	

Notes: 1. “Total equity” figures are used for “total net assets” through March 31, 2006.
2. The capital adequacy ratios given for March 31, 2005 and 2006 are calculated according to former BIS standards; the March 31, 2007, figure is calculated according to the new BIS standards.
3. Return on equity and return on assets are based on net earnings.
4. Overhead ratio = General and administrative expenses/Gross operating profit
5. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥118.05=$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in the conversion.

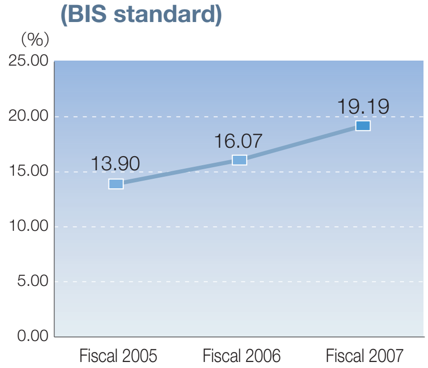
Total Net Assets



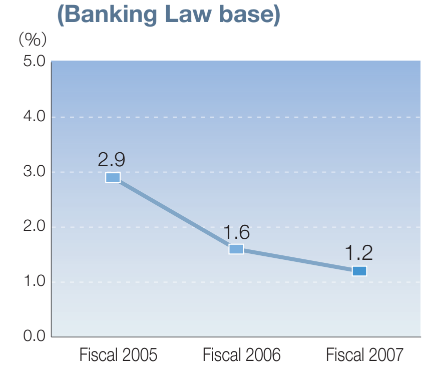
Overhead Ratio



Capital Adequacy Ratio (BIS standard)



Ratio of Risk Monitored Loan (Banking Law base)



Message from the Governor

The Development Bank of Japan (DBJ) is a policy-based financial institution whose mission is to contribute to the development of Japan's society and economy.

Against the backdrop of deliberations on policy finance reform, in May 2006 the Administrative Reform Promotion Law determined the direction for our privatization. On June 2007, the Diet passed the New DBJ Law.

As a result of these proceedings, DBJ will become an incorporated "special" company in October 2008 and then progress to full privatization. We have just begun making preparations for our shift toward independent management.

The new DBJ has established its goal as being "your innovative financial partner." The background of this goal is 50 years of experience in contributing to the growth of the Japanese economy and four corporate values—a long-term perspective, neutrality, public-mindedness and reliability—as well as financial services that employ corporate analysis and industrial research. As a result, rather than focus on short-term profit we take a neutral and long-term perspective. We work with customers, helping them to assess their situation and turn the future they envision into reality. Employing creative financing, DBJ looks beyond the economic value of its investments to the social value they create as the Bank strives to contribute to the future prosperity of local communities as well as that of the nation.

In the future, DBJ will remain unfettered by traditional financing methods, providing a complete range of investment and financing options that include a mixture of senior loans, mezzanine financing and equity investment. We will remain committed to finding appropriate solutions to our customers' issues.

As a member of society, DBJ recognizes that it has social responsibilities and that each and every action it takes must be appropriate. This recognition forms the basis of our corporate social responsibility (CSR) outlook. Stemming from this understanding, DBJ works to integrate CSR activities into its core business, strives to build corporate value and does its utmost to realize a sustainable society.

This report represents the amalgamation of our annual report and our CSR report. This approach is particularly appropriate as it reflects DBJ's efforts to combine social, environmental and economic elements into each of its activities. We believe that this approach is the best way to fulfill our social responsibilities, so we have adopted "disclosure from a CSR perspective" as a core concept, a springboard from which to introduce our activities.

Looking to the future, as we endeavor to meet the expectations of our stakeholders we will fulfill the mission embedded in our four corporate values—a long-term perspective, neutrality, public-mindedness and reliability. Aiming to imbue all our executives and employees with an ongoing sense of evolution and challenge, we will approach full privatization as a "small financial institution that punches above its weight class." We will put forth our best efforts to build a muscular corporate structure that will support us on the path toward privatization.

In line with our privatization, the efforts we make to address thoroughly the various issues our clients face will grow more flexible and sophisticated as we add to our problem-solving skills. I ask for the continued support of our stakeholders as we take bold new steps forward.

July 2007

Development Bank of Japan
Governor
Takeshi Komura

Takeshi Komura

Privatizing DBJ

Your Innovative Financial Partner

Business Model of the New DBJ

The new DBJ will help clients address the issues they face through three core businesses: loans, investment and consulting/advisory services.

Long-Term Financing/Structured Finance

- Continue to offer medium- to long-term financing
- Provide unique high-value-added financial services (ex., environmentally and socially responsible investing in financing projects to commercialize technologies or promote measures deemed to protect against disasters or enhance safety)
- Respond to diverse needs by offering non-recourse loans; develop and provide financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, and intellectual property rights as collateral, etc.)

Investing/Mezzanine Finance

- Provide mezzanine, equity and other financing that targets business revitalization and restructuring, implementation of growth strategies, enhanced international competitiveness and the development of infrastructure businesses

Resolving Clients' Issues

Consulting/Advisory Services

- Propose the use of DBJ's industry research capabilities and expertise in developing new financial technologies
- Deliver structured financing and other financial arrangement services

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

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

Overview of the Development Bank of Japan Inc. Law

Provisions

- **Scheduled conversion to joint-stock company: October 2008**
- **Target for disposing of government-owned shares: Five to seven years after October 2008**

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

Scope of Operations

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

Minimization of Government Involvement

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

Financing

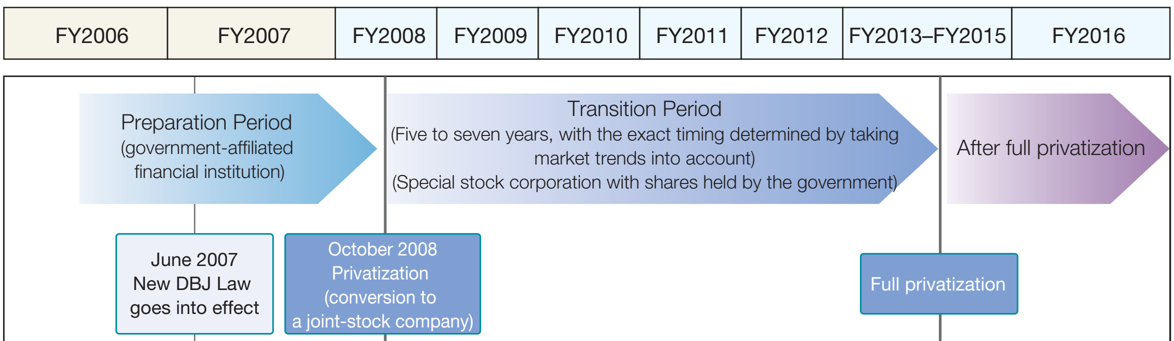
- Measures are designed for a smooth shift to independent funding through though the issuance of FILP agency bonds and government-guaranteed bonds during the transition.
- DBJ may also take out long-term loans from private-sector financial institutions.

Other Topics

- Legislation will be considered for the transition period that will put DBJ on the same footing as the current systems provide.
- Formulate progressive measures.
- Create measures stipulating responses by designated financial institutions at crisis-response times.

Note: Please refer to page 139 for details of the New DBJ Law.

The Privatization Process



	Preparation Period	Transition Period	After full privatization
Shareholders	100% government	Government / Private sector	100% private
Company form	Government-affiliated financial institution (special public corporation)	Joint-stock company (special stock corporation)	Joint-stock corporation
Business	Based on current DBJ Law	Based on new DBJ Law	Based on general financial legislation
Financing	Government-guaranteed bonds, FILP agency bonds, independent financing	Independent funding, government-guaranteed bonds and FILP agency bonds	Independent financing

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

New DBJ Aiming to Be a "Your Innovative Financial Partner"

As it moves toward privatization in October 2008, the new DBJ aspires to be a "your innovative financial partner."

While applying its financial strength stemming from the expertise and capabilities it has accumulated over the years, DBJ will maintain an unwavering "client-first" orientation. We will march in step with our clients as we help them consider, and then achieve, the futures they envision. We use the phrase "design the future" to encapsulate this process.

Through creative financing, DBJ will work assiduously to contribute to the future prosperity of local communities as well as that of Japan.

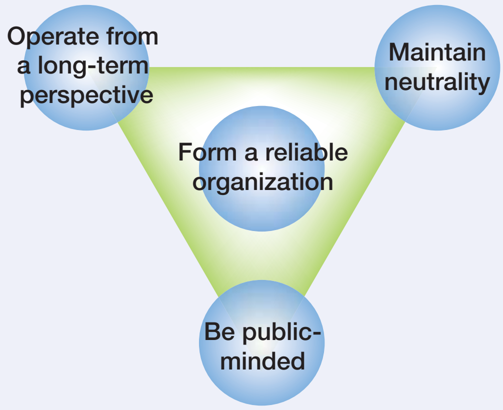
FAQs on DBJ`s Privatization

Q What is your corporate philosophy?

A Under the New DBJ Law, we will maintain our core investment and loan functions, which involve long-term business funding. We will become a joint-stock corporation that applies sophisticated financial functions toward the smooth provision of long-term business funding. We aim to be a financial institution that helps resolve client-specific issues.

DBJ's four corporate values are a long-term perspective, neutrality, public mindedness and reliability. Throughout its businesses, DBJ will share these values with its clients.

DBJ's Four Corporate Values



Q What will be your business categories?

A Initially, we will operate as a special stock corporation conducting business that involves a wide variety of integrated investment and loan activities. In this interval, we will consider how to meet the needs of the broadest range of clients. We will ultimately determine our business categories after due consideration and by taking into account the functional strengths of each Group company.

Q Will you receive policy-based financing?

A The Administrative Reform Promotion Law stipulates that "The functions of policy-based financing are to be performed by a single newly established policy-based financial institution." Accordingly, DBJ will not receive policy-based financing after privatization. Going forward, we will endeavor the meet clients' needs as a private-sector financial institution.

However, it has been stated that "In conditions that the national government deems true necessity, a new institution may be employed, taking into consideration its equal footing with other private-sector financial institutions." Article 67 of the Supplementary Provisions to the New DBJ Law states, "In the event the new DBJ employs investment and loan functions that involve long-term business funding after October 1, 2008, necessary measures may be implemented to enable these investment and loan functions to be otherwise applied, with due attention given to proper competitive relationships with other organizations."

In Japan, certain financial institutions are designated to loan funds in crisis response situations, and DBJ has been so designated. Consequently, in such situations DBJ may include a certain balance of such loans in its risk portfolio and may provide interest subsidies. The financial backing for such activity is stipulated by the Japan Public Finance Corporation Law.

Q Will the Bank conduct business overseas?

A DBJ is not legally restricted from conducting business overseas, and we will explore this possibility.

Percentage of our investment and loan balance that employs new financial methods

29.7%

(Fiscal 2007)

The DBJ Difference

As a policy-based financial institution, DBJ works to help resolve social issues. We apply a long-term perspective, neutrality, public-mindedness and reliability, as well as the expertise and capabilities we have accumulated, to provide distinctive financial services that help resolve the issues our clients face.

Providing investment and loans in the three areas of community development, environmental conservation and sustainable societies, and the creation of new technologies and industries

¥1.1 trillion

(Fiscal 2007)

Financial institutions with which we have concluded operating agreements

106

(As of March 31, 2007)

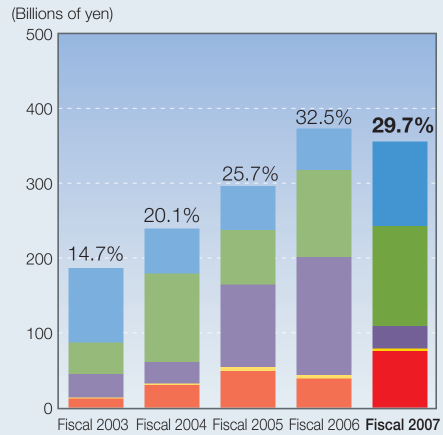
Providing Distinctive Financial Services

Page 14 and elsewhere

In addition to providing advice from a long-term perspective and financial services that include investments and loans, we operate in fields that ordinary financial institutions find difficult and we offer highly responsive financial tools.

- Development of new financial methods
- Risk-taking from a sound financial base
- Functioning as a financial platform
- Cooperation among industry, government and financial institutions

■ Investments and Loans Employing New Financial Methods



In descending order
- Funds
- Non-recourse financing
- Syndicated loans
- Venture investment
- Business revitalization financing

Note: Percentages indicate the ratio of investments and loans that employ new financial methods.

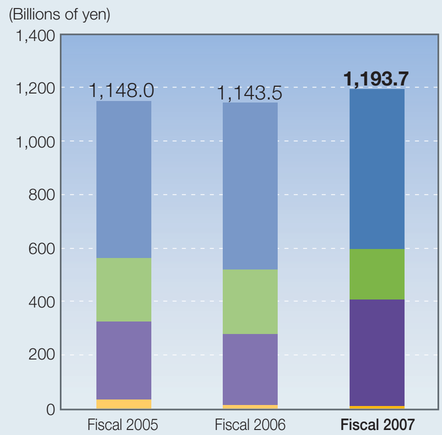
Deploying our accumulated expertise and capabilities to support the sustainable growth of society

Page 61 and elsewhere

In cooperation with local communities, DBJ applies its personnel and the expertise accumulated through long experience and maximizes its intellectual property in pioneering efforts to address the pressing matters that society faces.

- Working in harmony with regional financial institutions and contributing to regional economies
- Promoting environmentally friendly business and disaster response initiatives
- Contributing in such areas as industry and technical revitalization, infrastructure development and financial market development
- Serving as a safety net during earthquakes and other crises

■ Investments and Loans by Category



In descending order
- Community development
- Environmental conservation and sustainable societies
- Creation of new technologies and industries
- Improvement of social capital

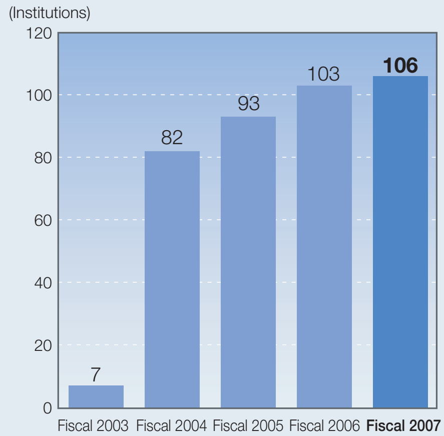
A Financial Institution that Helps Resolve Social Issues

Page 14 and elsewhere

DBJ is stepping up its efforts to resolve wide-ranging social issues as it works to create both economic and social value.

- At the core of our four corporate values are our will to succeed; our wisdom to develop screening expertise and employ new financial methods; and our desire to work with clients, including regional government bodies and the academic community in our quest to be a financial institution that works toward the resolution of the issues society faces.

■ Total Operating Agreements with Financial Institutions



50.1%

Percentage of investments and loans for community development

(Fiscal 2007)

DBJ's Role

DBJ meets the demands of the times by providing the long-term funding and project support that underpin Japan's sustained economic growth. Our investment and loan operations currently center on three categories: community development, environmental conservation and sustainable societies, and creation of new technologies and industries. We also provide expeditious and appropriate survey, research and informational support of policy planning and project design.

15.8%

Percentage of investments and loans for environmental conservation and sustainable societies

(Fiscal 2007)

33.3%

Percentage of investment and loans for the creation of new technologies and industries

(Fiscal 2007)

Investment and Loans in Three Key Areas that Target Socially Sustainable Economic Growth

Page 29 and elsewhere

In its three key investment and loan areas, DBJ provides long-term funding that supports the creation of new industries, abundant lifestyles and autonomous local communities.

Community development

- Application of local community resources
- Sophistication of financial functions in local communities
- Privatization of business of regional government bodies
- Development of attractive urban environments
- Creation and maintenance of local transport infrastructure

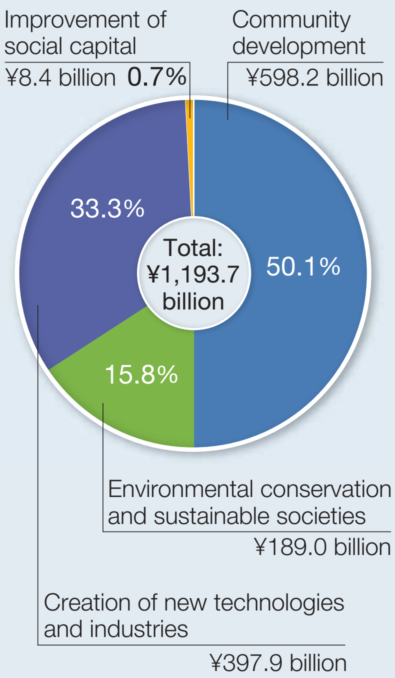
Environmental conservation and sustainable societies

- Energy saving
- Environmental impact reduction
- Reduction of gases that cause global warming
- Promotion of waste reduction and recycling

Creation of new technologies and industries

- Realization of new technologies
- Use of intellectual property rights
- Employment and dissemination of new financial methods
- Business and industrial revitalization, emergency response

■ **Investment and Loans by Key Area** (Fiscal 2007)



Using Our Broad Network to Deliver Quality Information

Page 29 and elsewhere

Through our extensive network of domestic and overseas contacts, we develop economic, social, industrial and community surveys and research. We use this growing store of information to improve our problem-solving capacity and support planning, recommendation and project design.

Providing Multifaceted Project Support

Page 29 and elsewhere

From an effectiveness standpoint, using leading-edge financial methods to provide investment and loans from a long-term perspective is a given, but our activities go well beyond simply providing funds. DBJ takes a multifaceted approach to deliver meaningful economic and social project support that extends to proposals, recommendations, operational design support and advisory services. The synergy between our investment and loan functions and our information provision function plays a major role in our ability to resolve social issues.

Employment Created

109,000 jobs

(Results of policy-based financing evaluation of investment and loans provided in fiscal 2006)

CSR at DBJ

DBJ's mission is to provide investments and loans, help Japanese people prosper and support the self-sustaining development of local communities. To achieve this mission, DBJ takes CSR into consideration in all its activities.

Clean energy developed through the promotion of wind- and hydro-power generation

230.7MW

(Results of policy-based financing evaluation of investments and loans provided in fiscal 2006)

Increase in revenues through investment and loan businesses

¥1.7trillion

(Results of policy-based financing evaluation of investments and loans provided in fiscal 2006)

CSR via Our Core Business

Page 14 and elsewhere

Financial institutions play the role of shaping society in a harmonious manner over generations by assessing and appropriately evaluating risk on projects that are truly meaningful to the economy and society and providing quality funding and financing solutions.

DBJ considers the application of its intellectual assets and financial platforms for investment and loans, as well as the promotion of different activities in a host of fields, the most important components of its CSR activities. This approach provides us with a clear understanding of the issues society faces. By keeping our finger on the pulse of society through our daily operations, we conduct effective operational reviews of the management cycle.

■ **Policy Effectiveness of Investments and Loans** (Fiscal 2006)

■ Society ■ Environment ■ Economy

Revenue increase from target operations: ¥1.7 trillion ■ ■ ■

Employment created: 109,000 jobs ■ ■ ■

Barrier-free construction: 207,000 m^2 ■

Railway crossing removal: 206 locations ■

Waste-processing facility construction: 627,000 tons in annual waste-processing capacity ■

Promotion of wind- and hydro-power generation: Generation capacity of 2,307 MW ■

Three Priority Areas for Investments and Loans and the Triple Bottom Line

Page 29 and elsewhere

The triple bottom line is a concept that considers people's livelihoods and corporate activity from the three vital perspectives of society, the environment and the economy, which coincide with DBJ's three priority areas.

(1) Revitalization Assistance for Regional Economies
(Community development)

(2) Environmental Conservation and Building Social Infrastructure
(Environmental conservation and sustainable societies)

(3) Technology: A Creative Force that Drives Economic Growth
(Creation of new technologies and industries)

DBJ provides investments and loans in a balanced manner from the perspectives of society, the environment and the economy and upholds its current mission of working toward a sustainable society.

■ **Relationship among the Three Priority Investment and Loan Areas and the Triple Bottom Line**

Responsibilities as a Member of Society

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As a policy-based financial institution, DBJ conducts CSR activities through all of its operations. In addition, as a member of society DBJ must be a trustworthy entity.

Each of DBJ's executives and employees must remain aware of social, environmental and economic elements throughout their everyday activities. This focus enables us to remain an entity that society trusts.

DBJ's Management Functions

As a financial institution, DBJ's most important public social responsibility is to maintain the trust of society. 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. DBJ considers sincerity and fairness in its investments and loans, as well as all of its other operations, a part of its CSR efforts.

Management System

A fundamental principal of DBJ's management is thorough compliance with the current DBJ Law and various corporate laws. The Bank complies strictly with all laws, rules and regulations, and operates fairly in good faith and in accordance with social standards.

Corporate Governance

DBJ carries out its activities in accordance with three-year policies prepared by the competent ministers (the Minister of Finance and the Minister of Land, Infrastructure and Transport). Based on these Medium-Term Policy Principles, DBJ prepares and publishes Investment and Finance Guidelines for each fiscal year. We have also established the Management Council, which consists of experts from outside the Bank. These entities consider and publicize the implementation status of the Bank's operations as recorded in its Medium-Term Policy Principles.

The characteristics of DBJ's business management are described below.

(1) Complementing and Encouraging Private-Sector Financial Institutions

DBJ Law prohibits the Bank from competing with private-sector financial institutions. Rather, our aim is to complement and encourage these institutions.

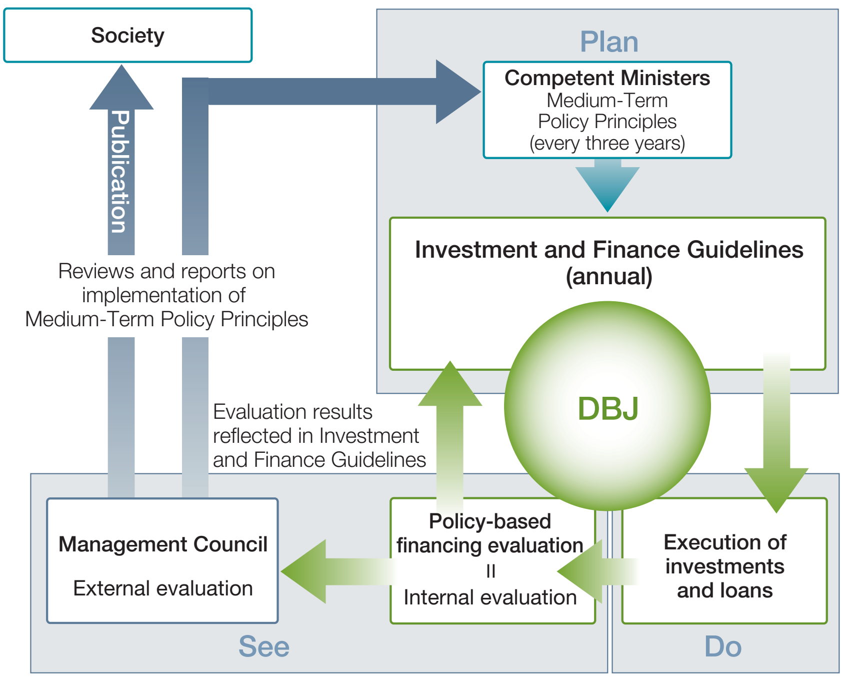
(2) Ensuring Sound Finance

DBJ maintains a strong risk management capacity and conducts asset/liability management to ensure a balance between revenues and expenditures and enhance the certainty of repayment from our client. As a policy-based financial institution, we strive toward sound and efficient operations.

(3) Evaluating Policy Effectiveness

DBJ endeavors to evaluate the policy effectiveness of its financing and maintain its accountability as a financial institution.

Operations Management Cycle Based on the DBJ Law



DBJ follows the Plan, Do, See, Feedback 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.

The "Plan" Process

The "plan" process consists of two steps: preparing and publicizing Investment and Finance Guidelines based on governmental Medium-Term Policy Principles.

(1) Prepare Medium-Term Policy Principles

The competent ministers formulate three-year policies. These policies form the basis for economic and social measures that clarify the basic stance for DBJ's operations.

(2) Create Investment and Finance Guidelines

DBJ establishes Investment and Finance Guidelines for each fiscal year based on the Medium-Term Policy Principles. The guidelines describe DBJ's basic investment and loan directions and include details of DBJ's investment and loan systems as well as target areas.

The "Do" Process

The "do" process corresponds to the execution of investments and loans in line with the Investment and Finance Guidelines formulated during the "plan" process. Rather than simply applying guidelines and systems mechanically, DBJ takes a broader and more tailored approach toward individual project evaluation that includes the provision of business structures and information, as well as monitoring.

The "See" and "Feedback" Processes

The "see" process takes place in two stages. First, DBJ conducts internal evaluations, and then the Management Council conducts external evaluations.

(1) Internal Evaluation (Operations Evaluation)

DBJ's internal evaluations evaluate the individual policy effectiveness of all investments and loans, the effectiveness of investment and loan systems and include detailed evaluations of individual projects, taking into account specific project categories, fields and themes. The Bank combines the results obtained through these evaluations into operations evaluation documents. DBJ submits its overall evaluations, which include the evaluation documents and financial statements that describe the financial soundness of projects, to the Management Council and publicizes its internal evaluation results.

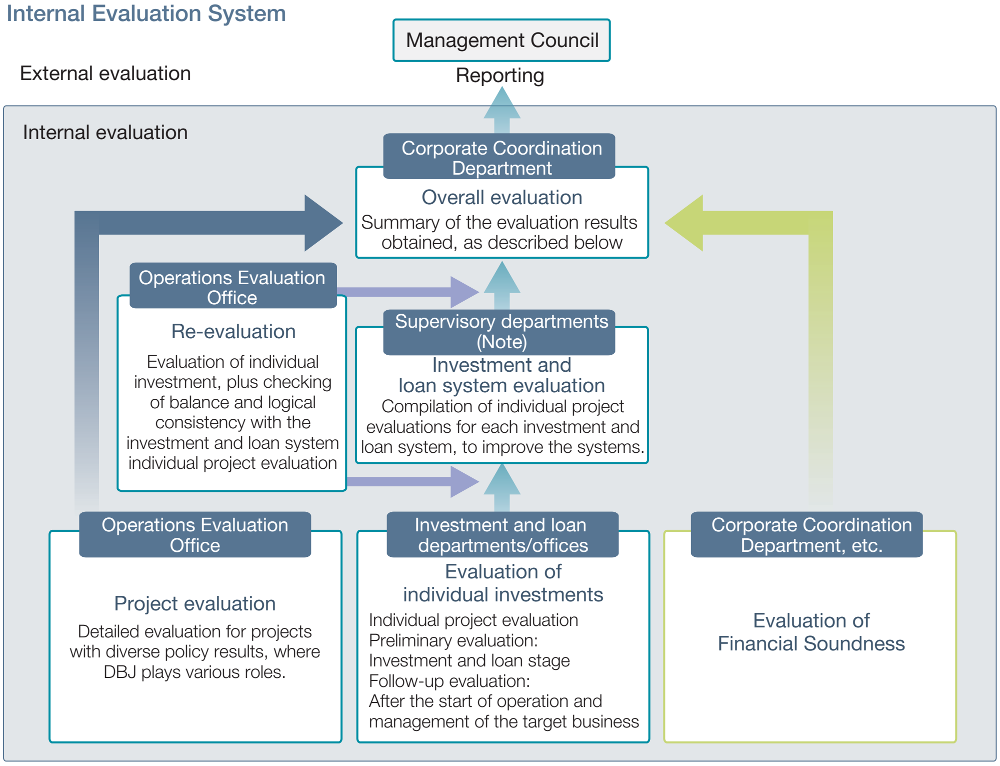
To protect its internal evaluation results from arbitrariness, DBJ has established the Operations Evaluation Office. This office conducts special sessions on in-house evaluations and confirms that evaluation systems are employed properly. The office has also formed a committee of academic experts with a view toward improving DBJ's evaluation system.

(2) External Evaluation (Management Council)

DBJ's Management Council, which consists of outside experts, evaluates operations stated in the Medium-Term Policy Principles. To improve transparency, we publicize the findings of the Council.

The DBJ budget also is submitted to the Japanese Diet for approval each year. Diet approval is also required for the Bank's financial statements. Overall operations are reviewed by the Board of Audit, the Ministry of Finance, and the Financial Services Agency.

Internal Evaluation System



: Sections performing internal evaluations within DBJ

Note: Supervisory departments are sections in charge of drafting policies and plans for investment and loans for each investment and loan system. For example, the Department for Urban Development supervises the investment and loan system dealing with urban development (see the organization chart on page 143).

Factors Evaluated

① Policy aspects of target business: Whether the target business for an investment and loan can realize the policy objectives; what kind of validity it has for the people of Japan and local residents; and what level of results can be achieved

② Role of investment and loans: Whether DBJ investment and loans continue to be based on the principles of supplementing and encouraging private-sector investments, and what kind of role they play at the time of a target business's implementation

■ Internal Audits

Internal Audits

Internal audits are carried out independently from other management and operational departments, and comprise a series of processes involving not only a comprehensive and objective evaluation of the organization's internal management conditions but proposals and follow-up measures to improve the issues identified.

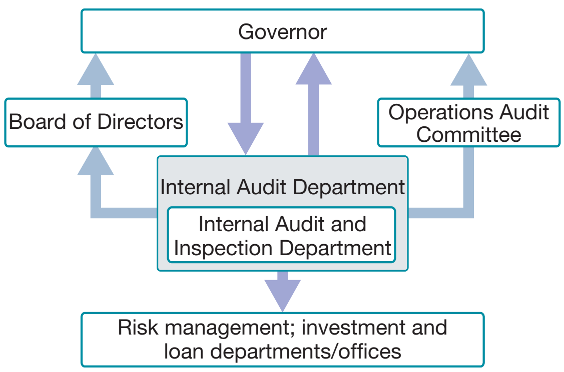
DBJ must fulfill its mission as a policy-based financial institution of the Japanese government, while maintaining its fiscal soundness. Therefore, internal audits are essential if the Bank is to secure proper internal management and deal with the increasing diversity and sophistication of its operations.

Internal Audit Systems

To facilitate audits, DBJ has established an Operations Audit Committee and an Internal Audit and Inspection Department, which serve as internal audit departments under the direct supervision of the DBJ governor and are independent from other departments. The Internal Audit Department, as its name suggests, performs internal auditing and inspections to ensure effective and efficient risk management, reliable financial reports, and compliance with laws and regulations.

Under the Bank's fair and appropriate internal audit system, the governor determines the basic policy for auditing and inspection upon on consultation with the Board of Directors. Important matters relating to audits and inspections results are reported to the governor after discussion with the Operations Audit Committee.

Overview of Internal Audit Systems



Compliance

Basic Stance

DBJ's compliance policies are outlined below.
(a) DBJ's executives and employees are keenly aware of the Bank's social mission and responsibilities as a public-sector bank and recognize that illegal acts or improper business operations harm the reputation of the Bank and interfere significantly with the Bank's ability to fulfill its objectives. We also realize the Bank's need to always conduct activities appropriately and in compliance with the law.
(b) DBJ's executives and employees are well aware that the 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 discuss improvements to the Bank's internal system. In addition, all departments of each individual branch have compliance officers responsible for verifying their section's legal compliance, reporting on compliance-related matters and serving as liaisons.

Compliance Activities

DBJ has prepared a Compliance Manual, which contains specific behavioral guidelines that ensure legal compliance. The manual includes related laws and regulations and is distributed to all executives and employees. To thoroughly educate all executives and employees on basic legal matters, the Bank also holds training seminars and briefings.

In addition, DBJ formulates detailed compliance programs for each fiscal year. After discussion in the General Risk Management Committee the "action plans" are officially approved by the governor.

Declaration on Personal Information Protection

When handling personal information from business partners, DBJ complies with laws concerning the protection of personal information by independent administrative institutions, handling this information as described below.

DBJ requests that any opinions or complaints concerning its handling of personal information be directed to the Development Bank of Japan Personal Information Desk.

1. Purpose of Using Personal Information
   DBJ is entrusted by its business partners with necessary information, and the Bank uses this information to perform properly the operations defined by the DBJ Law.

2. Limiting the Purpose of Use for Personal Information
   DBJ uses the personal information of its business partners only for the purposes described above. The specific purposes for such information are published on the Bank's website. Use for any other purpose will be clearly indicated at the time that information is obtained.

3. Obtaining Personal Information Appropriately
   When entrusted with personal information from its business partners, DBJ does not obtaine it under false pretenses or through improper methods.

4. Managing Personal Information Content
   DBJ endeavors to verify the validity of personal information from its business partners and requests that the partners cooperate.

5. Storing Personal Information Safely
   To prevent leakage of the information received from its business partners, the Bank has established measures to manage this information safely and will continue to improve these measures. DBJ endeavors to maintain strict information-handling procedures, supervising and training its executives and regular employees on the handling of personal information and concluding non-disclosure agreements with subcontractors.

6. Providing Personal Information to Third Parties
   The Bank releases personal information to outside parties only if the providers, its business partners, agree, or it can be inferred to have agreed to such use. However, such information is provided to third parties in certain legally defined situations deemed to be in an individual's own or the public's interest.

7. Disclosing Personal Information
   If an individual requests the disclosure of personal information entrusted to the Bank by its business partners, the procedures for such disclosure are as specified in relevant laws concerning the protection of personal information held by independent administrative institutions.

8. Revising or Discontinuing the Use of Personal Information
   If an an individual requests the discontinuation of the use of personal information, the procedures employed for such a request are as specified in laws concerning the protection of personal information held by independent administrative institutions.

Risk Management

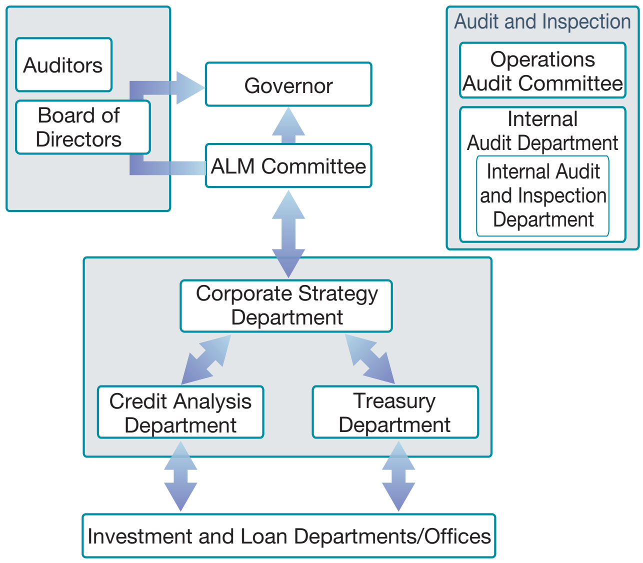
Continuing financial liberalization and advances in computer technology drive the computerization of finance, and innovation in financial technologies creates an increasingly diverse and complex risk environment for financial institutions. Therefore, we expect risk management to become an increasingly important theme.

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 we have established risk management processes and methods accordingly.

Asset/Liability and Risk Management System

DBJ conducts asset/liability and risk management from the perspectives of maintaining financial soundness and improving operational efficiency-prerequisites to ongoing operational viability. To ensure appropriate management of individual risk categories, DBJ has developed an asset/liability and risk management system that clarifies which department is responsible for each type of risk. The Corporate Strategy Department oversees comprehensive asset/liability and risk management activities. The ALM Committee, consisting of executives and the DBJ governor, determines basic policies related to comprehensive asset/liability and risk management, and conducts regular monitoring.

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.

(1) 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, in addition to considering the project's policy significance and benefits. We also have an internal borrower rating system. DBJ is not subject to the Banking Law or the Law concerning Emergency Measures for the Revitalization of the Functions of the Financial System (Financial Revitalization Law), 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 ALM Committee. 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 other's operations in check. The Lending Committee, Loan Fund Committee, and Investing Committee meet as needed to deliberate important issues concerning the management and governance of individual loans. These mutual checking functions serve to ensure the appropriateness of lending operation and management environment.

(a) Borrower rating system

DBJ's borrower rating system measures creditworthiness by combining an evaluation point rating and a borrower category rating, with the result efficiently determining 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.

(b) Asset self-assessment system

Assets 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.

Borrower Rating Classifications

<table>
<tr><th>Borrower category</th><th>Borrower rating</th><th colspan="2">Definition</th></tr>
<tr><td rowspan="8">Normal borrowers</td><td>1</td><td rowspan="8">Borrowers with favorable business conditions and who have been confirmed to have no particular problematic financial circumstances.</td><td>Debt history demonstrates an extremely high degree of reliability, with several outstanding factors. DBJ accords these borrowers the highest rating.</td></tr>
<tr><td>2</td><td>Debt history demonstrates a very high degree of reliability with outstanding factors.</td></tr>
<tr><td>3</td><td>Debt history demonstrates high reliability.</td></tr>
<tr><td>4</td><td>Debt history demonstrates sufficient reliability, but these borrowers are more vulnerable to the impact of potential changes in the operating environment than are borrowers with higher ratings.</td></tr>
<tr><td>5</td><td>Debt history demonstrates no reliability issues, but the impact of the potential worsening of the operating environment is likely to reduce their debt repayment capabilities.</td></tr>
<tr><td>6</td><td>Debt history demonstrates no immediate reliability issues, but the impact of the potential worsening of the operating environment is highly likely to reduce their debt repayment capabilities.</td></tr>
<tr><td>7</td><td>Under current circumstances, financial conditions indicate no major problems, but if the operating environment or financial conditions worsen in the future, debt repayment capability is likely to decline.</td></tr>
<tr><td>8</td><td>Under current circumstances, financial conditions indicate the need for attention in some aspects but an established capacity for debt has been confirmed. As the business is in its startup phase, no business conditions are available for rating, but the debt history indicates no problems.</td></tr>
<tr><td>Borrowers requiring caution A</td><td>9</td><td rowspan="3">Borrowers experiencing weak business conditions, are unstable or have issues with their finances. These borrowers are likely to require management intervention in the future.</td><td>No major losses or substantial financial issues exist, but these borrowers should be treated with caution.</td></tr>
<tr><td>Borrowers requiring caution B</td><td>10</td><td>Business conditions are sluggish or financial problems are present.</td></tr>
<tr><td>Borrowers requiring caution C</td><td>11</td><td>The borrower is arrears to DBJ for less than one year, conditions are likely to change, or the borrower is in arrears to another financial institution or conditions are currently changing. Financial support is confirmed, although liabilities are effectively in excess of assets.</td></tr>
<tr><td>Substandard borrowers</td><td>12</td><td colspan="2">Either some or all of the debts of these borrowers requiring caution are under management.</td></tr>
<tr><td>Borrowers in danger of bankruptcy</td><td>13</td><td colspan="2">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. Although they remain in business, these borrowers are financially overextended. As business conditions are also lackluster, the likelihood of these borrower's loans becoming delinquent or of principal or interest becoming ultimately unrecoverable is high. Consequently, these borrowers are highly likely to continue sustaining significant losses.</td></tr>
<tr><td>Effectively bankrupt borrowers</td><td>14</td><td colspan="2">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. These borrowers remain in business formally, but their finances reveal large amounts of non-performing assets or they have excessive long-term borrowings outstanding from the Japanese government. Liabilities have effectively exceeded assets for a long period of time. There is little hope of a business turnaround, they have suffered a major loss due to a natural disaster, an accident or a sharp change in economic conditions, or they are in circumstances similar to these. As there is no potential for restructuring, these borrowers are effectively substantially delinquent in their principal and interest payments.</td></tr>
<tr><td>Bankrupt borrowers</td><td>15</td><td colspan="2">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.</td></tr>
</table>

(2) Portfolio Management

DBJ performs a comprehensive analysis of data from borrower ratings and self-assessment such as loan defaults, 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 incur at a certain rate of probability. The EL and UL calculations are reported to the Asset and Liability Management (ALM) 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

(1) 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.

(a) 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).

(b) 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 issuing foreign currency bonds and the extension of foreign currency loans. DBJ uses currency swaps to hedge this risk. The Bank 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.

(2) 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 flow 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.

With regard to these risks, As its main method of acquiring funds, DBJ relies on the stable procurement of long-term funds from the government's Fiscal Investment and Loan Program (FILP) , government-guaranteed bonds, and FILP agency bonds, rather than on short-term funds such as deposits. To meet unexpected short-term funding requirements, funds on hand are placed primarily in short-term investments, taking security and liquidity into consideration. Overdraft lines of credit have been established with multiple private financial institutions. DBJ also 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 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.

(1) 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.

(2) Systems Risk Management

Systems risk refers to the risk of loss due to a breakdown or malfunction of computer systems, system defects, or improper computer usage. To properly manage systems risk, DBJ has implemented the following internal processes to optimize systems risk management.

DBJ has formulated an Information Security Policy to safeguard the Bank's information systems. Additionally, the Bank has established a General Risk Management Committee to deliberate on matters related to systems risk. DBJ also set up the General Security Management Division to integrate the maintenance and management of information security. Information asset officers have been appointed to take responsibility for security measures in each department and branch office, thus ensuring policy compliance.

As part of its effort to promote systems risk management, DBJ is taking measures to prevent problems and enhance reliability by standardizing systems development procedures, forestalling fraudulent access through the management of access privileges and passwords, and by preventing information leaks with thorough information asset management. In addition to setting up a two-tier system for hardware and software, DBJ has created a backup center and formulated a business continuity plan (BCP) in preparation for a malfunction or natural disaster.

Responding to the New Capital Adequacy Requirements (Basel II)

A new capital adequacy requirement, Basel II, was introduced in Japan on March 31, 2007. Basel II applies to financial institutions that handle deposits, including banks, credit associations, credit cooperatives and other institutions. Although DBJ is not directly subject to these requirements, the Bank has elected to comply, with a view to enhancing risk management.

Basel II consists of the following three pillars.

Pillar 1: Minimum Capital Requirements

Using the method defined by Basel II to calculate risk-weighted assets, a capital ratio of 4% or more is required for banks that operate only in Japan, while the international standard is a ratio of 8% or higher. Under Basel II, the calculation for credit risk-weighted assets has become more elaborate, and regulations on operational risk have been introduced. DBJ's capital ratio on a consolidated basis is 18.90%, indicating sustained soundness of capital.

Pillar 2: Verification of Self-Management and Supervision of Financial Institutions

Financial institutions themselves are required to comprehend the major risks that affect them, including risks not covered under Pillar 1, and to evaluate the capital required to cover such risks from a management standpoint. The Financial Services Agency verifies such preparations. DBJ conducts its own comprehensive risk management and responds to these requirements.

Pillar 3: Market Discipline through Information Disclosure

Financial institutions must thoroughly disclose their risks and their methods for calculating those risks, with the aim of raising the level of market discipline and consequently raising the level of risk management at financial institutions. Disclosure items are provided in the section entitled "Financial Condition," beginning on page 111.

Disclosure

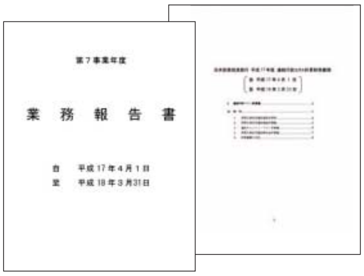
Through enhanced communications, DBJ discloses information impartially, swiftly and appropriately to raise management transparency and to promote further understanding of the Bank among its various stakeholders, including clients, local communities, private-sector financial institutions, regional government bodies and the national government.

Disclosure System

DBJ has prepared a system for the appropriate disclosure of information based on the Law Concerning the Disclosure of Information Held by Independent Administrative Institutions. The Bank indicates clearly the roles of each department in disclosing information to specific audiences. In principle, the Treasury Department discloses information targeting investors, the Corporate Coordination Department discloses news information to the mass media and the Corporate Strategy Department discloses public relations information to the general public via the Internet and various publications.

Information Disclosure Materials

As shown below, DBJ offers a wide range of information, using such media as newsletters and its website.



(1) Materials legally required for disclosure

Operation report

Financial statements

Administrative cost report

(2) Voluntarily disclosed information

CSR Annual Report

Financial Report, in accordance with the Securities and Exchange Law of Japan

(3) Others

DBJournal (newsletter)

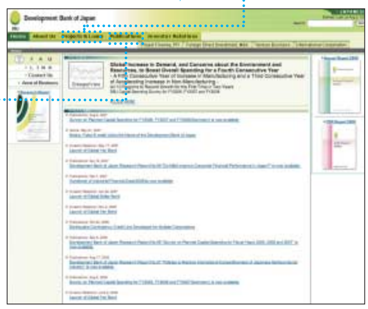
Website: **http://www.dbj.go.jp/english/**

Download Center (Japanese only)

Various information for downloading

Publications

Various information for downloading



Other available information

Project & Loans

Introductions to various DBJ projects

About the Privatization of DBJ (Japanese only)

Explanation of DBJ's privatization

Overview of Investment and Loan Activities

DBJ meets the needs of the times by focusing on investment and loan activities in three main categories: community development, environmental conservation and sustainable societies, and the creation of new technologies and industries. We will continue taking advanced approaches to provide support for projects that have environmental, and urban and community revitalization and disaster response projects, as well as projects that have economic elements. In this manner, we will continue to support the ongoing growth of society from a financial perspective.

DBJ's Investments and Loans

Our Mission as a Comprehensive Policy-Based Financial Institution

As an integrated policy-based financial institution, DBJ complements and encourages lending by ordinary financial institutions. We invest in and provide long-term financing for projects that

- **invigorate and encourage the sustainable development of the Japanese economy and society;**
- **enhance the quality of life for the people of Japan; and**
- **foster the self-sustaining development of local economies.**

DBJ's mission is to contribute to the Japanese economy and society by providing financial support for such projects.

Services

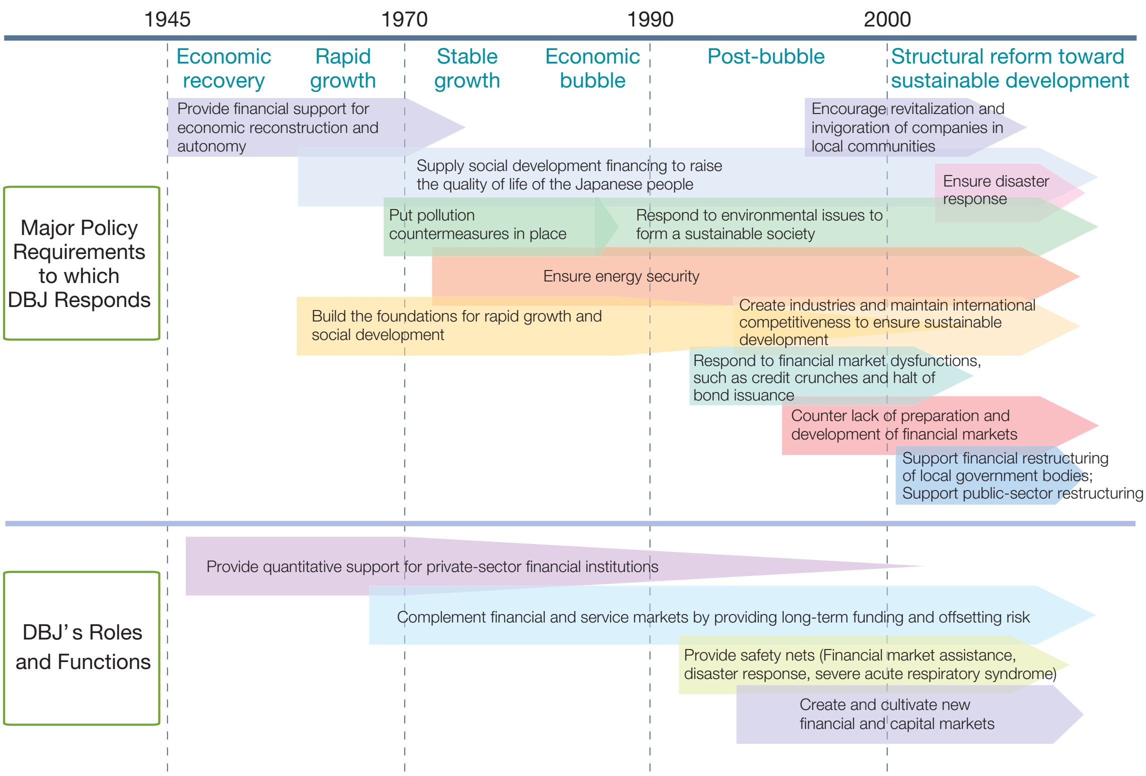
As an integrated policy-based financial institution, DBJ supports projects that are desirable from the standpoint of Japan's economic and social policies through the following functions:

1) Supplying long-term financing (investments, loans, debt guarantees and other services)
   DBJ supports the funding provided by private-sector financial institutions by supplying long-term, fixed-rate, high-quality financing for projects closely linked to policy objectives.
2) Providing project support
   DBJ applies diverse skills and financing functions to ensure the smooth progress of projects closely linked to policy objectives, providing detailed support from initial conceptualization through the planning and commercialization stages.
3) Supplying information
   DBJ uses its domestic and overseas networks to research and study important economic, social and industrial themes, supply a host of information on developments overseas and in Japan, including those in local communities.

Changing Roles and Functions to Meet the Needs of the Times

In a variety of fields, DBJ meets the needs of the changing times by fulfilling its role and functions as an integrated policy-based financial institution. In recent years, we have employed leading-edge financing such as setting up funds for business revitalization, venture company development to create markets and project financing. We have introduced new approaches to provide financing for local communities, such as community credit and the underwriting of private-placement bonds. As part of our changing role, we now provide safety nets to protect communities in the event of natural disasters or outbreaks of terrorism. In short, we support Japan's continued economic and social development in three main areas: community development, environmental conservation and sustainable societies, and the creation of technologies and industries.

Policy Issues and DBJ's Response



Formulation and Publication of Investment and Finance Guidelines Based on Medium-Term Policy Principles

DBJ's Medium-Term Policy Principles for fiscal 2006 through fiscal 2008 call for the Bank to provide long-term financing in line with the following three principles:

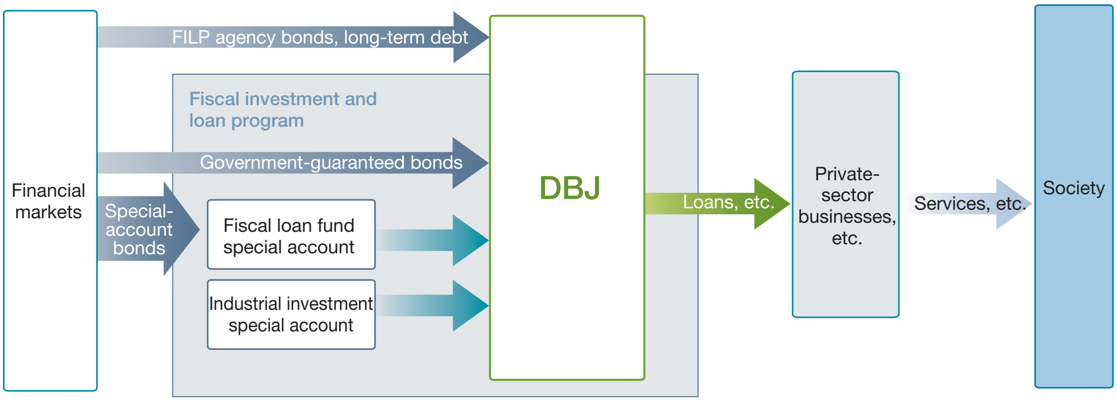
(1) Create Economic Vitality
Reform the economic structure and encourage the intellectual foundations to prevent the hollowing out of industry, and help future industries evolve by cultivating new technical development and promoting the smooth restructuring and revitalization of existing industries.

(2) Build Prosperous Lifestyles
Promote environmentally friendly management, recycling and the realization of a safe society by supporting environmental measures; energy security measures; measures addressing social welfare and the aging of society; and measures to create traffic, distribution and communication networks.

(3) Form Autonomous Local Communities
In local communities, help build social infrastructure, support the development of dynamism, collaboration and self-reliance by emphasizing local communities' distinctive characteristics, encouraging local community reinvigoration and urban renaissance programs, creating social capital and employment opportunities and re-energizing communities. To these ends, deepen relations between regional public-sector entities and regional financial institutions, emphasizing private finance initiatives and similar methods.

DBJ also responds appropriately and effectively to fill the gaps that form when financial and capital markets fail to function adequately, as in times of natural disaster or when policy requirements result from domestic or overseas economic or social emergencies.

Fund-Raising Structure



Investment and Loan Plans, by Fiscal Year

(Billions of yen)

	Fiscal 2006	Fiscal 2007	Investment and Loan Balances as of March 31, 2007
Community Development	624.9	598.2	6,622.0
Revitalization of local economies	239.9	265.3	1,371.4
Development of regional social infrastructure	159.9	120.1	1,877.6
Creation of a widespread network	225.0	212.7	3,372.8
Environmental Conservation and Sustainable Societies	240.2	189.0	3,691.4
Environmental protection; energy, disaster prevention and welfare measures	240.2	189.0	3,691.4
Creation of Technologies and Industries	265.6	397.9	1,918.2
Advanced technology and economic revitalization	102.8	156.9	421.2
Development of a socio-economic base	162.8	241.0	1,497.0
Subtotal	1,130.8	1,185.3	12,231.7
Improvement of social capital	12.6	8.4	433.2
Total	1,143.5	1,193.7	12,665.0
(Capital subscription)	55.8	113.3	405.7
Debt guarantees	70.1	203.1	334.9

Notes: 1. Investment and loan balances for fiscal 2006 have been reclassified into the segments used for fiscal 2007.
2. Investment in funds is based on the agreed amount.
3. In addition to the above-mentioned items, in fiscal 2007 DBJ undertook debt obligations involving default swaps. As of March 31, 2007, these obligations totaled ¥697.9 billion in credit risk acceptance agreements and ¥614.8 billion in delivery contracts.
4. The fiscal 2007 year-end balance includes ¥40.9 billion in stock from the Tomakomai East Development Corporation, and Mutsu Ogawara Development Corporation.

■ Fiscal 2008 Investment and Loan Plans

Major Characteristics of Fiscal 2008 Investment and Loan Plans

In line with policy finance reforms, in fiscal 2008 DBJ will strive to supplement the private sector by employing new financial methods and providing the financing to promote growth, enhance competitiveness and revitalize urban and local communities. We will also provide financing to help ensure the safety of Japan's people by supporting fire reduction and disaster relief measures.

Fiscal 2008 Investment and Loan Plans and Sample Projects

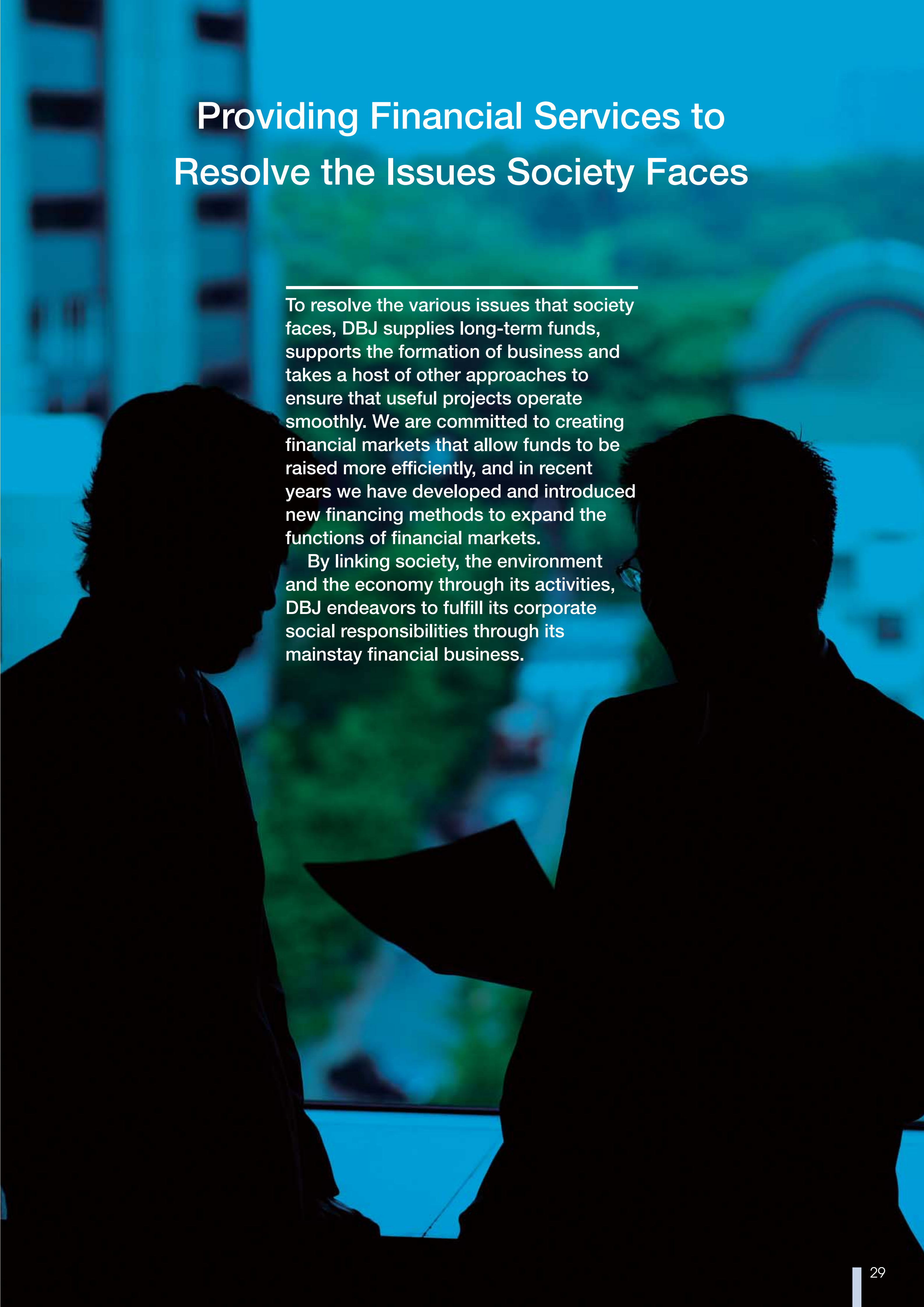
(Billions of yen)

	Initially Planned Amount	Chief Loan Targets (Examples)
Community Development	590.0	
Revitalization of regional economies	170.0	Regional revitalization, strengthening of regional competitiveness, encouragement of cold-winter region business activities, employment promotion, support for community renewal based on local character, promotion of tourism
Development of regional social infrastructure	160.0	Urban renaissance program, improvement of social capital using PFI, promotion of the privatization of public enterprises, redevelopment of urban areas
Creation of a widespread network	260.0	Construction of core transportation networks, air-transport systems, and information and telecommunication networks
Environmental Conservation and Sustainable Societies	300.0	
Environmental protection; energy, disaster prevention and welfare measures	300.0	Promotion of environmentally friendly management using environmental ratings, promotion of stronger disaster prevention measures via disaster prevention ratings, promotion of businesses utilizing the Kyoto Protocol mechanisms, energy and security measures, development of new energy sources and urban flood control businesses
Creation of Technologies and Industries	360.0	New technology development, new industry creation and revitalization
Advanced technology and economic revitalization	150.0	Business revitalization and industry revitalization, facilitation of easier access to Japan, support for security measures, promotion of the spread of financing for risk management
Development of a socio-economic base	210.0	
Subtotal	1,250.0	
Promotion of social capital creation	—	
Total	1,250.0	
Fund-Raising		
Fiscal investment and loans	744.0	
(FILP borrowing segment)	364.0	
(Domestic bonds)	190.0	
(Overseas bonds)	190.0	
Self-financing, etc.	506.0	
(FILP bond segment)	290.0	
(Private-sector borrowings)	100.0	

Note: The initial fiscal 2008 plan includes the following business activities—¥128.8 billion for the former Hokkaido-Tohoku Development Finance Public Corporation, ¥10.0 billion for the former lending business of the Japan Regional Development Corporation, and ¥7.5 billion for the former lending business of the Japan Environment Corporation.

Characteristics of the Fiscal 2008 Loan Plan

To promote the smooth transition to a new post-privatization fund-raising structure, in addition to issuing government-guaranteed and FILP agency bonds, DBJ will make anticipatory moves to borrow funds from other private-sector financial institutions and work to diversify its fund-raising methods. The Bank will also expand the scale of its FILP agency bond issues.



Providing Financial Services to Resolve the Issues Society Faces

To resolve the various issues that society faces, DBJ supplies long-term funds, supports the formation of business and takes a host of other approaches to ensure that useful projects operate smoothly. We are committed to creating financial markets that allow funds to be raised more efficiently, and in recent years we have developed and introduced new financing methods to expand the functions of financial markets.

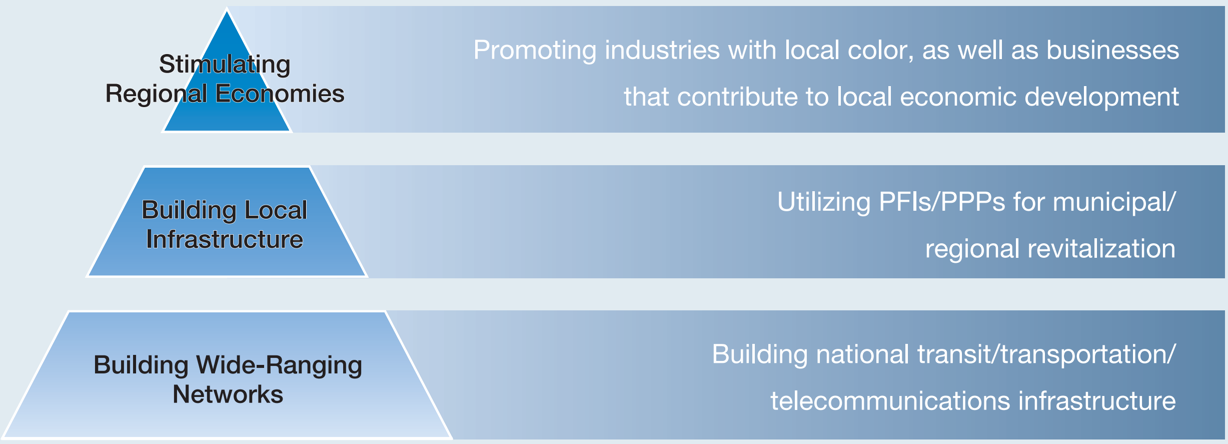
By linking society, the environment and the economy through its activities, DBJ endeavors to fulfill its corporate social responsibilities through its mainstay financial business.

Revitalization Assistance for Regional Economies

This section presents excerpts of cases that showcase DBJ's activities, in partnership with communities and businesses, to confront such societal issues as reorganizing businesses, assuring efficient transportation, revitalizing regional economies and creating business opportunities.

Contributions to revitalizing regional economies include the following:

- Assistance to core regional businesses that hire and employ local youth
- Assistance to businesses that work to increase opportunities for employment in regions with declining populations
- Promoting regional development that respects landscapes and other pre-existing land use
- Collaborating with local financial institutions to invest in mid-sized regional businesses in ways that promote restructuring and efficiency



Management Buyouts (MBO): Responding to the Need for Business Reorganization and Succession

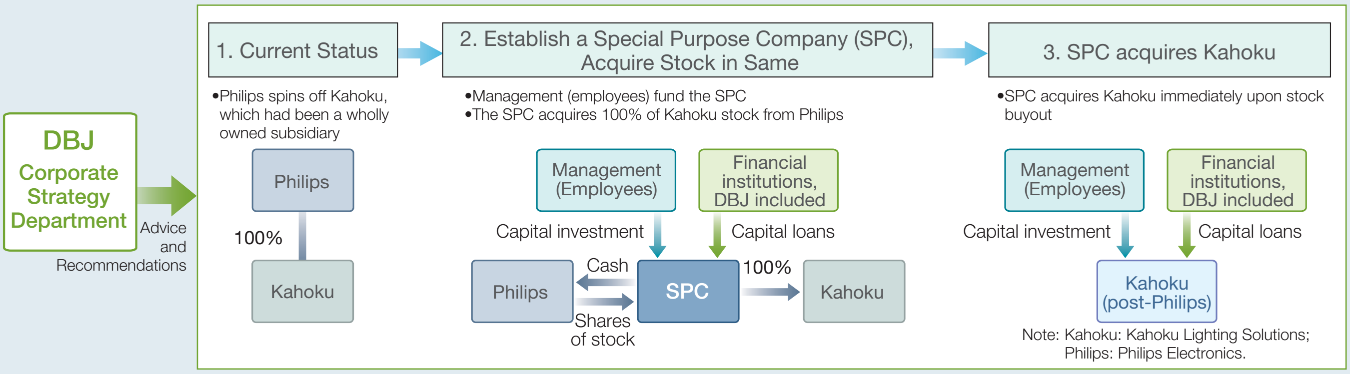
Societal Concerns

Businesses operate in situations where change comes at an ever-increasing pace, thanks in large part to globalization. Such changes spur managerial decision-making and focus at big companies. Many group companies that are spun off in the process face hard choices of their own: liquidate the company or find new shareholders and walk on their own. Management buyouts, or MBOs, are increasingly considered an effective measure for helping companies remain in business. MBOs involve current management entering into a group with an outside investment fund or other organization, whereupon the group buys the business from the main or parent company.

Case History: Kahoku Lighting Solutions Corp.

Kahoku Lighting Solutions of Ishinomaki, Miyagi Prefecture, specializes in industrial lighting. When a change in strategy pertaining to the lighting business resulted in Philips Electronics spinning off Kahoku in August 2006, Kahoku opted for an MBO, the better to leverage its world-class technology development know-how and solid customer base.

When actually executing the MBO, however, management at Kahoku found itself stymied. They could not find any buyout funds that were inclined to go along with their vision of building solid growth by investing in technology with a long-term view, rather than chasing short-term growth. They would also have to finance a part of the buyout on their own.



The DBJ Initiative

In this case, DBJ performed a detailed assessment of the business of the spun-off company and recommended an MBO scheme whereby Kahoku would solicit investment from employees as well as management, avoiding ill-suited investment funds. DBJ assisted Kahoku in finding suitable financing by arranging a loan for a portion of the buyout capital in association with local financial institutions.

MBOs can ease managerial transitions within companies, a problem that frequently arises with locally owned and operated businesses. We foresee increasing demand for MBOs, and will continue to serve these needs for measures that deal with business restructuring and business succession.

Kahoku Lighting Solutions reborn as an independent, technology-driven company.

Using Project Finance to Assist the Adoption of Interchangeable IC Card Tickets

Societal Concerns

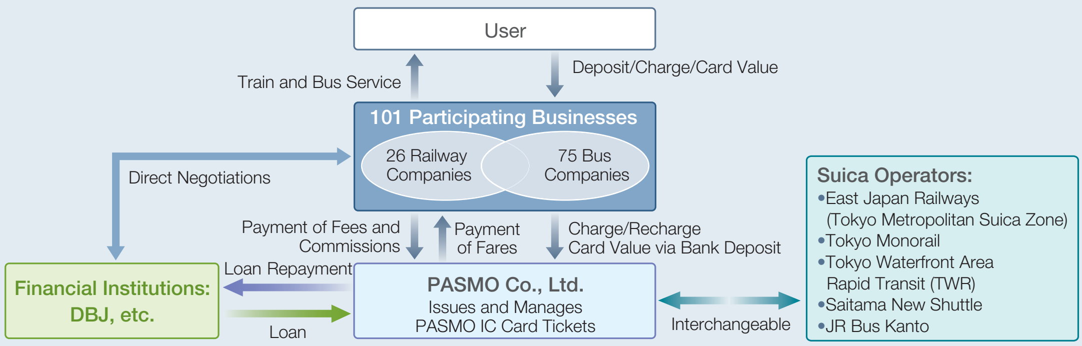
The Tokyo Metropolitan Area has a public transit network of numerous bus and train companies and a growing need to simplify transfers between different lines.

PASMO, an IC card ticket system that works across all participating bus and train lines was introduced to meet this demand.

Case History: PASMO Co., Ltd.

The PASMO system, with tickets issued and managed by PASMO Co., Ltd., was formed in February 2004 through joint investment by bus and train companies. Since its establishment, the company has built a common, inter-operable program, with its primary task being to provide a centralized processing system for computing fares across participating vendors. Some of the program's features include building the sensor system that reads the tickets, as well as hardware in the various bus and train stations that facilitate this service, making the system dramatically more useful to customers. The service commenced operation in March 2007, allowing people to travel on more than 100 bus and train lines with a single ticket.

PASMO is a very convenient ticketing system, interchangeable with the Japan Railways (JR) Suica IC ticketing system, with an automatic top-up service that allows commuters to top up the value of their PASMO ticket simply by passing it over a ticket gate sensor. Commuters can also shop with PASMO, using it as a form of electronic money. The large amount of data that a PASMO card can store, combined with its strong security, raises hopes that it can be used for an increasingly wide range of lifestyle-oriented applications, through partnerships with the credit cards issued by the various conglomerates that operate the bus and train companies, as well as by other businesses and local shopping malls.



The DBJ Initiative

DBJ has long tackled structured finance projects using its project building and business assessment know-how, long-term perspective, together with its uniquely neutral position, to manage the interests of various parties in a given project.

In the case of PASMO, the sheer size of the operation and the large number of participants proved to be a stumbling block to devising a scheme for distributing costs fairly and equitably among the participants. DBJ assisted in building a structure capable of stable, sustained operations, as well as procuring necessary and sufficient development funds, by drawing on its strategic finance capabilities and participating in the establishment of the project as a neutral member.

PASMO interchangeable IC card tickets went into circulation in March 2007.

Assisting Japan's First PFI-Structured Prison

Societal Concerns

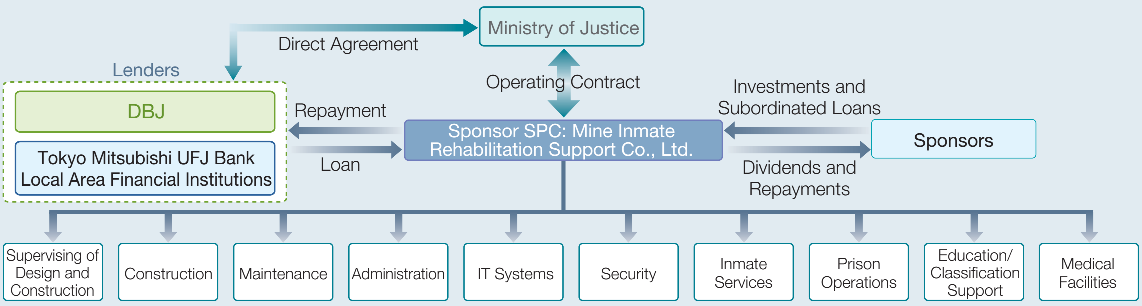
Private finance initiatives (PFIs) draw on private-sector capital and managerial competence, as well as technology, to build, operate and maintain infrastructure that has traditionally been the province of municipal and regional public-sector administrative bodies. First introduced in the United Kingdom, regulations pertaining to PFIs in Japan were enacted in 1999, and their use has grown since then. Advantages include reduced operating costs on the part of local governments, while taking advantage of private-sector knowledge to provide high-quality public services, and business opportunities created for private-sector enterprises. Problems confronting PFIs include such practical operating concerns as distributing responsibility and accountability across multiple vendors. Numerous financing problems arise as well, and the ability to negotiate with, and manage, the various participants is also important.

Case History: Mine Inmate Rehabilitation Center

Located in the city of Mine, Yamaguchi Prefecture, the Mine Inmate Rehabilitation Center is the first new prison in Japan to be built and operated under PFI. The Mine Secom Group founded the Mine Inmate Rehabilitation Support Co., Ltd., an SPC to operate the facility. Efficiencies in building and operation were achieved by taking advantage of the company's accumulated knowledge, starting with automating the security systems. As a result, the company expects to reduce overall costs, including construction and operating expenses, by some ¥4.8 billion over the life of its 20-year contract. Plans also call for renovating re-education programs and inmate conditions, which contribute to rehabilitation efforts. Promoting the rehabilitation of inmates through such initiatives cuts down on repeat offenses and prison overcrowding.

The company operates its facilities in a transparent and environmentally friendly manner, by using local resources in an effective manner. Its objective is to conduct its business in collaboration with the regional government and economy, in accordance with its guiding precept of running prisons in a manner accepted and supported by the citizenry.

Mine Inmate Rehabilitation Center Business Scheme



The DBJ Initiative

DBJ had introduced PFIs to Japan prior to governmental regulation. The Bank has drawn on its accumulated knowledge of structured finance and its extensive public- and private-sector networks to assist in a variety of PFIs, including water and sewage, housing, hotels and other lodging, and school lunch programs. DBJ's project building and business assessments, which derive from its distinctive long-term perspective, are well-suited for the PFI business, because long-term contracts are the foundation of PFIs.

In the case of the Mine Inmate Rehabilitation Center, DBJ worked with the Mine Secom Group, in association with Tokyo Mitsubishi UFJ Bank, on a series of collaborations and investigations, that formed the basis for efforts to build an optimal financing structure. With added participation from local financial institutions, DBJ led the execution of a PFI loan agreement worth ¥15 billion.

Overview of the finished installation

Mine Inmate Rehabilitation Center

Building Attractive Local Communities: Assistance for Businesses in Accordance with Local Revitalization Projects

Societal Concerns

Revitalization of the country as a whole begins with balanced regional development and building upon the qualities that make each region unique. Circumstances differ by region, however, starting with declining birth rates and increasing growth of elderly populations, as well as economic differences. Hence, a uniform plan for economic recovery has only limited applicability. For this reason, the Japanese government founded the Regional Reconstruction Center in October 2003 to revitalize local regions, primarily by rebuilding their economies and creating local opportunities for employment. The government's purpose in founding the center is to revitalize the country's local regions by authorizing and assisting with regional reconstruction plans that various regional administrative bodies devise. The center's menu of options includes DBJ loans. As of March 31, 2007, the center had authorized 802 such plans since April 2005, when the Regional Revitalization Law went into effect.

Case History: Hakodate

The city of Hakodate faces a severe environment for employment, owing primarily to downsizing by local businesses and a withdrawal from the area by major concerns. The city has taken a variety of steps to deal with the situation, in accordance with the Hakodate Regional High Technology Industry Integration and Promotion Plan and the city's plans to promote tourism—all authorized by the Hokkaido prefectural government. Such measures include attracting businesses to the area; encouraging local industry; and instigating initiatives to promote its primary industry, namely, tourism. A plan for creating employment opportunities in Hakodate was added to these initiatives in July 2005 to spur development. DBJ's menu of loan options was included in the plan in December 2005, upon approval of the plan by the Regional Reconstruction Center.

The DBJ Initiative

Investments and Loans Made Under the Auspices of Regional Reconstruction Plans:	23	Amount Loaned to Businesses in Accordance with Reconstruction Plans as of March 31, 2007:	¥8.8 billion

Goryokaku is one of the tourist landmarks of Hakodate. Goryokaku Tower Co., Ltd., operates Goryokaku Tower, a combination of an observation deck and food and souvenir concessions. The company built a new 107-meter tower that affords a view over the Goryokaku grounds to replace the original 60-meter tower, which was falling into disrepair. The new tower incorporates a courtyard, gift shop and a curry shop affiliated with an established local restaurant that specializes in Western cuisine. With its new facilities, the tower is involved with Hakodate's tourism industry and thus promotes regional recovery. For this reason, DBJ made a loan to Goryokaku Tower in cooperation with Hokuyo Bank and other regional financial institutions.

The new tower, which offers a much better view than its predecessor, has attracted more visitors than originally expected. Further plans call for expanding the tourist areas, and the city, in anticipation of the 2015 opening of the Hokkaido *Shinkansen* (bullet train) line between Shin-Hakodate and Shin-Aomori. Further initiatives aimed specifically at Goryokaku include making the courtyard into a full-fledged meeting and conference facility, as well as restoring the Edo-Period Hakodate Magistrate's Office on the Goryokaku grounds within three years. DBJ will continue to support other businesses that promote regional revitalization in accordance with recovery plans and plans for loans tied to local area development, in association with local financial institutions.

Aerial view of Hakodate and Goryokaku Tower




Using Asset Liquidation Methods to Rebuild Hospitals

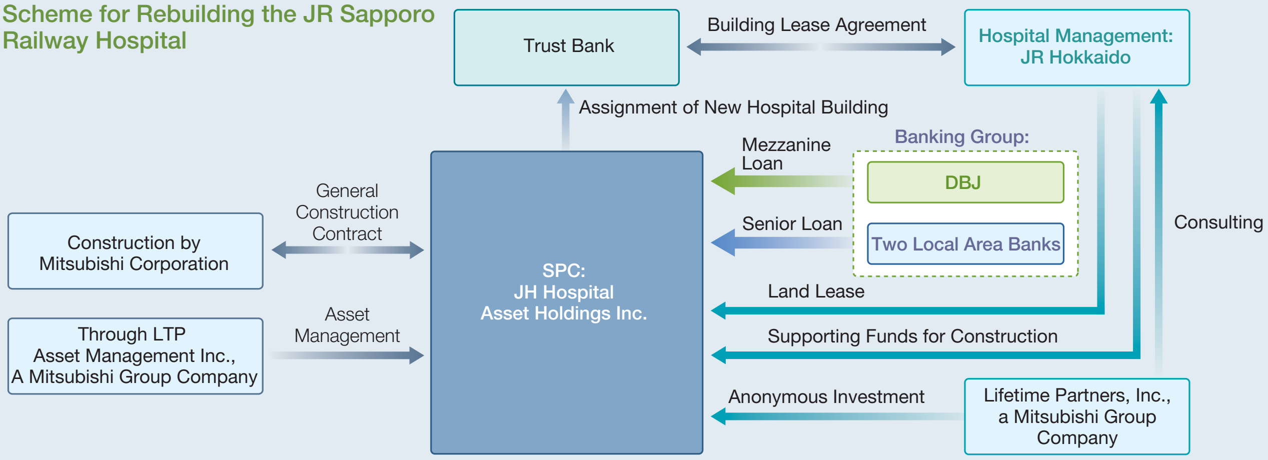
Societal Concerns

Managing and administrating hospitals involves confronting a wide range of issues, including an increasingly elderly population, advances in medical procedures, mergers and acquisitions by medical corporations, and rebuilding aging hospitals. Offering uninterrupted medical services involves solving fiscal and administrative problems and improving the skills of medical personnel and the quality of medical equipment.

Case History: JR Sapporo Railway Hospital

JR Sapporo Railway Hospital is a general hospital owned and operated by the JR Sapporo Railway. The hospital provides primary care to the Sapporo area, with particular competencies in internal medicine; respiratory and circulatory medicine; and ear, nose and throat medicine. In response to the increasing age of the building, Lifetime Partners, Inc., and other members of the Mitsubishi Group have partnered with the hospital to rebuild the facility and manage the hospital once the reconstruction is complete.

Scheme for Rebuilding the JR Sapporo Railway Hospital



The DBJ Initiative

In this case, a method of asset liquidation was used for procuring capital, namely, project financing, which uses an SPC to convert the new hospital into cash. As the co-arranger, DBJ executed a mezzanine loan and with local area financial institutions established senior loans for a combined total of ¥4 billion. A mezzanine loan refers to capital that has lower repayment priority than senior debt and thus involves higher risk. Despite this risk, such loans play a vital role in markets such as the United States, which have a broad investor base. DBJ engages in mezzanine loans to contribute to the growth of markets that comprise diverse means of procuring capital.

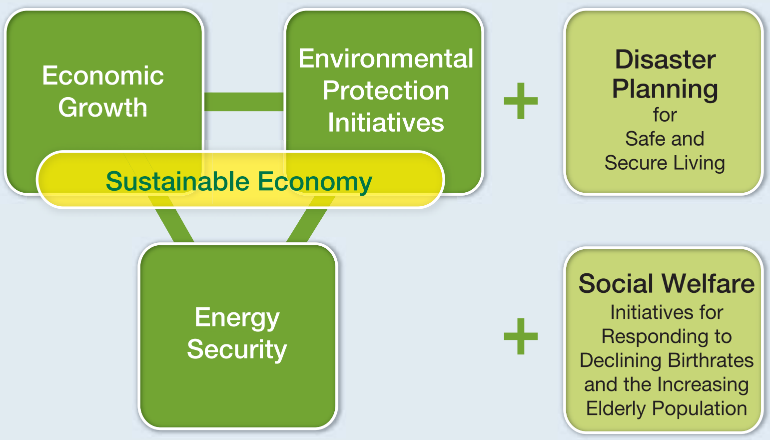
A conceptual illustration of the completed reconstruction of JR Sapporo Railway Hospital

Environmental Conservation and Building Social Infrastructure

This section presents case histories that showcase DBJ's efforts in dealing with such varied societal concerns as conducting business in environmentally responsible ways, assisting companies with business continuity plans in case of disaster, responding to global warming, improving traffic conditions, and securing reliable energy supplies.

DBJ Initiatives for Responding to Environmental and Other Concerns; these include the following:

- Assistance to Businesses that Respond to Global Warming
- Support for Comprehensive Energy Conservation Initiatives
- Expanding the Range of Areas to Which Environmental Scoring Systems Are Applied
- Ensuring Safety and Security in Citizens' Lives through Promoting Disaster Planning



Promoting Environmentally Responsible Management based on Environmental Ratings

Societal Concerns

The environment is a matter of global concern, and corporations across all industrial sectors are responsible for conducting their businesses in an environmentally responsible manner. Financial institutions are no exception, being tasked with a mission to assist companies in environmentally responsible ways, thereby contributing to a sustainable economy.

Case History: Nippon Film Corporation

Founded in 1972 in the city of Oita, Nippon Film manufacturers a wide range of plastic products, including garbage bags used in jurisdictions across Japan. Nippon Film is a leader in production that duly considers the environment and safety, in line with its philosophy, “ingenuity knows no bounds.” The Company’s products include garbage bags with safety grips on the top and bottom to improve safety in handling by garbage collectors, a feature that received the Good Design Award 2003, and “Rabbit Pack,” a plastic wrapping bag for toilet paper that can be recycled into garbage bags. This product received the Good Design Award 2005.

The DBJ Initiative

Total Environmental Responsibility Rankings:	94	Total Loans as of March 31, 2007:	Approximately ¥120 billion

DBJ made a loan to Nippon Film in February 2007 under the auspices of its program for promoting environmentally responsible business management. The program, the first of its kind in the world, is based on a specialized method of rating environmental responsibility, wherein companies are scored on their environmental management policies according to a screening system developed by DBJ. For companies with the best scores, interest rates are set on a sliding scale according to their scores.

When first screened by DBJ in January 2005 Nippon Film’s score did not meet DBJ’s cutoff for receiving an environmentally responsible rating, as the company was still putting together its environmental policies and assembling an environmental management team that would set targets and draft plans. Since that time, however, the company has reduced its environmental footprint through modal shift to partnerships with outside vendors. The company has achieved essentially zero emissions at its plants by effectively managing its use of resources. In addition, Nippon Film has assembled its environmental management team, set medium- and long-term environmental targets and made plans to raise environmental awareness among its employees through its corporate governance policies and procedures. After implementing these measures, Nippon Film applied for another DBJ environmental responsibility ranking assessment, which it passed.

The Nippon Film case is a textbook example of how DBJ’s environmental responsibility rankings inspired a company to become more environmentally aware and take steps to manage its operations in an environmentally responsible manner. At DBJ, we believe that providing assistance to environmentally responsible corporate initiatives is the best way to reduce global warming and build a sustainable economy. To that end, we will continue to offer financial support to companies that engage in such initiatives.

Environmental rating logo

Nippon film’s primary products:
garbage bags with safety grips (Top)
Rabbit Packs (Bottom)

Support for Corporate Disaster Management through Disaster Management Ratings

Societal Concerns

Such recent disasters as the Kobe Earthquake and the Niigata Earthquake caused tremendous damage to the economy, with many businesses forced to suspend operations for extended periods. In addition to plans for protecting personnel and property, companies face the need to draft business continuity plans (BCPs) to hedge themselves against lost revenue and protect their customers in the event of disaster. Protecting their operations from disaster and reinforcing their operations with continuity in mind has grown an increasingly important issue for companies.

Case History: Okuwa Co., Ltd.

Based in Wakayama City, Okuwa develops supermarkets and shopping centers in the Kinki Region of Japan. Given that its business is to offer essential products to people living in the region, the company treats contributing to the region as part of its mission and is thus heavily involved in disaster planning. In 2005, the company established a project team that answered directly to top management. This team conducted a wholesale investigation of disaster planning in the event of an earthquake in the Nankai and East Nankai regions. The investigation covered four primary topics: buildings and infrastructure, insurance and capital, IT and crisis management. As part of its company-wide initiative, Okuwa conducted a risk assessment on a store-by-store basis, which allowed it to devise a plan to maximize cost-effectiveness. In addition, the company rewrote its corporate disaster management manual and implemented an action plan checklist for its departments.

Okuwa's disaster response manual

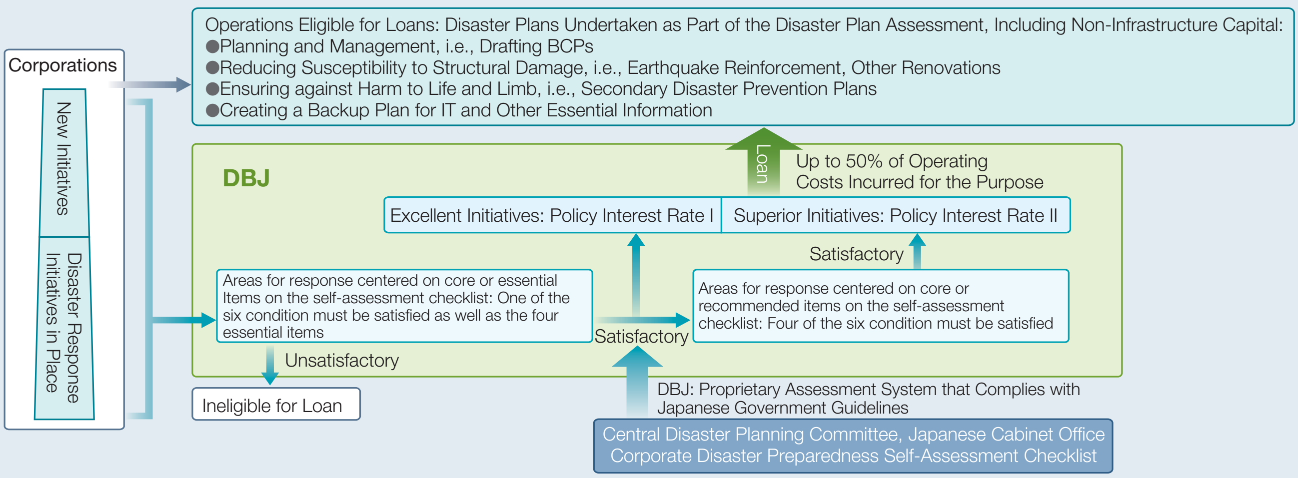
The DBJ Initiative

In fiscal 2006, DBJ inaugurated a loan program to promote disaster management. The program uses a proprietary DBJ method of rating disaster preparedness that is based on a self-assessment of corporate plans for dealing with disasters formulated by the Central Disaster Planning Committee of the Japanese Cabinet Office. The rating method—another first of its kind in the world—assesses and selects companies with excellent disaster planning and offers loans at preferential interest rates to implement these plans.

At Okuwa, these plans chiefly consisted of earthquake reinforcements to its buildings, as well as building redundancy into its IT system connections. Implementation is anticipated to further improve Okuwa's disaster response, enabling the company to continue supplying needed products to customers throughout and ensure customer safety in the event of a disaster.

The assessment sheet rating helps companies perform self assessments and provides an impetus to make improvements that should lead to better future ratings. Such external ratings also inspire better internal disaster awareness and investor relations. Publicizing the fact that a company has been assessed under the program helps to promote awareness of a company's excellent disaster plans, potentially raising community awareness of the importance of disaster planning.

Disaster Preparedness Promotion Loan Program, Based on Disaster Preparedness Ratings



Initiatives for Dealing with Global Warming

Societal Concerns

Some predict that climate change caused by global warming will significantly impact the environment in such areas as ecology, agriculture, human health and social order. Initiatives are thus underway to devise international frameworks to reduce greenhouse gases. The Kyoto Protocol, adopted in December 1997, set a target for Japan to reduce its greenhouse gases by an average of 6% compared with 1990 levels by 2012. Japan's greenhouse gas emissions in fiscal 2005, however, actually exceeded the 1990 baseline by some 8%. Consequently, Japan must reduce greenhouse gas emissions by an annual average of approximately 14%.

Industry accounts for one-third of Japan's total carbon dioxide emissions. Accordingly, in 1997 Nippon Keidanren, a federation that represents Japanese industry in national politics, announced a plan for voluntary environmental action and has been striving to reduce greenhouse gas emissions. However, as the Japanese industry is already among the world's most energy-efficient, there is little room for further reduction.

The Kyoto Mechanism, as Defined by the Kyoto Protocol

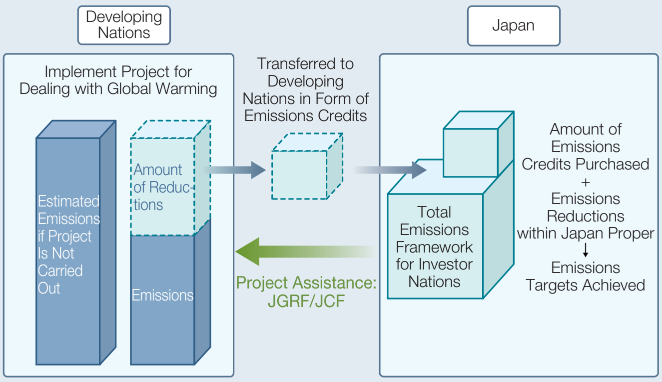
The Kyoto Mechanism is a supplementary means by which countries can meet their targets under the Kyoto Protocol, with the core being the Clean Development Mechanism and Joint Investment (CDM/JI). These mechanisms allow developed nations to use technology support or loans to reduce greenhouse gas emissions and count the amount of such reductions as credits toward domestic targets. Given the circumstances mentioned above, the Kyoto Mechanism is increasingly seen as a highly cost-effective means for developed countries to meet their goals, while contributing to sustained growth by developing countries. For all of its advantages, the CDM/JI business is still new, and all of the risks that typically accrue to doing business in the developing world are likely to apply, whether risks in dealing with governments or with construction. Hence, individual corporations are still uneasy about engaging in such operations on their own.

The DBJ Initiative

With reductions in greenhouse gas emissions a matter of paramount concern for Japanese corporations, DBJ has put forth two possible structures for obtaining large quantities of adequate and reliable emissions credits: the Japan Greenhouse Gas Reduction Fund (JGRF) and Japan Carbon Finance, Ltd. (JCF). The fund framework identifies the most efficient projects and distributes risk by investing in dozens of projects at a time. Sandwiching a fund between corporate investors and operators in developing countries helps eliminate risk of litigation that might be targeted at the excess capital in the developed world.

Since their inauguration in late 2004 as a collaboration between the public and private sectors, JGRF and JCF have leveraged to the fullest DBJ's knowledge and experience of fund operations, as well as its knowledge and experience of private-sector businesses in reducing greenhouse gases. To date, these organizations have assembled an extensive portfolio in China, India and elsewhere in Asia, Latin America and Africa.

Emissions Credit Transfer Scheme



Ricogen, a Sri Lankan manufacturer of charcoal: Traditional charcoal manufacturing methods and a newly developed charcoal manufacturing plant

Assistance for Businesses Building Disaster Prevention Programs Based on a Plan of Reserving Loans Issued When Disaster Strikes

Societal Concerns

As supply chains and IT networks grow bigger, it is impossible to imagine the impact that businesses may suffer if these lines are cut. Enterprise risk management for dealing with emergencies such as accidents or natural disasters is thus a crucial concern for stakeholders-investors in a given company, its business associates or its local community. While the world looks at disaster-prone Japan and sees advanced knowledge and countermeasures, many of these plans emphasize prevention, while measures responding to an accident or disaster are often inadequate. At long last, businesses are realizing the importance of business continuity plans (BCPs). However, equal awareness of the importance of prior risk financing has yet to emerge, although companies must arrange operating, post-disaster recovery and restoration capital to minimize damage and continue operations.

Case History: Suzuyo & Co., Ltd.

With its headquarters in the city of Shizuoka, Suzuyo is a major shipping firm dealing with port transportation and is implementing disaster prevention plans to reinforce its shipping and storage facilities against earthquake damage. The company is building a business continuity system across all of its group companies in accordance with its BCP strategy. In addition, the company is involved in initiatives to deal with disasters. These include working with communities to build systems for loading and delivering emergency supplies, as well as conducting tsunami evacuation drills with local populations. All of these measures leverage the company's operating characteristics, while easing the damage in post-disaster recovery periods and contributing to community rebuilding efforts. The company has investigated a variety of options to find the most effective means of ensuring sufficient capital in the wake of disaster.

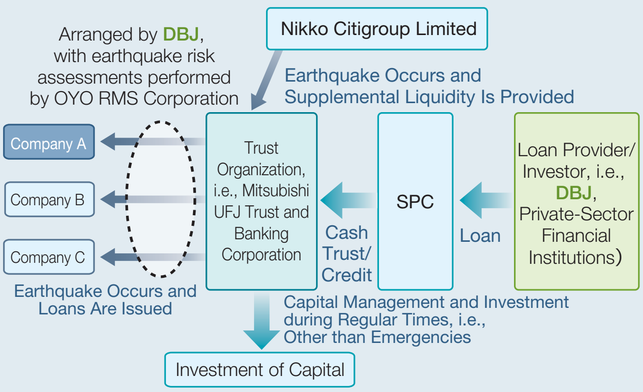
The DBJ Initiative

In partnership with Mitsubishi UFJ Trust Bank and Nikko Citigroup Securities, DBJ has assembled a system known as EQ-LINE to reserve loans for issuance in the event of a major earthquake.

In this case, DBJ provided Suzuyo a new option for securing capital post-disaster, in the form of EQ-LINE. The Bank also employed its program of offering loans to promote disaster preparedness in business, i.e., its disaster preparedness rating loan program, to support the earthquake reinforcement construction of Suzuyo's shipping facilities and other buildings and cover BCP planning costs.

The ability for one trust organization to serve many businesses makes EQ-LINE attractive to local companies in many regions. DBJ will contribute to the creation of a sustainable economy by providing comprehensive support for diverse businesses in establishing disaster preparedness policies and procedures through this combination of its disaster preparedness rating loan program and EQ-LINE.

EQ-LINE: Prearranged Loans Issued in the Aftermath of an Earthquake



Earthquake reinforcement construction is underway at a Suzuyo shipping facility

Railroad Crossing Overpass/Underpass Project

Societal Concerns

Overpasses and underpasses at railroad crossings would resolve a wide range of problems that currently plague such intersections, such as chronic traffic jams and pedestrians pushing through crossing gates due to prolonged waiting times. Resolving such issues would make foot and automobile traffic, as well as the railroads themselves, safer, and would also bring the communities now cut off by the railways closer together.

Case History: Tokyu Corporation

Number of Crossing Gates Removed on Meguro Line Due to Changeover to Overpasses or Underpasses:	18	Total Construction Cost:	¥87.8 billion

The rail lines operated by Tokyu Corporation's railroad division are a lifeline for residents primarily located in Tokyo and Kanagawa Prefectures. The company is replacing ground-level railroad crossings with overpasses and underpasses, in association with local governments, in an effort to eliminate accidents at these locations.

Before the overpass/underpass

After the underpass, facilitated in this instance by moving the train line and the station

The DBJ Initiative

Although safety measures and disaster preparedness plans such as overpasses and underpasses at railroad crossings require significant investment for railroad companies, they do not boost revenue. DBJ is helping such socially useful projects become reality through steady, long-term streams of capital.

Project to Build a Nuclear Fuel Cycle

Societal Concerns

Japan depends on imports for most of its energy supplies, so ensuring an energy supply that will be stable over the long term is a crucial policy issue. Building a nuclear fuel cycle that will allow reuse of plutonium and other materials that are obtained from reprocessed spent nuclear fuel was therefore hotly anticipated.

Case History: Japan Nuclear Fuel Limited (JNFL)

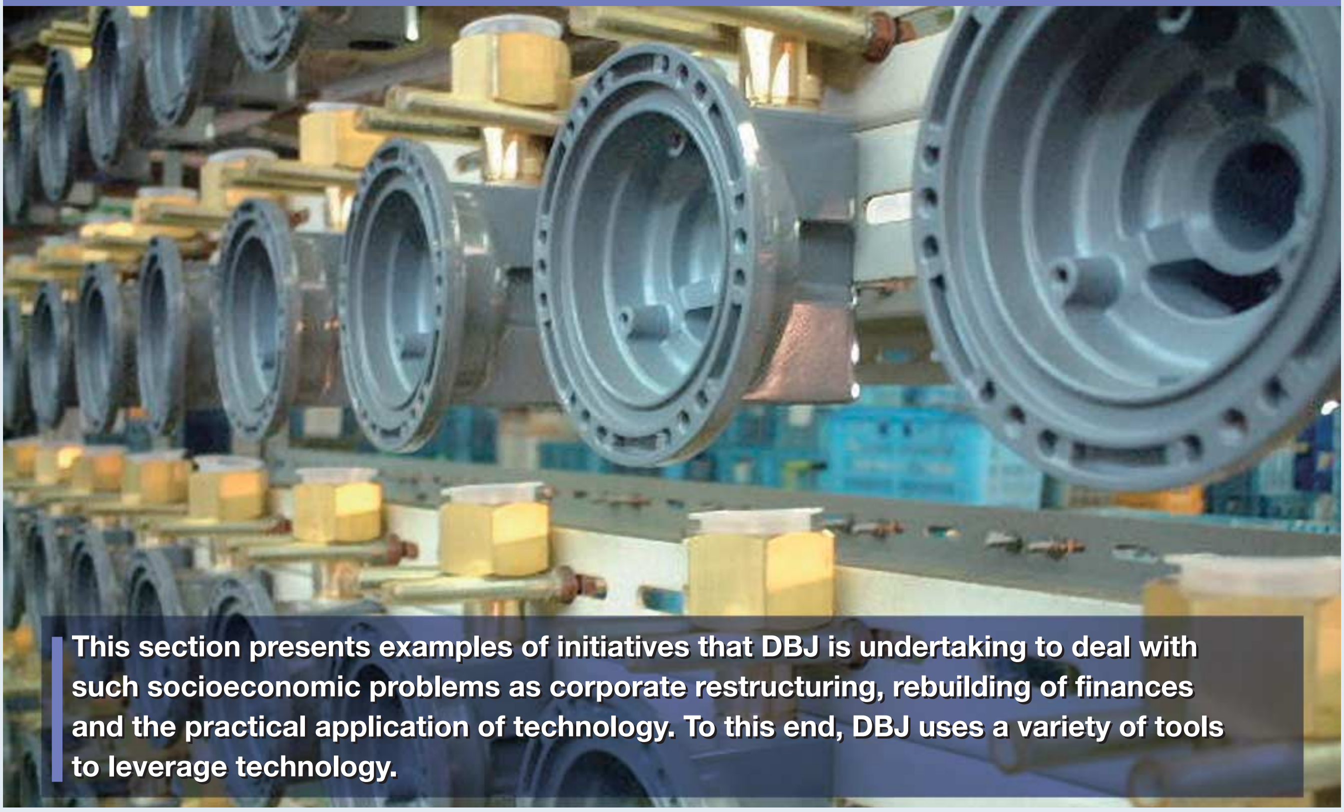
Founded with the objective of creating a commercially viable nuclear fuel cycle, Japan Nuclear Fuel Limited (JNFL), which is headquartered in Rokkasho, Aomori Prefecture, is engaged in such activities as enriching uranium, reprocessing spent nuclear fuel and processing radioactive waste.

The Rokkasho Nuclear Fuel Reprocessing Facility

The DBJ Initiative

Building a nuclear fuel cycle demands a tremendous amount of money and construction time. DBJ is helping to advance the project by providing a reliable stream of long-term capital, thus contributing to implementing effective use of uranium resources, as well as disposing of radioactive waste in an appropriate manner, and supporting the establishment of an energy source that will be reliable over the long term.

Technology: A Creative Force that Drives Economic Growth



This section presents examples of initiatives that DBJ is undertaking to deal with such socioeconomic problems as corporate restructuring, rebuilding of finances and the practical application of technology. To this end, DBJ uses a variety of tools to leverage technology.

Promoting economic growth through such measures as assistance for technology development, as well as stimulation of industry:

- Assistance for stimulation of industry through such measures as creation of new industries and developing new technologies:
- Enhancing indirect market financing functions aimed at fostering economic growth
- Assistance for plans to use IT and other high technology to make life easier and safer

Using Leading-Edge Technology to Promote Economic Growth

DBJ promotes the development of technologies that will sustain a new era of economic progress, and serve as a common global legacy with ripple effects spreading from industry into both public and private spheres of society.

Building Socioeconomic Infrastructure:

DBJ strives to encourage economic growth through reorganizing both individual businesses and whole industries, utilizing such tools as leading-edge financial instruments for the task.

Corporate Revitalization Employing Asset-Based Lending

Societal Concerns

Following non-performing loans' emergence as a major problem in Japan in the late 1990s, many efforts have been made to revitalize corporations. After filing under Japan's Civil Rehabilitation Law or Corporate Rehabilitation Law, companies frequently faced difficulties in receiving financial support, as they found it hard to remain in operation and had few assets as collateral. The rehabilitation of these companies, even as they face legal liquidation, is an important issue for them, entities supporting their revitalization and financial institutions. Bankruptcy cases in Japan during the first half of fiscal 2006 (from April 1, 2006, to September 30, 2006) numbered 6,531, up 2.2% from the same period of fiscal 2005. Total indebtedness of these companies fell 12.6%, to ¥2,530.5 billion.

Case History: Nakamura Jozo Co., Ltd.

Nakamura Jozo, headquartered in Fujisaki-cho, Aomori Prefecture, is a soy sauce producer with 140-year history from the late Edo Period. The company's lineup of popular products includes *Konbu* (kelp-flavored soy sauce) that enjoys favorable sales in Hokkaido and the richly flavored *Kanekame* soy sauce, which is a favorite of renowned chef Toshiro Kandagawa. Facing cash flow difficulties created by past capital overinvestment, in January 2006 this long-standing company applied for assistance under the Civil Rehabilitation Law. Even with a new sponsor, the company found it difficult to secure working capital.

The DBJ Initiative

DBJ is an active proponent of debtor-in-possession (DIP) financing, which allows the borrower to continue operations during the period between the request for application under Civil Rehabilitation Law or Corporate Rehabilitation Law and the approval of rehabilitation plans or following legal proceedings. The Bank has also actively extended the range of assets used as collateral to include intellectual property rights, accounts receivable, design rights and other intangible assets.

In Nakamura Jozo's case, the Bank provided DIP financing using the company's inventory of unpasteurized soy sauce as collateral. Although the use of product inventories as collateral is increasing, inventories are typically considered supporting collateral for companies in strong financial condition. However, DBJ accepted the inventory as primary collateral after obtaining an objective assessment of its value. With the support of DBJ's financing, the people involved in the project and the efforts of Nakamura Jozo, the company emerged from civil rehabilitation in November 2006.

The use of product inventories for asset-based lending still has a number of issues, but DBJ's continued successes has prompted the Bank to push forward in the cultivation of this new market. In July 2006, DBJ and Goldman Sachs of the United States jointly established Gordon Brothers Japan Co., Ltd., which performs inventory valuation and disposal services. In this manner, DBJ is working to expand its asset-based lending.

Nakamura Jozo's soy sauce goes through a unique six-stage fermentation process. The unpasteurized soy sauce that results is slowly squeezed to produce the final product.

Refinancing Plan Results in Successful Theme Park Restructuring

Societal Concerns

Hotels, *ryokan* (Japanese-style inns), theme parks and other tourist infrastructure have a huge impact on local communities. Successful theme parks have a major impact on their communities by attracting customers to local lodging and food and beverage establishments as well as the theme park. The economic impact on transportation and other industries is substantial, as well. However, such facilities require major initial investment and regular maintenance investment. Forecasting the ability of a theme park to attract customers over the long term and introducing measures to counter a slump in business are typically difficult.

Case History: USJ Co., Ltd.

The motion picture theme park Universal Studios Japan™, located in Konohana-ku, Osaka, was established through third-party financing by Osaka. Six years have elapsed since the park opened, and the number of visitors has increased continuously over the past three years, reaching 8.7 million visitors in the fiscal year ended March 31, 2007. The theme park was highly regarded as a local community invigoration project, as its growing name recognition attracted visitors from across Japan, as well as from overseas. Financially, however, USJ was facing several issues, such as securing cash flow needed to redeem a bond issue, over-reliance on debt financing, independence from its current shareholders—the city of Osaka and Universal Studios of the United States. The company was considering an independent public offering of its shares to face these issues.

The DBJ Initiative

In this case, DBJ teamed up with the Goldman Sachs Group, Inc., to formulate an innovative refinancing plan that combined an injection of capital through the issuance of preferred stock with long-term borrowings. Although the company was generating substantial cash flow, it had little room to make additional investment because of a mismatch in loan periods. Upon resolving that issue, the company successfully listed its shares in March 2007 and invested in additional theme park attractions. The end result was positive for visitors, the city of Osaka and shareholders alike.

UNIVERSAL STUDIOS JAPAN™
Universal Studios Japan™ & © Universal Studios

The Bank that Uses Technology: Activities of DBJ's Practical Application Support Center for Technology

Societal Concerns

The manufacturing of automobiles, electrical products and other items is a core activity underpinning the success of the Japanese economy. However, manufacturers face a staggering number of challenges, including technical diversification; highly varied small-volume production; international competition with Brazil, Russia, India, China and other countries; and the problem of passing expertise on to future generations. In today's economic climate, technical expertise alone is insufficient to ensure a company's success. Instead, companies need to raise their overall level of expertise, both technological and managerial.

DBJ's Manufacturing Management Index®

DBJ developed the Manufacturing Management Index® to make hidden strengths and weaknesses visible and to properly judge the technological and managerial expertise essential to the success of a manufacturing company. The Manufacturing Management Index® consists of approximately 100 factors, such as quality, cost, delivery times, technological responsiveness, and management capability. The index provides an objective picture of the connection between a company's technical operations and its management structure, as well as unique business model characteristics and management issues that need to be resolved.

Case History: Itoh Precision Co., Ltd.

Itoh Precision, headquartered in Kaitsu, Gifu Prefecture, specializes in the precision cutting and processing of such metals as brass, aluminum and stainless steel, centered on parts for communication, electronic and gas equipment. In recent years, the company has begun processing automotive parts and responding to the need for the small-volume production of widely diverse parts. Although working to enhance its production management, starting with the acquisition of ISO 9001 certification, the company realized the need to reexamine its technical expertise and improvement measures from a management strategy perspective to accelerate further corporate growth.

The DBJ Initiative

DBJ has opened a Practical Application Support Center at its head office, as well as at its Kansai and Tohoku branches, to assist commercialization of corporate technological developments along with regional financial institutions. In this case, DBJ teamed up with Ogaki Kyoritsu Bank, Ltd., to conduct a "technical management skills diagnosis" of Itoh Precision. This diagnosis provided an objective view of efforts to build a corporate culture, such as the effective use of development facilities to create process designs and a management style involving full employee participation. The diagnosis also reconfirmed Itoh Precision's perceived strengths and issues. Based on this diagnosis, the management of Itoh Precision, Ogaki Kyoritsu Bank and DBJ held a three-way exchange to examine Itoh Precision's improvement goals and targets, management focuses and business diversification initiatives, analyzing and considering these issues from technological, managerial and financial standpoints.

Using the results of our diagnosis as a basis for discussion, Itoh Precision encouraged an internal discussion of its current situation, sharing issues it faced as well as management goals, including its aim of training employees to boost technological management and linking its technologies and business activities. Ogaki Kyoritsu Bank plans to use the Manufacturing Management Index® to pursue an avenue of corporate growth that differs from financial analysis, boosting its ability to provide financing that is closely linked to local communities. As a bank that employs technology, DBJ plans to enhance the value it provides to manufacturing companies.

Itoh Precision uses "technical management skills diagnosis" to enhance technological management and promote human resource training

■ Promoting Foreign Direct Investment in Japan and Supporting the Internationalization of Local Communities

Societal Concerns

DBJ believes that the investment of foreign capital, the exchange of technologies and expertise with advanced nations and the potential to generate employment work to energize the Japanese economy and foster the development of local economies. However, foreign-capitalized firms encounter various issues when promoting their operations in Japan. These include their low level of recognition within Japan, lack of a local track record, language issues, lack of infrastructure for handling the childcare needs of their local employees, and numerous other non-tariff barriers. Securing investment funds in Japan, and finding necessary information can also prove difficult. Ultimately, such factors act as barriers to foreign direct investment in Japan.

Case History: IKEA

The IKEA Group, founded in Sweden, is one of the world's largest furniture retailers, operating 256 stores in 35 countries (as of July 31, 2007). Parlaying its expertise in logistics and innovative design into a solid worldwide brand, IKEA provides quality products at affordable prices to consumers throughout the world. Furthermore, IKEA's business model is unlike any other in Japan.

Once before, in the 1970s, IKEA entered the market with a Japanese partner, but because of the characteristic difficulties of the market and the need to rely on its Japanese partner for operations, the company was unable to cultivate its correct brand image. As a result, IKEA decided to pull out of Japan in the 1980s. Remaining nevertheless intrigued by the size of the Japanese market, IKEA continued to study the market carefully and conduct detailed surveys. Some 20 years later, almost to the day, IKEA returned to Japan, this time operating entirely on its own.

The decision to operate on its own meant that IKEA needed to create its own logistics network, requiring a substantial investment. The fact that the company had already operated in-and pulled out of-Japan once became an issue when IKEA sought to raise funds from Japanese financial institutions.

The DBJ Initiative

To promote investment in Japan, DBJ provides the financial and information support that foreign-capitalized companies require to build their operations in Japan. Centering on its head office Department for International Affairs and overseas representative offices, DBJ promotes investment in Japan and contributes to the internationalization of local communities by providing advice on investment plans and other consulting services to foreign companies and utilizing its networks with municipal government bodies and institutions such as the Japan External Trade Organization, which promotes investment in Japan.

In this case, DBJ was able to apply an understanding of foreign companies cultivated over many years, as well as its financial acumen, to prime the pump accessing Japan's pool of financial market funds and aide IKEA's return to Japan. DBJ helped IKEA raise ¥10 billion to construct a logistics center in Yatomi, Aichi Prefecture, and introduce its unique business model and logistics expertise to Japan. In cases such as this in which a large amount of funds is required by a foreign company without a proven track record in Japan, DBJ provides the pump-priming mechanism to enable smooth fund-raising.

In addition to encouraging foreign direct investment in Japan, DBJ promotes efforts to provide the infrastructure and environment that facilitates such investment. The financing of international schools is one such activity, as the infrastructure for the education of employees' children is an important consideration when encouraging companies to invest in Japan. In fiscal 2006, DBJ supported initiatives to enhance facilities at the Canadian Academy, an international school in Kobe, and the Saint Mary's International School in Tokyo.

■ Providing a Safety Net

DBJ acts as a social safety net by providing investments and loans to support the rehabilitation and rebuilding of areas affected by earthquakes, typhoons or other large-scale natural disasters, the outbreak of severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE) and other illnesses, as well as terrorist attacks and other emergency situations that cause widespread anxiety about the financial system. In this way, we act as an emergency response unit to fill the gap that emerges when peacetime financial platforms fail to function (see page 65).

Responding to Financial Crises

Societal Concerns

Some responses required during financial crises are to (1) put up financial firebreaks to prevent a spreading chain of bankruptcies, (2) prevent damage to large and medium-sized companies from spreading to small companies and (3) provide fair and neutral screening that prevents companies from capitalizing on financial crises.

The DBJ Initiative

DBJ provides capital investment funds for industries hit hardest by credit crunches—automotive, iron and steel, energy, commerce, and rail sectors—and assists them in repaying capital investments to private-sector financial institutions by helping them raise long-term working capital and redeem corporate bond issues.

Factoid: DBJ's cumulative financing in response to credit crunches: ¥1,610.6 billion

Disaster Recovery

Societal Concerns

Required responses to natural disaster are to (1) ensure that people who provide information to local communities beset by a natural disaster have sufficient knowledge about those communities and take that knowledge into consideration and (2) provide rapid responses to help rebuild important infrastructure that was destroyed. What is required is an entity that through its everyday business relationships has accumulated know-how on the industries and businesses that provide this core infrastructure. This entity also must have a wealth of expertise in supplying long-term funds.

The DBJ Initiative

DBJ has provided assistance in response to such disasters as the Kobe Earthquake in January 1995 and the Niigata Chuetsu Earthquake in October 2004. In addition to the electrical, gas, rail, communications, broadcasting, urban development, and other infrastructure industries, DBJ provided assistance to retail sales, food products and other everyday businesses. These efforts played a major role in revitalizing the employment and economic situations of local communities, prompting a revival in many fields.

Factoid: DBJ's cumulative disaster recovery financing

Kobe Earthquake:	¥184.8 billion
Niigata Chuetsu Earthquake:	¥20.3 billion

Emergency Financing

Societal Concerns

Society requires institutions whose day-to-day operations provide a solid foundation for financing in response to terrorist attacks, natural disasters and other emergency situations. These institutions must also have the working capital and funding expertise to respond quickly to these situations.

The DBJ Initiative

In the year ended March 31, 2002, DBJ established an emergency response support system that provided financing to the Japanese airline industry, which was immediately effected by a downturn in business following September 11, 2001, terrorist attacks on the United States and the SARS outbreak.

Factoid: DBJ's cumulative emergency financing provided during terrorism and SARS outbreaks: ¥437.0 billion

■ Case Studies of Other Initiatives

DBJ applies its expertise in forming and evaluating businesses, as well as its development of new financial methods, to provide detailed assistance at every stage of a project, delivering total solutions, including funding from a position of neutrality. In addition to the activities described on pages 30 through 46 of this report, DBJ provides a variety of financial services throughout Japan.

Community Development

◆ **Business Revitalization of a Local Company:**
The Former Niigata Tekkosho Co., Ltd.
Through such methods as DIP financing, mergers and acquisitions, and business revitalization funds, DBJ supports local companies, helping communities maintain excellent supplies of technical expertise and employment opportunities.

◆ **Business Revitalization of Onsen Ryokan Operators**
Kutsurogi Yado Co., Ltd.
DBJ helped revitalize the business of an *onsen ryokan* (hot springs hotel) operator in the middle of the Aizu Higashiyama onsen area through the integration of three ryokans. We contributed to the substantial renovation of the onsen area and helped enhance the foundation for the local tourism industry.

◆ **Local Community Child-Rearing Support Plan Promotion:**
Fukushima Printing Co., Ltd.
The Bank worked with regional financial institutions to establish a collaborative financing scheme to help a local operator put in place a new child-rearing support plan through cooperation between companies and the local community that was formulated by Ishikawa Prefecture.

◆ **Effective Utilization of Social Infrastructure Assets:**
Hakone Turnpike Co., Ltd.
Working with Macquairie Bank Limited of Australia, DBJ established Japan's first fund specializing in infrastructure investment, injecting capital to transfer operation of the Hakone Turnpike.

◆ **Introducing Barrier-Free Streetcars:**
Hiroshima Electric Railway Co., Ltd.
Hiroshima Electric Railway required financing to introduce barrier-free low-floor streetcars. DBJ provided a wide range of support for this community resident welfare project.

Environmental Conservation and Sustainable Societies

◆ **Building Japan's Largest Wind-Power Generation Facility:**
Green Power Koriyama-Nunobiki Co., Ltd.
DBJ provided financing for a project by the Electric Power Development Co., Ltd., to build Japan's largest wind-powered generation facility. This large-scale, clean-energy project is designed to reduce CO_2 emissions.

◆ **Introducing an Environmentally Friendly System:** Mazda Motor Corporation
One of DBJ's objectives is to provide financing for measures that encourage environmentally sound management. Through this project, we helped raise the level of environmental activity within a local community and an entire industry.

◆ **Creating an Intermediate Processing Plant for Industrial Waste:**
Sanko Co., Ltd.
This project involved building an intermediate processing plant to handle industrial waste in response to restrictions on dioxin emissions. By financing the project, DBJ enabled the appropriate processing of industrial waste and a reduction of this company's impact on the environment.

◆ **Introducing a Facility to Recycling Difficult-to-Process Paper:**
Kyushu Paper Co., Ltd.
DBJ financed the installation of equipment to process difficult-to-recycle paper for this manufacturer. The project helped improve the circulation of resources within the paper industry, thereby reducing its environmental impact and contributing to a recycling-oriented society.

◆ **Promoting Urban Design that Reduces CO_2:**
District Cooling and Heating System in East Ikebukuro
The Bank supports the reduced emission of greenhouse gases by financing projects designed to help Japan meet the targets outlined by the Kyoto Protocol. Helping cooling and heating suppliers is one way to support global warming preventative measures.

Creation of Technologies and Industries

◆ **Developing and Commercializing Carbon Fiber Composites:**
Sakai Ovex Co., Ltd.
DBJ supported this company's joint development project with a public-sector research institution that aims to commercialize this project. This project has the dual goals of enhancing industry competitiveness and promoting Fukui Prefecture's local community revitalization plan.

◆ **Enhancing High-Value-Added Lens Plant:** Tamron Co., Ltd.
By providing financing for the capital investment earmarked for the introduction of precision fine-processing technology at a lens plant, DBJ helped cultivate advanced expertise within the community.

◆ **Providing Startup Support for Japan Entity:**
Shanghai Newtouch Software Company, Ltd.
The Bank helped this Shanghai-based IT venture establish a presence in Japan by helping it find the funds for the deposit on an office lease, as well as for software development.

◆ **Conducting Training in the Content Business:** Anime Innovation Tokyo LLP
In cooperation with the city of Tokyo, DBJ supported the formation of a scheme to finance the first limited liability partnership for the pilot production of anime (animation) programs.

◆ **Aiding Design Evaluations:** h concept, inc.
Marking a first in Japan, design rights were used as collateral for DBJ's financing of this company, which designs animal-shaped rubber bands and other novelties and is expanding its product lineup.

■ Making Use of Information Functions

Information Provision Activities

Through its varied activities, DBJ comes into contact with many aspects of society. In addition to companies, DBJ's information channels and human networks include domestic and overseas governments, international institutions, regional government bodies and universities. Through these contacts, DBJ extracts a variety of information on economic and societal issues, boosting its ability to supply quality information from a neutral standpoint.

● Industry Research

In a broad range of industrial circles, DBJ researches conditions in various sectors and among different types of businesses, conducting surveys and performing research on such topics as international competitiveness. The Bank also prepares reports on conditions in individual industries, technical development trends, and new industries and innovation. We provide feedback on these reports to our clients, as well as other parties.

Survey Examples

- "Trends Involving the Introduction and Expansion of Bioethanol Fuels and Other New Energy Sources"
  DBJ Monthly Overview, No. 105, February 1, 2007

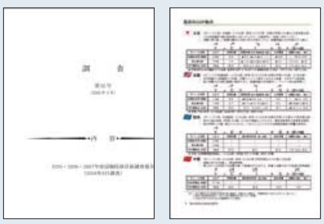
This survey looks at long-term energy supply and demand forecasts; the status of introducing alternative fuels for automobiles; Japan's introduction of ethanol; and the global status of bioethanol, which is gaining ground worldwide.

- "Internet-Related Business Trends"
  DBJ Monthly Overview, No. 107, February 22, 2007

DBJ conducted a survey to explore various aspects of the rapid expansion of Internet-related businesses in recent years, such as the size of the market, changes in Internet advertising and alliances among Internet companies.

● Economic Surveys

One of DBJ's main businesses is the provision of funds for long-term capital investment. In the process, the Bank has accumulated a host of information and conducted research on corporate capital investment. This information concerning domestic and overseas economic conditions and developments is highly valued by a variety of entities. One of these documents, the "Capital Investment Planning Survey (Questionnaire-Based)" has a history of more than 50 years, back to 1956. This survey looks at community-specific investing trends and provides analyses of raw corporate information. This information is used in a host of ways, including the operation of the Japanese economy, corporate management and research and training activities at institutions and universities.



Survey Examples

- "Report on June 2006 Survey of Capital Investment Plans for Fiscal Years 2005, 2006 and 2007," *Surveys*, No. 92, September 2006

After commencing our questionnaire-based survey on corporate capital investment activity, the "Survey of Capital Investment Plans," we publicized our analysis, as well as research results.

- "Economic Globalization from an Investing Viewpoint"
  DBJ Monthly Overview, No. 106, February 22, 2007

This survey looks at the state of direct investment in Japan and throughout the world, as well as investment agreements in place, against the background of an expansion in direct investing. The survey also analyzes the future prospects of countries considered to be ripe for investment.

● Combining Surveys, Research and Investment and Loan Activities

In addition to publicizing the results of its surveys, research activities and other materials, DBJ introduces its information at speaking engagements and seminars. In addition, by reflecting the results of its investment and loan functions, DBJ provides new financial solutions for corporate CSR activities and commercial technologies.

(1) Environmental

The Bank conducts survey reports on various environmental activities in Japan and overseas, under such themes as global warming prevention measures, promotion of a recycling-oriented society and sustainable corporate management. DBJ also conducts and contributes to specialty journals, newspapers and magazines. In fiscal 2004, these activities culminated in an environmental rating system, Promoting Environmentally Conscious Management.
We also developed a financing menu for global warming countermeasures that many companies employ.

(2) Disaster Response

In the event of an earthquake or other natural disaster, responding to the situation and continuing operations is a common theme for every company. Companies need to put disaster response measures in place. DBJ conducts surveys covering corporate business continuity plans. In fiscal 2007, we incorporated the survey results into our disaster prevention ratings loan program.

(3) Technology

The Bank's activities in technology-related fields include conducting trend surveys on bioethanol and other topics. DBJ's Practical Application Support Center for Technology provides technical evaluations and conducts other activities to help companies realize their potential for technological commercialization.

● Providing Information to Local Communities

(1) Supplying Information to Help Local Community Development

Local communities are experiencing increasingly difficult environmental circumstances, such as a declining birthrate; an aging population; the amalgamation of towns, cities and villages; and financial difficulties. These issues require a greater degree of expertise and more ingenuity than ever. DBJ addresses these issues by analyzing the information it accumulates through its network of 19 domestic and six overseas locations and communicates with the economic agencies of regional governments and local communities and companies in Japan and abroad. DBJ uses this information to encourage public/private partnerships, promote tourism, build up local communities, and contribute to local government financing by sharing its analysis results through reports, publications, contributions, lectures, and various other formats.

DBJ publications

(2) Building Local Communities

One way DBJ puts its expertise to work in building up local communities is by conducting "local community-building diagnoses." In this process, a DBJ local community diagnosis team analyzes publicly available data to determine the current state of a local community, and then conducts interviews in that community before preparing an independent diagnosis that interprets its results. We then discuss the diagnosis results with people in the local community, which helps them to understand what issues they may be able to address on their own and provides an opportunity to consider future directions.

Interaction with local communities by conducting seminars

● Supporting Collaboration among Industry, Academia and the Government

DBJ supported the establishment of the Technology Licensing Organization, which promotes the transfer of technology from universities to the private sector. We also encourage cooperation among industry, academia and the public sector in a broad range of fields, including environment-related and disaster response areas. As of March 31, 2007, the Bank had collaboration agreements in place with 21 national and private universities. These arrangements enable each of us to pool our resources to achieve even greater results.

Collaboration Agreements with Universities and Other Institutions

Cooperating Institutions	Date Agreement Concluded
Ritsumeikan Asia Pacific University	January 2004
Kanazawa University Technology Licensing Organization	January 2004
Iwate University, Iwate Prefectural University, Iwate Prefecture, four other research institutions and three financial institutions	May 2004
Hokkaido University	July 2004
Tohoku Fukushi University, City of Sendai, Sendai City Industrial Promotion Organization	August 2004
Kyushu University	October 2004
Toyo University	December 2004
Urban Land Institute	February 2005
Ritsumeikan University Graduate School of Management	April 2005
Niigata University	July 2005
Shinshu University	August 2005
Asia University	August 2005
Center for Cooperative Research at Kanazawa University, City of Komatsu	November 2005
Nagoya City University	December 2005
Hiroshima University	January 2006
Toyama Prefectural University	February 2006
Mie University	March 2006
Kagoshima University	June 2006
Osaka University Center for the Study of Finance and Industry	June 2006
Utsunomiya University	June 2006
International University of Health and Welfare Graduate School	February 2007

International Cooperation Activities

The ongoing globalization of financial activities is prompting all members of the financial sector, including development financing institutions, to review their operations. As part of a worldwide trend, public- and private-sector institutions are also reconsidering their respective roles in economic development.

Against this backdrop, DBJ has played a significant role in cultivating self-sustaining economic development in the private sector of developing countries, particularly those in Asia. From the standpoint of policy planning and financing, DBJ is deeply involved in infrastructure development to invigorate the private sector and handle environmental issues. In these areas, DBJ employs for the benefit of other countries the expertise it has accumulated in Japan.

Developmental Finance Course

Taking this view, since 1967 DBJ has held an annual Developmental Finance Course for development finance institutions, which has been attended by delegates from South Korea, China, the ASEAN region, Latin America, Africa, and Eastern Europe. Here, the Bank provides quality research and training.

In May 2006, DBJ received a Performance Award for International Cooperation Activities in the regional development financing division of the Association of Development Financing Institutions in Asia and the Pacific (AFDIAP). This award was in recognition of the Bank's International cooperation activities.

The ADFIAP Awards provide an opportunity to raise the level of awareness of excellent regional projects. The awards are also designed to share information regarding financing methods and technologies.

Responsibilities as a Member of Society

DBJ considers CSR as not only contributing to society through the Bank's principal financial activities, but also taking societal needs seriously and living up to its responsibilities as a member of society. This requires all of the Bank's executives and regular employees to conduct their daily activities with a constant awareness of society, the environment and the economy. We believe our efforts will build DBJ into a financial institution trusted, favored and chosen by the public.

Communicating with the Public

DBJ believes that today's social and environmental problems can best be resolved by communication and the exchange of opinions. Accordingly, the Bank strives to communicate with as many people as possible through seminars, symposiums and lectures, and Internet (www.dbj.go.jp/japanese/environment/commu/index.html).

DBJ will continue working with communities to create a sustainable society.

Communication Focused on the Environment

Environmental problems such as global warming must be resolved, starting with individual awareness of the severity of the issue.

DBJ promotes understanding of the relationship between the environment and financial and business activities by participating in the Eco-Products exhibit—Japan's largest environmental event—and holding seminars and symposiums in conjunction with relevant organizations.

In fiscal 2002, DBJ was the first bank to participate in Eco Products and has since participated in the exhibit every year. In fiscal 2007, the Bank worked to deepen understanding through a variety of environmental reports in its booth. Such reports included panels that introduced DBJ's environmental efforts, including its Promoting Environmentally Conscious Management financing system and coordination with the United Nations Environment Programme (UNEP) Finance Initiative (refer to page 58).

DBJ also devised panels with related quizzes and other material to help elementary school and junior and senior high-school students understand the role finance plays in environmental issues.

At the same time, DBJ co-hosted a symposium with Nikkei Inc., entitled *New Social Trends Resulting from Environmental Finance*. The event included the keynote speech, *The Environmental and Social Roles of Finance*, by Takejiro Sueyoshi, special advisor to the UNEP Finance Initiative and a panel discussion concerning how financial institutions should employ CSR in their principal business activities.

To promote environmentally friendly corporate management, DBJ holds joint seminars and symposiums with relevant organizations about how environmental issues relate to corporations. These include a special seminar, "Global Warming Prevention Measures and Corporate Management: Carbon Risk Information Disclosure and Corporate Global Warming Countermeasures," held jointly with the Carbon Disclosure Project (CDP) and the UNEP Finance Initiative in September 2006, as well as a joint symposium, "Principles for Responsible Investment: Toward a Sustainable Society," held with a non-profit organization, Social Investment Forum Japan (SIF-Japan), in November 2006.

Communication with Local Communities for Revitalization

DBJ considers working with local citizens to build communities that suit each region an important part of supporting independent community development. To this end, the Bank holds seminars and symposiums in collaboration with local authorities and universities.

In DBJ's Community Diagnosis Program, our employees use objective indicators and original analytical methods to hold discussions with residents and help them identify their community's issues and potential. DBJ employees interview community stakeholders in advance; study the region's resources; and on the final day, hold a participatory workshop with residents.

In addition to these activities, DBJ is strengthening its cooperation with financial institutions in local communities. These successes feed into the local community development activities described in the Bank's medium-term vision.

Communication in International Cooperation

In developing countries and those transitioning to a market economy, policy-based finance is emphasized in promoting economic development. Through training and research in cooperation with internal and external international organizations, DBJ brings to these countries its policy-based finance expertise gleaned from its experience with Japan's rapid economic growth.

DBJ held the 10th Seminar on Development Finance (SDF) in August 2005. The training session presented the Bank's accumulated development finance expertise and environmental activities to top management at the central banks and development finance organizations of Cambodia, Laos, Vietnam and Myanmar. Participants presented each country's economic and financial status at workshops. This exchange of information helped further mutual understanding among Asia's financial organizations.

Other Communication Efforts

●Providing Information

Issuing Corporate Social Responsibility (CSR) Reports

To expand communication with all stakeholders, in 2003 DBJ issued the *Environmental Report 2003 for a Sustainable Society*, the first report of its kind by a Japanese policy-based financial institution. This was followed by similar reports in 2004 and 2005. In 2006, DBJ published the *CSR Report*. This year, DBJ has merged the CSR Report into this *Annual Report & CSR Report* following the concept of "disclosure from a CSR perspective." DBJ will continue publishing CSR information introducing the Bank's initiatives to help realize a sustainable society.

●Participating in Local Community Activities

Flower Hospitality Program

DBJ participates in the Flower Hospitality Program, a beautification effort in central Nagoya. Employing the Sponsorship System, a cooperative government and private-sector effort, the Bank works with the Chubu Association of Corporate Executives to beautify the urban landscape by planting and tending flowers.

Support for the Operation of Environmentally Friendly Buses

Since fiscal 2003, DBJ has co-sponsored the operation of environmentally friendly buses carrying passengers free of charge on a route in the Otemachi, Marunouchi and Yurakucho area of Tokyo's business district. These buses help raise awareness about environmental issues. Not only do the buses reduce environmental impact and noise but they are also barrier-free with a low-floor design, ensuring easy access for disabled users.

Fostering Human Resources and Creating a Comfortable Work Environment

Developing Employee Potential

DBJ is proudest of its human resources assets. The Bank actively works to build a systematic human resource development system and a comfortable work environment to bring out the best in every employee. The Bank's superior employee performance resulting from such efforts is what drives DBJ to be a pioneer in Japan's finance sector.

Human Resources Development Vision

DBJ's role has evolved and developed substantially to meet the needs of the times. The Bank considers such innovation crucial to maintaining its leadership position in the constantly advancing financial field.

To develop its all-important human resources assets, DBJ encourages autonomous and pioneering behavior in its employees as financial professionals through the vision of "generalists who can be specialists in many fields."

Although gaining specialist skills is certainly important, responding to the constantly changing demands of the times requires broad experience, deep knowledge and the ability to see the big picture. DBJ has therefore created a human resource development system that incorporates job rotation, performance evaluation, education, and training.

Introduction of the Target Management System

DBJ is implementing a Target Management System to encourage employees to work autonomously and reform their actions and to accurately evaluate such efforts. The Bank is working to enrich this system by having subordinates meet individually with superiors to set goals and receive feedback, autonomously running through the Plan-Do-Check-Act (PDCA) cycle. Particularly in goal-setting, DBJ emphasizes enhancing medium- and long-term value internally and externally, while motivating employees by offering bonuses and other benefits based on performance.

Creating a Comfortable Work Environment

DBJ actively strives to cultivate a comfortable work environment.

To maintain an environment in which all employees can feel secure, DBJ has notified employees of its campaign to prevent sexual harassment and has set up a hotline to deal with such issues. Furthermore, to support mental and physical health, the Bank has created systems with training and self-assessment, in addition to regular medical examinations.

DBJ has also introduced pioneering programs to give motivated employees better opportunities for long-term employment by allowing leave for childbirth, childcare and nursing care, as well as a system for continued employment after retirement.

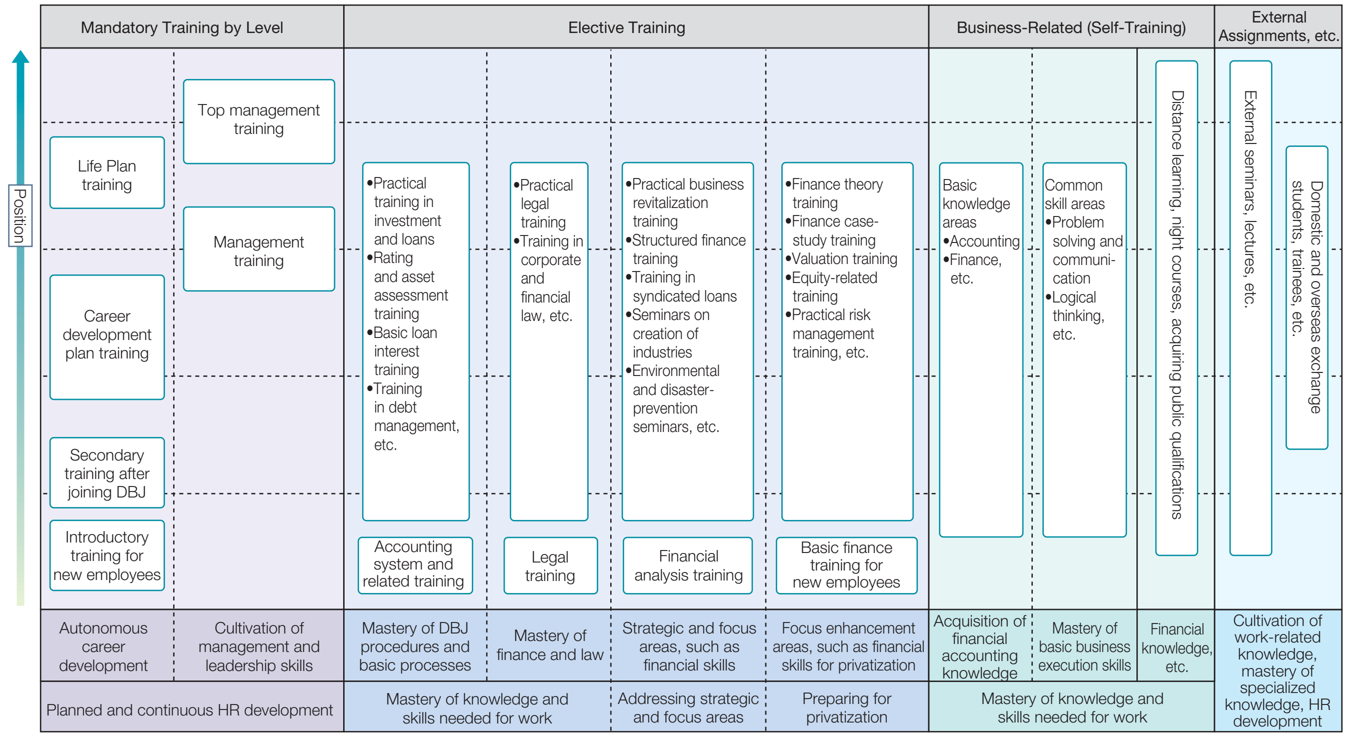
A Solid Human Resource Development System

DBJ's financial professionals are supported by a well-developed education and training system. The Bank's combination of mandatory training by level and elective self-training according to skills and interests enables each employee to plan his or her career.

In addition to practical on-the-job training (OJT), which gives employees responsibility regardless of age, DBJ's job rotation system positions employees for the medium- to long-term according to skills and career choices, after having worked in several departments. This system enables employees to build practical experience and develop skills with a medium- to long-term vision.

In step with globalization, DBJ cultivates employees able to perform in domestic and international settings. To achieve this, the Bank actively assigns employees to a wide variety of external organizations, including graduate schools in Europe and the United States, overseas research institutes, international institutions, related government agencies, and domestic research institutes, thereby supporting skill development and network expansion.

DBJ's Human Resource Development System



Seeking Higher Ethical Standards

For half a century, DBJ has led Japan's economy as a general policy-based financial institution. As the Bank transforms into a private-sector financial institution that values the long-term perspective, neutrality, public-mindedness, and reliability it has cultivated, each employee is being held to a higher ethical standard.

DBJ has long sought to enhance employees' ethical standards by requiring training to assure legal compliance, ISO training to deepen ISO 14001 understanding and promote eco-friendly conduct, and information security training to address the risk of fraudulent access and information leaks.

DBJ will henceforth devote even more resources toward such efforts.

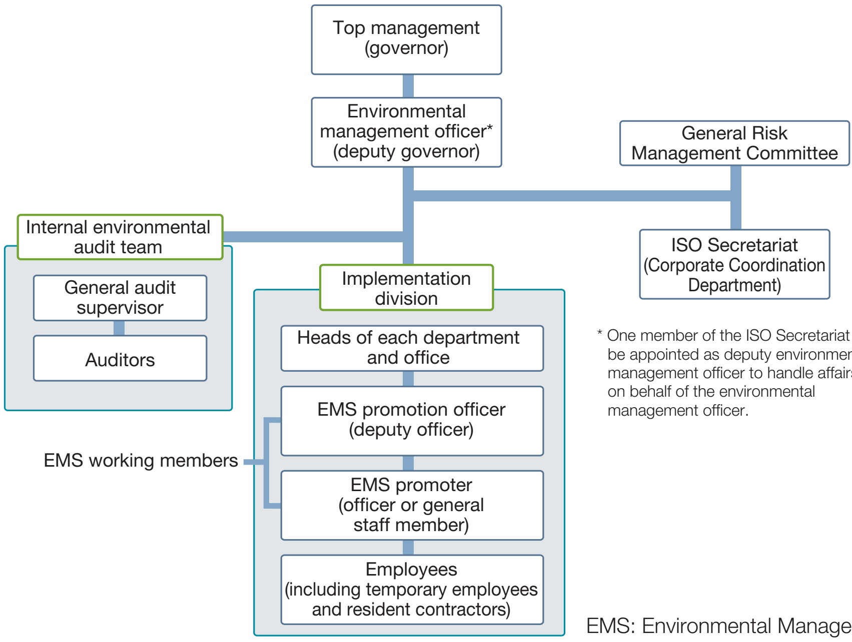
DBJ's Environmental Management

DBJ not only strives to reduce the environmental impact of its operations but also actively pursues environmental activities with full member participation in the projects it supports.

Alignment with UNEP FI

In June 2001, DBJ became the first Japanese bank to sign the UNEP Statement by Financial Institutions on the Environment and Sustainable Development. In doing so, DBJ joined other financial institutions in the UNEP FI (Financial Initiatives), a voluntary organization. In November 2002, we became Japan's first government-affiliated financial institution to received ISO 14001 certification. This certification is part of the Bank's efforts to protect the environment and work toward a sustainable society.

Environmental Management System



* One member of the ISO Secretariat will be appointed as deputy environmental management officer to handle affairs on behalf of the environmental management officer.

EMS: Environmental Management System

The Environmental Policy

DBJ established its environmental policy in July 2002 (page 60). The Bank's environmental policy is distinct in that it includes not only environmental activities to reduce the usage of paper, energy use and waste emissions in the Bank's operations, but also reflects on facilitating environmental activities through its investment and loan operations, knowledge dissemination and other activities. Based on these principles, DBJ introduced its Loan Program for Promotion of Environmentally Conscious Management (page 67) in April 2004.

Alignment with the UNEP FI

In June 2001, DBJ became the first Japanese bank to sign the UNEP Statement by Financial Institutions on the Environment and Sustainable Development, promising to strive for harmony between economic development and environmental conservation and to cooperate in resolving environmental problems. Since joining the UNEP FI, the Bank has continued to work with the UNEP FI and other institutions to pursue measures in accordance with the UNEP Statement's intent.

As part of these efforts, the UNEP FI 2003 Global Roundtable in Tokyo was held in October 2003. DBJ co-sponsored the meeting under the theme, "Sustaining Value: Finance's Roles in a Creating a Sustainable Society and Realizing Value," as a representative of the Japanese financial institutions that have joined the UNEP FI. The Tokyo Principles were issued in the form of a conference statement for this meeting.

The conference served as a good opportunity to raise Japanese and other Asian financial institutions' awareness of environmental problems. In January 2005, the Asia Pacific Task Force was founded as a parent organization for independent activities at the regional level. DBJ plays a pivotal role, having served as chairman of the task force until October 2006 and continuing to serve as the chairman of its Japan Group. The Bank also displayed its proactive stance by hosting a Tokyo press conference in May 2006 for the announcement of the Principles for Responsible Investment and its signatory institutions and by helping prepare the necessary public relations materials.

Moreover, at the UNEP FI 2005 Global Roundtable held in New York in October 2005, DBJ presented Japan's efforts to tackle the issue of global climate change. The Bank is striving to actively provide information to the UNEP FI by participating in the Climate Change Working Group, representing the Asia region.

The Tokyo Principles

1. Select investment, lending and insurance activities desirable for society and the environment.
2. Endeavor to develop and sell financial products that contribute to the environment and society.
3. Incorporate the most appropriate governance structures, including management policy.
4. Endeavor to achieve a sustainable society through dialogue with stakeholders.

Principles for Responsible Investment

These principles were established with the goal of ensuring that issues related to the environment, society and governance are reflected in the investment decision-making processes of the world's institutional investors. Signatory institutions of these principles are working together for their implementation worldwide. Visit http://www.unpri.org for more details.

Efforts to Conserve Resources and Energy

As part of its environmental management system, DBJ sets numerical targets and uses posters and other means to enlighten employees. This entails reducing paper waste (e.g., making double-sided copies, using the reverse side of remaining single-sided copies and printing only as many copies as needed); reducing energy use (e.g., minimizing elevator use); and utilizing recycled boxes (e.g., separating recyclables such as plastics and cans).

Green Purchasing

Following the Green Purchasing Law (official title: Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities), which went into effect in April 2001, DBJ has set annual numerical goals for purchasing products and services effective in reducing environmental impacts.

In 2001, DBJ also became the first government-affiliated financial institution to join the Green Purchasing Network, which was formed to promote the purchase of products with low environmental impact. The Bank has since run voluntary initiatives inspired by the network's guidelines.

Refer to the following link for DBJ's procurement policy and past performance.
http://www.dbj.go.jp/japanese/environment/office/enviro01.html

Achievements of the Green Procurement Program for Typical Items

		Fiscal 2007 Procurement Achievements	Fiscal 2007 Procurement Targets
Paper	Copy paper, etc.	100%	100%
Stationery	Files, office envelopes, notebooks, etc.	100%	100%
Equipment	Chairs, desks, shelves, whiteboards, etc.	100%	100%
Office equipment	Copiers, printers, fax machines, etc.	100%	100%
Lighting	Fluorescent lighting, etc.	100%	100%
Interior items	Tile carpeting, etc.	100%	100%

Resource- and Energy-Saving Efforts

	Fiscal 2007		Fiscal 2008 Target
	Target	Result	
Copy paper usage	2% savings	2.4% savings (50.1 tons)	2.5% savings
Printing paper usage	4% savings	15.5% savings (39.4 tons)	5% savings
Waste emissions	5% savings	18.1% savings (101.5 tons)	10% savings
Energy consumption	0% decrease	1.7% savings (4,333 MWh)	0% decrease

Note: Targets and performance figures for fiscal 2007 and targets for fiscal 2008 are based on comparison with fiscal 2005.

JQA-EM2770

DBJ’s Primary Achievements in the Environmental Sector since its Establishment

October	1999:	The new Bank’s stipulated objective is explicitly stated as “sustainable development.”
April	2001:	Starts green procurement and environmental training.
June	2001:	Becomes first Japanese bank to sign the UNEP Statement by Financial Institutions on the Environment and Sustainable Development.
October	2001:	Forms the Social Environment Committee and Social Environment Group; hosts discussions between UNEP and Wa no Kuni Financial Institutions on Environmental Considerations for Financial Institutions.
March	2002:	Attends UNEP FI 2002 Global Roundtable in Rio de Janeiro, Brazil.
July	2002:	Launches Development Bank of Japan Environmental Policy.
November	2002:	Obtains ISO 14001 certification.
October	2003:	Publishes Environmental Report 2003 for a Sustainable Society (first annual edition).
October	2003:	Jointly sponsors UNEP FI 2003 Global Roundtable in Tokyo, an international conference on finance and the environment.
April	2004:	Starts Loans for Promoting Environmentally Conscious Management.
September	2004:	Issues the second annual Sustainability Report.
November	2004:	Establishes Japan Carbon Finance, Ltd. (JCF).
December	2004:	Establishes Japan Greenhouse Gas Reduction Fund (JGRF).
January	2005:	Assumes chairmanship of the UNEP FI Asia Pacific Task Force.
April	2005:	Starts program to promote the spread of equipment meeting Top Runner standards in accordance with the Energy Conservation Law.
September	2005:	Issues the third annual Sustainability Report.
October	2005:	Presents at the UNEP FI 2003 Global Roundtable.
November	2005:	Renews ISO 14001 certification.
April	2006:	Starts program to support projects in line with the Kyoto Protocol Target Achievement Plan.
May	2006:	Holds press conference to announce DBJ status as a signatory institution to the Principles for Responsible Investment.
August	2006:	Publishes CSR Report 2006 (fourth annual Sustainability Report).
April	2007:	Starts interest subsidy system for the global warming countermeasure portion of the Promoting Environmentally Conscious Management financing system.

Development Bank of Japan Environmental Policy

Having been given the mission to contribute to the sustainable development of the economy and society by the Development Bank of Japan Law, a goal that echoes the UNEP FI Statement, DBJ assists in the formation of an eco-friendly economy and society in the following ways:

1. Facilitation of environmental measures through loan and investment activities
   As a policy-based financial institution, DBJ supports projects beneficial to the environment in light of Japan’s environmental policies.
   - Provision of long-term funds for projects to accelerate the formation of the closed-loop material society and the solution to global environmental problems
   - Sustained qualitative improvement in loan and investment activities through assessment of individual projects and loan and investment programs
   - Assessment of environmental risk caused by loan and investment activities

2. Promotion of environmental awareness through environmental communication
   DBJ raises environmental awareness and contributes to the solution of problems by performing such knowledge accumulation functions as contributing and sharing information.
   - Continuous research and wide-ranging advisory activities relating to environmental issues
   - Activities to promote international cooperation, including the distribution of information about environmental initiatives by Japan
   - Sharing of information about DBJ’s environmental efforts, including the Environment Policy

3. Promotion of environmental awareness activities in offices
   DBJ complies with environmental laws and regulations and promotes activities to reduce the environmental impact of our operations.
   - Promotion of resource and energy conservation and recycling activities
   - Promotion of environmentally friendly sourcing of supplies under the Green Purchasing Law and other systems
   - Prevention of environmental pollution

To achieve the above objectives and continuously improve on them, DBJ operates its Environmental Management System, ensuring that anyone working at or for DBJ is familiar with the Environmental Policy and strives to raise environmental awareness.

Intellectual Asset Report

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

Corporate Value and Intellectual Asset Management

Intellectual Assets

Companies ensure ongoing prosperity and profit by consistently differentiating themselves from competitors. In this process, companies must enhance their operations and increase the differentiation of the products and services they offer. Identifying their important management resources and sources of competitiveness is also essential. 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, which 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. Managing intellectual assets effectively clarifies corporate awareness of key areas of effectiveness and encourages increases in corporate value.

Listed companies are finding that aggressively 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, beginning from Europe.

DBJ's View on Intellectual Assets

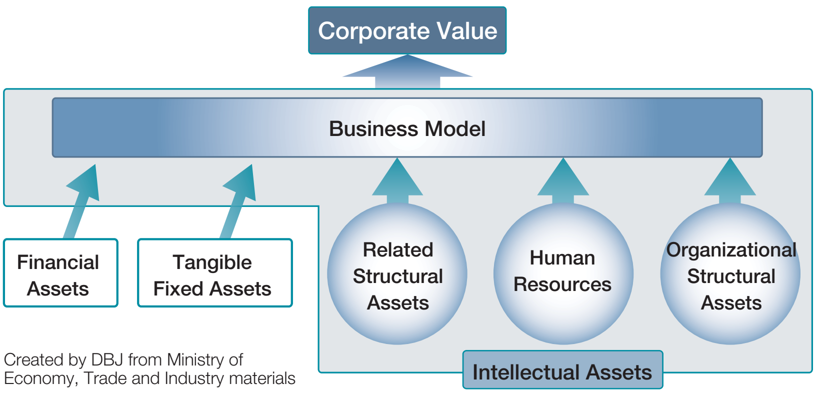
Dating back to the time of our predecessor institutions, we have considered maintaining the trust of our clients and society at large to be our most important objective. From this standpoint, we have created a wide variety of networks spanning both the public and private sectors.

Based on the our four core values, our executives and regular employees have developed the ability to evaluate companies and projects over the long term. We have accumulated a wealth of expertise in long-term screening and evaluation of such projects and a keen awareness of their ability to address issues that are products of the times and the issues faced by local communities.

In the process, we have become a repository of intellectual assets. 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 have created a new DBJ asset. This asset has also led to the development of the financial methods described below. This asset enables us to respond quickly to changing policy requirements and plays a major role in our ability to continue adding economic and social value.

In the future, we aim to maintain our economic and social contributions as a private-sector financial institution. We believe that the 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 Models and Corporate Value



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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 customer bases (related structural assets), management team and employees (human resources) and intellectual assets and business processes (organizational structural assets). Below, we introduce DBJ's intellectual assets and activities according to this segmentation.

Related Structural Assets

As part of our system of planning and making investments and extending loans, we cooperate with central government agencies and regional government bodies, share their awareness of issues and support projects that have policy significance. As a financial institution, DBJ disseminates various information concerning the screening of investments and loans and the provision of funds. This information benefits private-sector companies by distilling out the issues that face them directly and serves as feedback to the government. The information helps improve and raise the effectiveness of measures introduced by central government agencies and regional government bodies.

DBJ also works to create and develop financial platforms that make use of new financial methods. To construct these platforms, we collaborate with public- and private-sector financial institutions in Japan and overseas and maximize our networks of university professors, attorneys, certified public accountants and other professionals. This multifaceted combination of networks consisting of professionals in a host of fields in industry, academia and the government constitute DBJ's related structural assets.

Human Resources

Appropriately judging 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, as well as a policy-based, standpoint. In an era characterized by increasingly complex economic and social issues and increasingly sophisticated business skills, this perspective has a major impact on DBJ's ability to contribute to business formation and the financial structure. Our ability to provide solutions that are appropriate for companies, 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-to take a public-minded view as they consider such issues. Their success in these endeavors wins the trust of clients and society at large.

To impart various technical skills, DBJ maintains training menus that include a 2.5-month corporate finance training program. This program, for all new employees, helps develop screening expertise. This menu, combined with on-the-job training, raises 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 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. This research is another intangible asset for DBJ.

Organizational Structural Assets

Unlike manufacturing companies, DBJ has no explicit intellectual assets, such as patent rights. At the same time, we introduce new financial methods to Japan, work with private-sector financial institutions to create financial platforms and contribute to the economy and society in a number of other unique ways. These activities rely on our organizational adeptness-our ability to ascertain emerging issues quickly and deploy appropriate personnel quickly. 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 organizational structural assets, as does the smooth and rapid communication process resulting from the common language that has evolved through corporate financing 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 into Japan. Our pioneering efforts come from maximizing our intellectual assets—cooperation with local communities, in-house human resources and expertise cultivated through long experience. Operating within complex financial markets, DBJ will maintain these activities while continuing to control and distribute risk as effectively as possible.

The United Kingdom introduced the Private Finance Initiative (PFI) scheme in 1992 to encourage private companies to fund or manage projects that are typically operated by the public sector. As a leader in absorbing and accumulating this 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 Law or Corporate Rehabilitation Law procedures, companies 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 companies to continue operating and maintain value in the best portions of their businesses. In addition, the Bank creates business revitalization funds to help companies normalize their operations through a process of operational selection and focus, and reduce their debt levels. We also apply our expertise through such financial methods as asset financing to raise the value of operations. Such financing plays an important role in helping companies revitalize their businesses and reinvigorates the financial sector.

■ Relationship between Intellectual Assets and CSR at DBJ

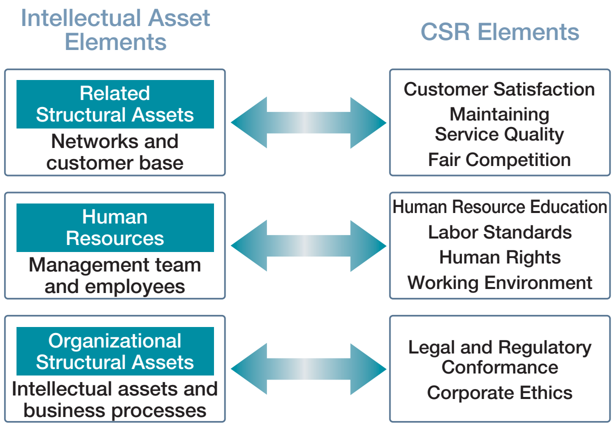
The figure at the lower right-hand corner contrasts intellectual assets as viewed by DBJ and DBJ's role as seen by society. Evaluated in this sense, intellectual assets and CSR are two sides of the same coin.

For example, we fully mobilize our intellectual assets-networks with central government agencies and regional government bodies, experts and clients; our human resources comprising executives and regular employees; and our accumulation of experience and expertise-to serve a vital CSR role through our system for promoting environmentally conscious management and our loan program for promoting disaster management. At the same time, our systems provide a strong backup to the CSR activities of our business partners.

Companies that access these systems via the our loans based on environmental ratings or our loan program for promoting disaster prevention have cause to reconsider their conformance with various laws and regulations, ensure safe and secure workplace working and surrounding environments and provide quality products and services through fair competition. These activities reinforce a company's customer base and raise corporate value by fulfilling social responsibilities.

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

Relationship between Intellectual Assets and CSR



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Financial Platform that Enables DBJ to Meet the Needs of the Times

■ 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 degree of market participation.

The more complete the financial platforms, which are indispensable to financial system soundness and macro-economic 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 (precedents, transaction cases 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 private-sector financial institutions.

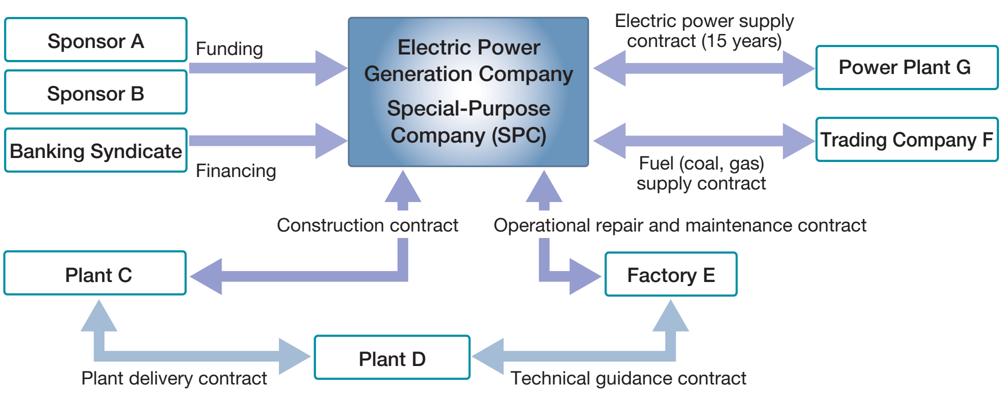
■ Activities Involving Financial Platforms

Example 1: Structured Financing

We support the development of Japan's financial markets through our early involvement and building the base for structured financing. Structured financing includes project financing, such as PFI, in which financing is repaid through project cash flows, as well as real estate liquidization.

Given our experience at forming projects and evaluating operational viability from our characteristically long-term perspective, we are ideally situated to participate in structured financing based on long-term contracts. We play an important role in ensuring the long-term success of projects without being swayed by short-term profitability considerations. DBJ's position of neutrality enables it to provide advice and arrange structured financing, to which interwoven interests are key, without being affected by special-interest relationships. Our contributions to the formation of legal systems and regulations, as well as to business creation, make us a trustworthy moderator between public and private interests. By applying our distinctive status to structured financing activities and maximizing our wide-ranging network in the industrial, academic and public communities, we collaborate with other financial institutions to help build and maintain the financial platform for structured financing.

Project Financing Example: Electric Power Generation Project

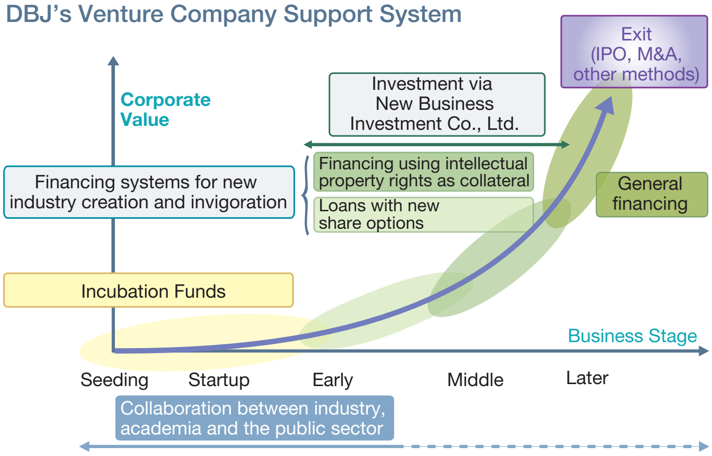


Example 2: Venture Company Support

DBJ has supported venture companies for more than a decade and in a variety of ways. In addition to providing financing and guarantees, we support financing through incubation funds and fostered successful technical development through our Practical Application Support Center for Technology. We have also developed a number of risk evaluation and support measures suited for venture companies. In terms of financing methods, from the time we began supporting venture companies we provided financing that used intellectual property rights as collateral. Responding dexterously to changing economic and financial circumstances, as well as legal reforms, we also introduced the acceptance of bonds with stock transfer rights and loans with new share options.

Our success in this sector reflects our distinctive ability to screen companies and projects from a long-term perspective, as well as our wide-ranging networks, which include venture capitalists and technical specialists.

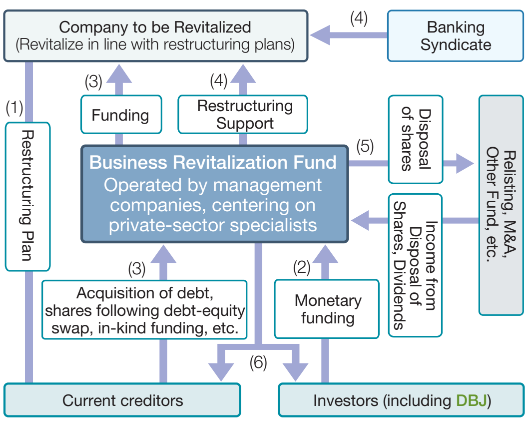
DBJ's Venture Company Support System



Example 3: Business Revitalization

Since the late 1990s, which were characterized by an increasing number of bankruptcies and underperforming companies, the bad-debt issue and financial system uncertainty have beleaguered the Japanese economy, but the redistribution of resources has played a key role in its reinvigoration. We believe that our creation of a framework to support underperforming companies in developing and maintaining valuable areas of business has helped resolve these issues, and that our myriad tools have supported business revitalization. One such tool is early debtor-in-possession (DIP) financing, which provides funding to companies that have filed for bankruptcy protection in the period while their revitalization plans are being reviewed. Another tool is business revitalization funds, which support capital restructuring by acquiring shares in underperforming companies. We also provide exit financing, which provides companies that are restructuring with the cash to operate as ordinary companies. Serving as our background for such endeavors is our accumulation of unique knowledge concerning capital policies for structured financing, derived through years of experience in policy-based financing. By applying our experience and expertise in business revitalization, we raise corporate value by using a host of methods.

Using Business Revitalization Funds to Support Restructuring



(1) Formulate economically rational restructuring plan
(←Guidelines on legal or private liquidation)

(2) Investors providing monetary funding

(3) Debt reduction through financial restructuring and funding
Example: Sale of shares (or use of in-kind funding) following debt-equity swap
(←Due diligence on corporate value)

(4) Promote business restructuring of corporate revitalization target through restructuring support (including new funding) and DIP financing through banking syndicate

(5) Raise value of assets invested in fund by enhancing corporate value

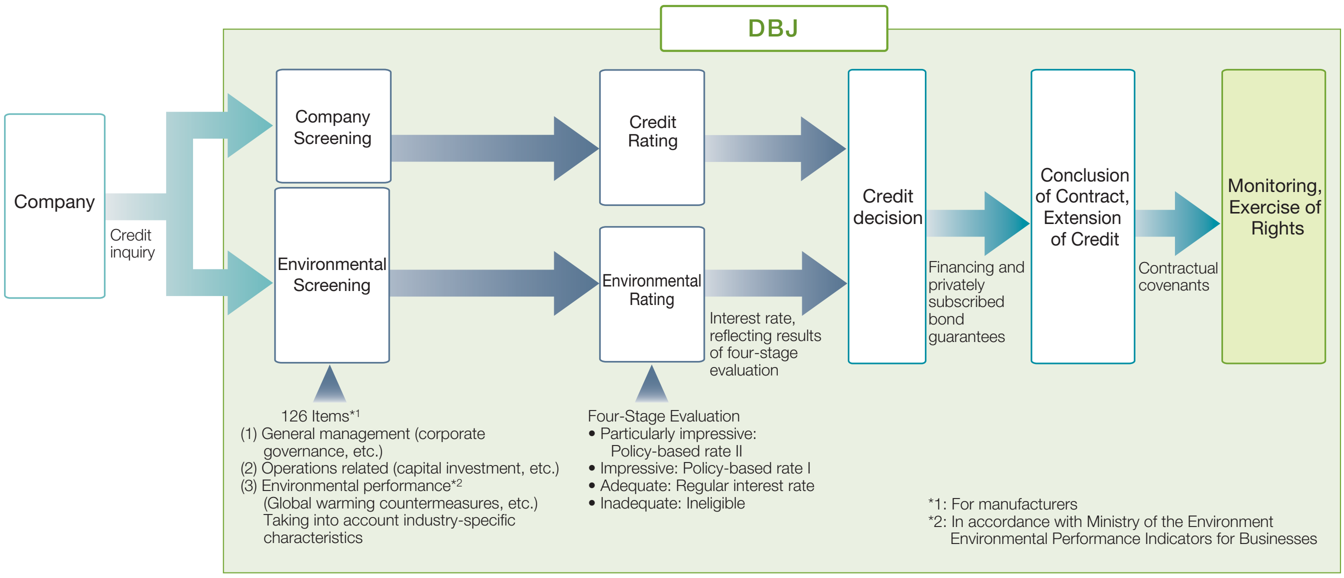
(6) Distribute fund investment returns

Example 4: Environmental and Disaster Response

From early on, DBJ has supported efforts aimed at achieving harmony with the environment and creating a safe and secure society. In fiscal 2005, we introduced a system for promoting environmentally conscious management. This financing method uses a DBJ-developed screening system to score companies on their degree of environmentally conscious management. Companies that score particularly well in these ratings are offered preferential interest rates at three levels depending on their rating. This environmental rating system is the first such financial certification system in the world. Furthermore, in fiscal 2007 we introduced a loan program for promoting disaster management. This financing system is a proprietary rating system based on the Japanese Cabinet Office Central Disaster Prevention Council's Self-Evaluation Indicators of Corporate Initiatives on Disaster Prevention. In this new financing method, we use our specialized disaster prevention ratings to evaluate corporate disaster response activities and offer preferential financing to companies involved in disaster response businesses.

Through informational feedback and monitoring of our rating processes, we provide companies with useful information. At the same time, we work to develop new financial methods and support businesses through win-win relationships.

Overview of Program for Promoting Environmentally Responsible Business Management



Example 5: EQ-LINE

As awareness of the need for disaster preparedness grows among Japan's leading corporations, an increasing number of companies are creating business continuity plans. In the past, companies had few options in preparing for the financial impact of earthquakes other than to take out earthquake insurance. As an alternative, DBJ is creating EQ-LINE, which allows companies to reserve financing to become available in the event of a large-scale earthquake.

For companies that sign up for such financing beforehand, EQ-LINE is designed to provide financing that enables companies to continue operating even if impacted by an earthquake of a specified magnitude and to rebuild in the wake of such an earthquake. In this sense, EQ-LINE is a type of risk financing that effectively provides companies with a degree of certainty that they will be able to continue business. Creating this system requires the evaluation of earthquake risk, and collaboration to create a system of funding for access when an earthquake strikes. DBJ is working with Mitsubishi UFJ Trust and Banking Corporation, Nikko Citigroup Limited and several other partner companies to formulate an appropriate scheme that will operate efficiently.

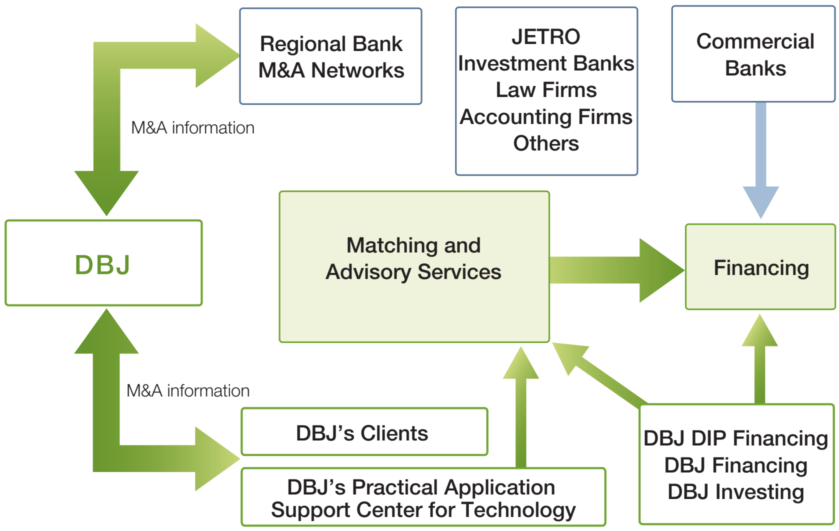
In the future, we will continue our proactive support of corporate disaster preparedness measures as part of our contribution to achieving a sustainable society.

Example 6: M&A Advisory Services

Amid an increasingly diverse range of corporate development options, business restructuring that involves operational selection and focus, as well as industry restructuring, M&A activity is increasingly prevalent. Although M&A activity sometimes connotes hostile takeovers, mergers and acquisitions can be a method for achieving better employment stability and a stronger competitive position. As negotiating the value of a target entity is burdensome, in the past large corporations were the main participants in M&A activities. However, to meet a growing interest in M&A by regional companies and the increasing desire of overseas companies to develop operations in Japan, we have begun offering M&A advisory services that make use of our own information infrastructure. These services utilize the wide-ranging networks that DBJ has cultivated through other operations and include networks involving cooperation with regional financial institutions, as well as legal and accounting firms and other organizations. Through our M&A advisory services, we provide clients of all sizes in a wide range of businesses with strategic consulting, long-term advice for companies on the buying or selling end of M&A activities, financing and various other services.

DBJ's position of neutrality and long-term perspective provides the background of trust that enables it to serve as a moderator of interests among transaction parties and promote M&A business that is socially and economically beneficial.

Overview of M&A Advisory Services



DBJ's Networks
- Transactions with more than 4,000 entities
- Financing of more than 700 foreign-capitalized companies
- Operations at 19 locations in Japan and six overseas
- Regional bank M&A service networks with 75 financial institutions, overseas network with JETRO
- Relationships with Japanese and overseas accounting firms, law firms, financial institutions and investment funds

Example 7: Safety Net Functions

In addition to earthquakes, typhoons and other large-scale natural disasters, financial system stability can be affected by the spread of SARS, BSE and other diseases, the outbreak of terrorism or myriad other factors. In such times of crisis, when unexpected financial needs arise peacetime financial platforms may cease to function, resulting in direct consequences for businesses that provide economically and socially important services. In preparation for such eventualities, we play the role of a safety net for businesses of economic and social importance by drawing upon aspects that remain unchanged from our peacetime persona—the ability to evaluate risk based on a long-term perspective and substantial intellectual assets.

Recent Activities

1995	Rebuilding after the Kobe Earthquake
1997	Response to credit crunch
2000	Rebuilding following Mt. Usu eruption
	Recovery support following flooding in Tokai region
2001	Response to effects of terrorist attacks on United States
	Responses to effects of SARS and BSE outbreaks
2004	Rebuilding after the Niigata Chuetsu Earthquake
2005	Rebuilding after Fukuoka Seiho Oki Earthquake
2006	Asbestos-related measures
	Measures to counter sharp rise in crude oil prices
2007	Rebuilding after Noto Peninsula Earthquake

Financial Condition

• Compliance with Corporate Accounting Standards

The consolidated financial statements of the preceding consolidated accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current consolidated accounting period (April 1, 2006 to March 31, 2007) have been audited and certified by Misuzu Audit Corporation. The financial statements of the preceding accounting period (April 1, 2004 to March 31, 2005) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by Misuzu Audit Corporation.

• Compliance with Accounting Standards for Special Agencies, etc.

The Japanese financial statements of the preceding accounting period (April 1, 2005 to March 31, 2006) have been audited and certified by ChuoAoyama Pricewaterhouse Coopers and the current accounting period (April 1, 2006 to March 31, 2007) have been audited and certified by Misuzu Audit Corporation.

Accounts Based on Corporate Accounting Standards

Misuzu Audit Corporation

A network firm of PRICEWATERHOUSECOOPERS

Misuzu Audit Corporation
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3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6088, JAPAN
Telephone 81-3-5532-2100
Facsimile 81-3-5532-2901

Report of Independent Auditors

To the Governor of
Development Bank of Japan

We have audited the accompanying consolidated balance sheets of Development Bank of Japan and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 and its subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Misuzu Audit Corporation
Tokyo, Japan
June 26, 2007

Consolidated Balance Sheets

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Assets			
Cash and Due from banks (Note 3(a))	¥ 40,264	¥ 28,187	$ 341,083
Reverse Repurchase Agreements (Note 4)	223,829	150,003	1,896,058
Money Held in Trust (Note 27)	90,805	28,422	769,212
Securities (Notes 4, 13 and 27)	420,860	433,021	3,565,101
Loans (Note 5)	12,089,812	12,873,226	102,412,647
Other Assets (Note 6)	53,262	203,896	451,183
Tangible Fixed Assets (Note 7)	35,778	36,169	303,077
Intangible Fixed Assets (Note 7)	1	1	15
Deferred Charges on Bonds and Notes	—	2,610	—
Customers' Liabilities for Acceptances and Guarantees	273,965	161,567	2,320,756
Allowance for Loan Losses (Note 8)	(146,626)	(199,702)	(1,242,067)
Allowance for Investment Losses	(3,093)	(31,462)	(26,205)
Total Assets	**¥13,078,861**	**¥13,685,943**	**$110,790,860**

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Liabilities and Net Assets			
Liabilities			
Bonds and Notes (Note 9)	¥ 2,671,644	¥ 2,261,799	$ 22,631,468
Borrowings (Note 10)	7,923,935	9,004,474	67,123,556
Other Liabilities (Notes 11 and 24)	192,475	211,104	1,630,459
Allowance for Bonus Payments	1,617	1,658	13,703
Allowance for Employee Retirement Benefits (Note 22)	29,558	30,887	250,386
Acceptances and Guarantees (Note 12)	273,965	161,567	2,320,756
Total Liabilities	**¥11,093,197**	**¥11,671,492**	**$ 93,970,328**
Net Assets			
Capital	¥ 1,272,286	¥ 1,272,286	$ 10,777,518
Retained Earnings (Note 14)	809,898	734,637	6,860,636
Total Equity	**¥ 2,082,184**	**¥ 2,006,923**	**$ 17,638,154**
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes (Note 27(3))	¥21,539	¥3,415	$ 182,463
Net Deferred Hedge Losses on hedges, Net of Taxes (Note 6)	(122,294)	—	(1,035,957)
Total Revaluation and Translation Adjustments	**¥ (100,754)**	**¥ 3,415**	**$ (853,494)**
Minority Interests	4,234	4,111	35,872
Total Net Assets	**¥ 1,985,663**	**¥ 2,014,450**	**$ 16,820,532**
Total Liabilities and Net Assets	**¥13,078,861**	**¥13,685,943**	**$110,790,860**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations

For the Fiscal Years ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Revenue			
Interest Income	¥329,480	¥367,600	$2,791,021
Interest on Loans	325,844	365,949	2,760,220
Interest and Dividends on Securities	2,450	1,640	20,757
Interest on Reverse Repurchase Agreements	707	6	5,992
Interest on Due from banks	92	4	784
Other Interest Income	385	0	3,268
Fees and Commissions (Note 15)	4,051	2,430	34,321
Other Operating Income (Note 16)	—	4	—
Other Ordinary Income (Note 17)	62,325	33,782	527,961
Collection of Written-off Claims	5,875	7,414	49,769
Gains on Sales of Fixed Assets	0	653	1
Total Revenue	**¥401,732**	**¥411,885**	**$3,403,073**
Expenses			
Interest Expense	¥236,812	¥271,421	$2,006,034
Interest on Bonds and Notes	33,973	30,920	287,792
Interest on Borrowings	179,674	221,070	1,522,017
Other Interest Expense	23,164	19,430	196,225
Fees and Commissions (Note 18)	65	54	554
Other Operating Expenses (Note 19)	2,038	1,737	17,271
General and Administrative Expenses	25,354	25,825	214,774
Other Ordinary Expenses (Note 20)	61,445	20,368	520,504
Losses on Impairment of Fixed Assets (Note 21)	—	337	—
Losses on Sales of Fixed Assets	56	12	479
Total Expenses	**¥325,772**	**¥319,757**	**$2,759,616**
Earnings before Income Taxes	**¥ 75,960**	**¥ 92,128**	**$ 643,457**
Income Taxes (Note 3(n))	**¥ 672**	**¥ 23**	**$ 5,696**
Current	661	2	5,607
Deferred	10	20	89
Minority Interests in Net Earnings	**27**	**(125)**	**233**
Net Earnings	**¥ 75,260**	**¥ 92,231**	**$ 637,528**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the Fiscal Years ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Cash Flows from Operating Activities			
Earnings before Income Taxes	¥ 75,960	¥ 92,128	$ 643,457
Depreciation and Amortization	779	851	6,606
Losses on Impairment of Fixed Assets (Note 21)	—	337	—
Amortization of Goodwill	(20)	(1)	(175)
Change in Allowance for Loan Losses	(47,168)	(17,699)	(399,562)
Change in Allowance for Investment Losses	(44)	10,847	(378)
Change in Allowance for Bonus Payments	(40)	6	(342)
Change in Allowance for Employee Retirement Benefits	(1,329)	(1,330)	(11,265)
Interest Income—Accrual Basis	(329,480)	(367,600)	(2,791,021)
Interest Expense—Accrual Basis	236,713	271,421	2,005,200
Net Gains and Losses on Securities	47,077	(1,411)	398,794
Net Gains and Losses on Money Held in Trust	(1,349)	(965)	(11,429)
Net Gains and Losses on Foreign Exchanges	(0)	(0)	(4)
Net Gains and Losses on Sale of Fixed Assets	56	(641)	477
Net Change in Loans	773,633	918,698	6,553,438
Net Change in Bonds and Notes	410,555	266,582	3,477,808
Net Change in Borrowings	(1,080,539)	(1,210,325)	(9,153,233)
Net Change in Reverse Repurchase Agreements	(73,825)	(42,004)	(625,378)
Interest Income—Cash Basis	334,315	375,742	2,831,979
Interest Expense—Cash Basis	(236,130)	(274,817)	(2,000,254)
Other	(80,579)	(1,011)	(682,586)
Sub-total	28,583	18,807	242,132
Refund of (Payments for) Income Taxes	294	(795)	2,493
Net Cash provided by (used in) Operating Activities	**28,877**	**18,012**	**244,625**
Cash Flows from Investing Activities			
Payments for Purchases of Securities	(314,948)	(89,980)	(2,667,926)
Proceeds from Redemption of Securities	357,050	50,349	3,024,566
Payments for Money Held in Trust	(64,674)	(25,525)	(547,857)
Proceeds from Money Held in Trust	3,609	2,205	30,575
Payments for Purchases of Fixed Assets	(445)	(188)	(3,774)
Proceeds from Sale of Fixed Assets	2	700	18
Payments for Purchases of Subsidiaries (affecting the scope of consolidation)	90	7	762
Net Cash (used in) provided by Investing Activities	**(19,317)**	**(62,431)**	**(163,636)**
Cash Flows from Financing Activities			
Capital Contribution from the Japanese Government	—	56,825	—
Payment to National Treasury	(1,179)	(2,836)	(9,990)
Dividends Paid to Minority Interests	—	(129)	—
Net Cash provided by Financing Activities	**(1,179)**	**53,858**	**(9,990)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**0**	**0**	**1**
Net Change in Cash and Cash Equivalents	**8,381**	**9,439**	**70,999**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	**27,869**	**18,429**	**236,079**
Net Increase in Cash and Cash Equivalents Resulted from the newly Consolidation of Subsidiary	**—**	**—**	**—**
Cash and Cash Equivalents at the End of the Fiscal Year (Note 3(a))	**¥ 36,250**	**¥ 27,869**	**$ 307,079**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen							
	Equity			Revaluation and translation adjustments				
For the Fiscal Year ended March 31, 2006	Capital	Retained Earnings	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses on hedges, Net of Taxes	Total Revaluation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2005	**¥1,215,461**	**¥653,043**	**¥1,868,504**	**¥ 6,915**	**¥—**	**¥ 6,915**	**¥4,498**	**¥1,879,917**
Net Earnings	—	92,231	92,231	—	—	—	—	92,231
Net Changes in Items other than Equity	56,825	(10,636)	46,189	(3,499)	—	(3,499)	(387)	842,303
Balance at March 31, 2006	**¥1,272,286**	**¥734,637**	**¥2,006,923**	**¥ 3,415**	**¥—**	**¥ 3,415**	**¥4,111**	**¥2,014,450**

	Millions of yen							
	Equity			Revaluation and translation adjustments				
For the Fiscal Year ended March 31, 2007	Capital	Retained Earnings	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses on hedges, Net of Taxes	Total Revaluation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2006	**¥1,272,286**	**¥734,637**	**¥2,006,923**	**¥3,415**	**¥ —**	**¥ 3,415**	**¥4,111**	**¥2,014,450**
Net Earnings	—	75,260	75,260	—	—	—	—	75,260
Net Changes in Items other than Equity	—	—	—	18,124	(122,294)	(104,170)	122	(104,047)
Balance at March 31, 2007	**¥1,272,286**	**¥809,898**	**¥2,082,184**	**¥21,539**	**¥(122,294)**	**¥(100,754)**	**¥4,234**	**¥1,985,663**

	Thousands of U.S. dollars							
	Equity			Revaluation and translation adjustments				
For the Fiscal Year ended March 31, 2007	Capital	Retained Earnings	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses on hedges, Net of Taxes	Total Revaluation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2006	**$10,777,518**	**$6,223,108**	**$17,000,626**	**$ 28,933**	**$ —**	**$ 28,933**	**$34,832**	**$17,064,391**
Net Earnings	—	637,528	637,528	—	—	—	—	637,528
Net Changes in Items other than Equity	—	—	—	153,530	(1,035,957)	(882,427)	1,040	(881,387)
Balance at March 31, 2007	**$10,777,518**	**$6,860,636**	**$17,638,154**	**$182,463**	**$(1,035,957)**	**$(853,494)**	**$35,872**	**$16,820,532**

Accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Development Bank of Japan ("DBJ") and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥118.05=$1.00, the effective exchange rate prevailing as of March 31, 2007, 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. Basis of Consolidation

(a) Scope of Consolidation

The consolidated financial statements include the accounts of DBJ and its consolidated subsidiaries, DBJ Business Investment Co.,Ltd, DBJ Corporate Investment Fund (formerly DBJ Business Restructuring Fund prior to March, 2007), DBJ Technology and New Business Creation Fund, DBJ VALUE UP FUND, DBJ Structured Investment Fund, DBJ Corporate mezzanine partners Co.,Ltd., DBJ Credit Line Ltd., New Business Investment Co.,Ltd. and one limited liability partnership. The number of consolidated subsidiaries as of March 31,2007 and 2006 was 9 and 3, respectively.

In the fiscal year ended March 31, 2007, DBJ Corporate Investment Fund, DBJ Technology and New Business Creation Fund, DBJ VALUE UP FUND and DBJ Structured Investment Fund were newly consolidated, as DBJ adopted the new accounting standard, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Association" (Accounting Standards board of Japan Report No.20, September 8, 2006) commencing with this period. Also, DBJ Credit Line, Ltd. and one limited liability partnership were newly consolidated on their establishment in the current year.

As of March 31, 2007, DBJ has 8 subsidiaries, Asuka DBJ Investment LPS, GAD financial Service Limited and certain other subsidiaries, which are neither consolidated nor accounted for by the equity method, because underlying interests in their assets, net earnings, retained earnings and deferred hedged gains and losses have no material impact on the consolidated financial statements of DBJ. As of March 31, 2006, the number of such subsidiaries was 2.

As of March 31, 2007, DBJ invests in 5 companies, Tomatoh, Inc., Shin Mutsu-Ogawara, Inc. and certain other companies, in which DBJ has over 50% ownership interest. These companies are not considered to be subsidiaries and consequently not consolidated because DBJ made those investments as part of its financing operations, which are DBJ's primary business, and did not intend to obtain control over their operating and financing policies. As of March 31, 2006, the number of such companies was 2.

Though DBJ has 15 affiliates as of March 31, 2007, Technology Alliance Investment, Ltd., Japan Energy Investment Inc., Asuka DBJ Partners Co.,Ltd., Intellectual Properties Development & Investment, Bridgehead Co.,Ltd and certain other affiliates, the equity method is not applied to them, since underlying interests in their net earnings, retained earnings and deferred hedged gains and losses have no material impact on the consolidated financial statements of DBJ. As of March 31, 2006, the number of such affiliates was 4.

As of March 31, 2007, DBJ owns greater than 20% but less than a majority of voting stock of Nihonkai LNG Co., Ltd. and 36 other companies. These companies, however, are not considered to be affiliates because DBJ made these investments as part of its financing operations, which are DBJ's primary business, and did not intend to obtain the ability to exercise significant influence on their operating and financing policies. As of March 31, 2006, the number of such companies was 31.

On consolidation, significant intercompany accounts, transactions and unrealized intercompany profits have been eliminated.

(b) Year-end Date of Consolidated Subsidiaries

Fiscal year-end of the consolidated subsidiaries is March 31.

(c) Valuation of Consolidated Subsidiaries' Assets and Liabilities

Assets and liabilities of newly consolidated subsidiaries are measured at fair value as at the date of acquisition of control.

(d) Amortization of Goodwill

The differences between the fair value of net assets and the cost of the acquired subsidiary are being amortized on a straight-line basis over the estimated beneficial period. Minor differences are charged to income in the year of acquisition.

Effective from the year ended March 31, 2007, DBJ applied "Accounting standard for business combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), "Accounting standard for business divestitures" (Accounting Standards Board of Japan Statement No.7) and "Implementation guidance on Accounting standard for business combinations and Accounting standard for business divestitures" (Accounting Standards Board of Japan Guidance No.10) both issued on December 27, 2005 by the Accounting Standards Board of Japan.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statements 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" is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Cash and Due from Banks	¥40,264	¥28,187	$341,083
Time Deposits with Banks	(4,000)	(300)	(33,884)
Trust Money to Financial Agencies	(14)	(18)	(120)
Cash and Cash Equivalents	**¥36,250**	**¥27,869**	**$307,079**

(b) Securities

Held-to-maturity debt securities are stated at amortized cost on a straight-line basis, computed 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), and other securities without market quotations are stated at cost or amortized cost computed using the weighted average method. Investments in limited partnerships and other similar partnerships are accounted for at the net amounts of DBJ's underlying interests in their net earnings based on their most recent financial statements.

Unrealized gain and loss on available-for-sale securities are included in net assets, net of income taxes.

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

Effective in the fiscal year ended March 31, 2006, DBJ applied the accounting treatment for other compound instruments which do not have the ability to increase paid-in capital (Guidelines on Implementation of Business Accounting Standard No. 12 issued by the Accounting Standards Board of Japan on March 30, 2006).

(c) 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.

(d) Hedge Accounting

(i) Hedge Accounting

DBJ applies the deferral method of hedge accounting. Foreign currency swaps, which are used to hedge foreign currency fluctuations are translated not at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(ii) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest Rate Swaps
  Hedged Items: Bonds and Notes, Borrowings, and Loans
- Hedging Instruments: Foreign Currency Swaps
  Hedged Items: Foreign currency denominated Loans and Bonds and Notes

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rate and foreign currency fluctuations on its assets and liabilities.

(iv) Evaluation of Hedge Effectiveness

DBJ evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

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

*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, forward foreign exchange contracts and hedged items are accounted for in the following manner;

1) If a foreign currency swap is executed to hedge an existing foreign currency asset or liability, 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 operations 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.
2) 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 forward foreign exchange contract are recognized.

(e) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis.

The estimated useful lives are principally as follows:

Buildings:	22 years to 50 years
Equipment:	3 years to 20 years

(ii) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method.

(iii) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued “the Accounting Standard for Impairment of Fixed Assets”. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses shall be recognized in the statement of operations by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

DBJ has applied this standard from the fiscal year beginning April 1, 2005. In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law for long term credit banks and the accumulated impairment losses are also deducted from the book value of each asset.

(f) Amortization of deferred charges

“Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” and “Premium on Bonds and Notes”, included in “Other Assets” on consolidated balance sheets respectively are amortized under the straight-line method over the term of bonds and notes, and “Bonds and Notes Issuance Costs” are charged to income as incurred.

Although, the new standard, “Tentative Solution on Accounting for Deferred Assets” (ASBJ Report No. 19, August 11, 2006), is effective from the year ended March 31, 2007, discounts and premium on bonds and notes as of March 31, 2007 are amortized under the straight-line method over the term of the bonds and notes continuously by applying the tentative measure stipulated in this standard.

In accordance with the partial revision of “Accounting Standards for Financial Instruments” (the Business Accounting Deliberation Council, January 22, 1999) as of August 11, 2006(ASBJ Statement No. 10) and the application effective from the fiscal year and interim period ending upon or after the public announcement of such, DBJ adopted the revised accounting standard commencing in this fiscal year, and “Bonds and Notes” were stated at amortized cost (straight line method). As a result, “Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” decreased ¥3,951 million

($33,475 thousand), and "Premium on Bonds and Notes", included in "Other Assets" decreased ¥1,632 million ($13,828 thousand), and "Bonds and Notes" increased and decreased such amounts.

(g) Foreign currency translation and revaluation method

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rates prevailing at the fiscal year end.

(h) Allowance for Loan Losses

DBJ 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 collected through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but likely to become bankrupt, and for which future cash flows cannot reasonably be estimated, 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 collected 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 for based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Risk Management Department, which is independent from the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided 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, have been written-off, and totaled ¥56,267 million ($476,643 thousand) and ¥95,546 million for the years ended March 31, 2007 and 2006, respectively.

The allowance for claims on debtors other than those described above was previously provided for using the estimated probability of default. From the March 31, 2007 fiscal year, the default rate is used to provide for the allowance, which is calculated based on the actual value of default experiences of the company. The calculation method has been changed because the historical data of actual default loans value have been accumulated.

As a result of this change, net earnings increased by ¥17,738 million ($150,263 thousand).

(i) Allowance for Investment Losses

"Allowance for Investment Losses" is provided for based on the estimated losses on investments.

(j) Allowance for Bonus Payments

"Allowance for Bonus Payments" is calculated and provided for based on the estimated amounts of future payment attributable to the services that have been rendered by employees and executive directors to the date of the balance sheets.

(k) Allowance for Employee Retirement Benefits

"Allowance for Employee Retirement Benefits" represents future payments for pension and retirement benefits to employees and executive directors, and is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. The actuarial gain or loss is recognized during the year it arises.

(l) Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those in which the ownership of leased equipment is substantially transferred to the lessee.

(m) Consumption tax

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

(n) Income Taxes

DBJ is exempt from taxes based on income, however, DBJ is subject to parity taxes among local taxes. On the other hand, the consolidated subsidiaries are subject to income and local taxes.

Deferred income taxes are recorded based on differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates which will be in effect when the differences are expected to reverse. The asset and liability method is used to determine deferred income taxes.

(o) Change of Accounting Policy

Effective from the year ended March 31, 2007, DBJ has applied “Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5)”, and “Implementaion guidance for Accounting standards for presentation of net assets in the balance sheet (Accounting Standards of Japan Guidance No.8)” both issued by the Accounting Standard Board of Japan on December 9, 2005.

The amounts corresponding to the conventional “Equity” in the consolidated balance sheet is ¥2,103,723 million ($17,820,617 thousand). DBJ presented its net assets in the consolidated balance sheet using the new standard as of March 31, 2006, retrospectively.

Furthermore, “Minority Interests” previously presented on the consolidated balance sheet between the liabilities section and the equity section is presented in “Net Assets”.

Additionally, the consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 are presented under the new standard, retrospectively.

4. Securities

Securities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Japanese Government Bonds	¥120,705	¥189,645	$1,022,495
Corporate Bonds	96,374	48,961	816,387
Equities	114,865	139,591	973,024
Other securities	88,914	54,822	753,195
	¥420,860	**¥433,021**	**$3,565,101**

Notes: 1. Investments in subsidiaries and affiliates included in “Equities” as of March 31, 2007 and 2006 are ¥468 million ($3,969 thousand) and ¥205 million, respectively. And investments in subsidiaries and affiliates included in “Other securities” as of March 31, 2007 and 2006 are ¥13,498 million ($114,345 thousand) and ¥1,339 million, respectively.
2. Contingent liabilities for guarantees on corporate bonds, included in securities, which were issued by private placement (Article 2 Paragraph 3 of the Securities and Exchange Law) amounted to ¥130 million ($1,101 thousand) as of March 31, 2007.
3. There are no securities repledged as of March 31, 2007 and 2006 respectively, although securities accepted under repurchase agreements, can be sold or repledged. Securities neither sold nor repledged are ¥223, 829 million ($1,896,058 thousand) and ¥150,003 million, respectively.

5. Non-performing Loans

The amounts of non-performing loans included in “Loans” on the consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Loans to Bankrupt Debtors	¥ 7,562	¥ 4,313	$ 64,064
Delinquent Loans	64,065	111,720	542,696
Loans Past Due Three Months or More	28	—	237
Restructured Loans	73,624	89,301	623,672
	¥145,280	**¥205,335**	**$1,230,669**

Notes: 1. The amounts of loans indicated above are stated at gross amounts, before reduction of 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 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”.

DBJ provides commitment lines under which it lends, upon the borrowers' request, necessary funds up to the pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount to lend, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2007 and 2006 are ¥331,130 million ($2,805,222 thousand), including ¥97,695 million ($827,578 thousand) being financed within one year and ¥214,022 million, including ¥53,636 million being financed within one year, respectively.

6. Other Assets

Other assets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Prepaid Expenses	¥ 99	¥ 103	$ 844
Accrued Income	48,068	52,155	407,188
Derivatives	3,316	3,083	28,095
Deferred Hedge Losses	—	146,698	—
Guarantee Deposits	426	411	3,613
Other	1,350	1,444	11,443
	¥53,262	**¥203,896**	**$451,183**

Notes: 1. Deferred Hedge Losses are net unrealized losses from hedging instruments. The gross amounts of deferred hedge gains and losses before netting are ¥10,138 million and ¥156,837 million as of March 31, 2006, respectively.
2. From the year ended March 31, 2007, Deferred Hedge Losses are reclassified to "Net Assets".
3. From the year ended March 31, 2007, Guarantee Deposits are reclassified from "Premises and Equipment" to "Other Assets". Guarantee Deposits as of March 31, 2006 is presented using the new presentation standard, retrospectively.

7. Fixed Assets

Tangible fixed assets and intangible fixed assets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Tangible Fixed Assets			
Land	¥20,386	¥20,386	$172,695
Buildings	33,820	33,813	286,495
Equipment	1,926	1,973	16,320
	¥56,133	¥56,173	$475,510
Less—Accumulated Depreciation	(20,355)	(20,003)	(172,433)
Net Book Value	**¥35,778**	**¥36,169**	**$303,077**
Intangible Fixed Assets			
Other	¥ 12	¥ 11	$ 107
	¥ 12	¥ 11	$ 107
Less—Accumulated Amortization	(10)	(10)	(92)
Net Book Value	**¥ 1**	**¥ 1**	**$ 15**

Notes: From the year ended March 31, 2007, Premises and Equipment are reclassified to Tangible and Intangible Fixed Assets. Tangible Assets and Intangible Fixed Assets as of March 31, 2006 are presented using the new presentation standard, retrospectively.

8. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
General Allowance for Loan Losses	¥ 96,933	¥120,170	$ 821,124
Specific Allowance for Loan Losses	49,692	79,532	420,943
	¥146,626	**¥199,702**	**$1,242,067**

9. Bonds and Notes

Bonds and notes as of March 31, 2007 and 2006 are as follows:

At March 31 Description of Bonds and Notes	Issue date	Currency and Amounts 2007 (In millions)	Interest rate (%)	Maturity date	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Japanese Government-guaranteed Bonds 186*1	November 1996	—	2.90	November 2006	¥ —	¥ 10,000 [10,000]	$ —
Japanese Government-guaranteed Bonds 1-16	August 2000–February 2007	JPY613,000	0.80~2.10	August 2010–December 2021	612,132	423,000	5,185,363
Japanese Government-guaranteed Foreign Bonds 65,67*2	December 1996–September 1998	JPY 25,000	1.81~2.875	December 2006–September 2028	25,087	75,000 [50,000]	212,516
Japanese Government-guaranteed Foreign Bonds 1-12	November 1999–February 2007	JPY846,906 USD2,350 EUR750	1.05~6.875	June 2010–November 2026	846,906	664,389	7,174,131
Japanese Government-underwritten Bonds 186-211*1	May 1995–December 1998	JPY72,810	1.10~3.60	May 2005–December 2008	72,766 [33,250]	109,410 [36,600]	616,397 [281,660]
FILP Agency Bonds 1-31*3	September 2001–March 2007	JPY1,115,000	0.40~2.63	September 2006–December 2036	1,114,753 [150,000]	980,000 [100,000]	9,443,061 [1,270,648]
					¥2,671,644	**¥2,261,799**	**$22,631,468**

Notes: 1. These bonds are government-guaranteed bonds and government-underwritten bonds issued by the Hokkaido-Tohoku Development Finance Public Corporation prior to the merger with the Japan Development Bank that formed DBJ.
2. These bonds are government-guaranteed bonds issued by the Japan Development Bank prior to the merger with the Hokkaido-Tohoku Development Finance Public Corporation that formed DBJ.
3. Fiscal Investment and Loan Program (FILP) Agency Bonds issued in Japanese domestic markets are not government-guaranteed.
4. Figures indicated in brackets [ ] represent the amounts to be redeemed within one year.

Scheduled redemptions of Bonds and Notes for each of the next five years as of March 31, 2007 are as follows:

Fiscal year ending on March 31,	2008	¥183,250 million	$1,552,308 thousand
	2009	169,560	1,436,341
	2010	110,000	931,809
	2011	370,000	3,134,265
	2012	423,621	3,588,488

10. Borrowings

Borrowings as of March 31, 2007 and 2006 are as follows:

At March 31	Average interest rate (%)	Due date of repayment	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Borrowings					
Long-term borrowings from Japanese government	1.92	December 2007–November 2026	¥7,923,935	¥9,004,474	$67,123,556
			¥7,923,935	**¥9,004,474**	**$67,123,556**

Borrowings with maturities for each of the next five years as of March 31, 2007 are as follows:

Fiscal year ending on March 31,	2008	¥1,229,184 million	$10,412,409 thousand
	2009	1,149,792	9,739,881
	2010	977,618	8,281,390
	2011	866,367	7,338,984
	2012	832,097	7,048,689

11. Other Liabilities

Other liabilities as of March 31, 2007 and 2006 are as follows:

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Accrued Expenses	¥ 34,031	¥ 33,049	$ 288,278
Unearned Income	17,913	19,008	151,747
Deposits from Employees	153	150	1,300
Derivatives	133,847	156,590	1,133,820
Other	6,529	2,306	55,314
	¥192,475	**¥211,104**	**$1,630,459**

12. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2007 and 2006 are as follows:

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Guarantees	¥273,965	¥161,567	$2,320,756
	¥273,965	**¥161,567**	**$2,320,756**

13. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥120,705 million ($1,022,495 thousand) as of March 31, 2007, and ¥119,652 million as of March 31, 2006.

14. Retained Earnings

A portion of net earnings of the parent company calculated pursuant to Article 4 of the Development Bank of Japan Law ("DBJ Law") was appropriated to Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law.

There were no payments to the National Treasury attributable to the year ended March 31, 2006.

At May 31, 2007, DBJ was to pay to the National Treasury, ¥2,499 million ($21,177 thousand), attributable to the year ended March 31,2007, this was resolved at the board meeting held on May 10, 2007.

15. Fees and Commissions (Income)

Fees and commissions (income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Commissions	¥4,051	¥2,430	$34,321
	¥4,051	**¥2,430**	**$34,321**

16. Other Operating Income

Other operating income for the fiscal years ended March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Foreign exchange gains	¥—	¥ 4	$—
	¥—	**¥ 4**	**$—**

17. Other Ordinary Income

Other ordinary income for the fiscal years ended March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Reversal of allowance for loan losses	¥47,133	¥17,699	$399,266
Gains on sales of equities and other securities	1,508	2,979	12,778
Gains on money held in trust	1,350	966	11,437
Other	12,333	12,135	104,480
	¥62,325	**¥33,782**	**$527,961**

18. Fees and Commissions (Expenses)

Fees and commissions (expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Wire transfer service charges	¥ 5	¥ 5	$ 49
Commissions	59	49	505
	¥65	**¥54**	**$554**

19. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Foreign exchange losses	¥ 129	¥ 3	$ 1,100
Bonds and notes issuance costs	1,521	777	12,887
Losses on derivative instruments	30	687	260
Other	356	268	3,024
	¥2,038	**¥1,737**	**$17,271**

20. Other Ordinary Expenses

Other ordinary expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Provision for investment losses	¥ 112	¥10,802	$ 953
Write-off of Loans	2,982	5,350	25,263
Losses on sales of equities and Other securities	1	—	9
Write-off of equities	47,713	1,568	404,179
Losses on money held in trust	0	0	8
Other	10,635	2,646	90,092
	¥61,445	**¥20,368**	**$520,504**

Notes: Losses on sale of loans included in "Other" are ¥890 million ($7,540 thousand) and ¥591 million for the fiscal years ended March 31, 2007 and 2006, respectively.

21. Losses on Impairment of Fixed Assets

Losses on impairment of fixed assets for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Losses on impairment of fixed assets	¥—	¥337	$—
	¥—	**¥337**	**$—**

The differences between the recoverable amount and the book value of the following assets were recognized as losses on impairment of fixed assets in the fiscal year ended March 31, 2006

Principal purpose of use	Type	Area	Losses (Millions of yen)
Idle assets	Land and premises, etc.	Nagano prefecture	¥ 4
		Kanagawa prefecture	332

DBJ recognize losses on impairment of fixed assets for idle assets. For the purpose of identifying impaired assets in such cases, the individual asset is assessed as a unit. The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the appraisal value less estimated cost of disposal.

22. Employee Retirement Benefits

DBJ has defined benefit pension plans, which consist of welfare pension fund plan and lump-sum severance indemnity plan.

(a) The funded status of the pension plans is as follows:

		Millions of yen		Thousands of U.S. dollars
At March 31		2007	2006	2007
Projected Benefit Obligation	(A)	¥(44,460)	¥(45,000)	$(376,621)
Fair Value of Plan Assets	(B)	14,902	14,112	126,235
Unfunded Pension Obligation	(C)=(A)+(B)	(29,558)	(30,887)	(250,386)
Unrecognized Net Obligation at Transition	(D)	—	—	—
Unrecognized Net Actuarial Gains/Losses	(E)	—	—	—
Unrecognized Prior Service Cost	(F)	—	—	—
Net Amount Recognized on the Balance Sheet	(G)=(C)+(D)+(E)+(F)	(29,558)	(30,887)	(250,386)
Prepaid Pension Cost	(H)	—	—	—
Allowance for Employee Retirement Benefits	**(G)-(H)**	**¥(29,558)**	**¥(30,887)**	**$(250,386)**

Notes: The above Projected Benefit Obligations include a portion in which the pension fund manages on behalf of the Japanese Government welfare program.

(b) Component of Pension Cost

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Service Cost	¥1,400	¥1,417	$11,866
Interest Cost	897	880	7,606
Expected Return on Plan Assets	(493)	(119)	(4,184)
Amortization of Prior Service Cost	—	—	—
Amortization of Net Actuarial Gains/Losses	(861)	(1,315)	(7,302)
Amortization of Net Obligation at Transition	—	—	—
Other Costs	—	—	—
Net Pension Cost	**¥ 942**	**¥ 864**	**$ 7,986**

(c) Principal Assumptions Used

At March 31	2007	2006
Discount Rate	2.0%	2.0%
Expected Rate of Return on Plan Assets	3.50%	1.0%
Method of Attributing the Projected Benefits to Periods of Services	Straight-line basis	Straight-line basis
Amortization Period of Actuarial Gains/Losses	Gains/losses are charged to income immediately	Gains/losses are charged to income immediately

23. Lease Transactions

(a) Finance Lease Transactions

(Excluding leases where the ownership of the property is substantially transferred to the lessee)

	Millions of yen					
	2007			2006		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥ 724	¥ 277	¥1,002	¥ 773	¥ 277	¥1,051
Less—Accumulated Depreciation Equivalents	(430)	(151)	(582)	(362)	(127)	(490)
Book Value Equivalents	**¥ 294**	**¥ 125**	**¥ 419**	**¥ 410**	**¥ 149**	**¥ 560**

	Thousands of U.S. dollars		
	2007		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$6,141	$2,347	$8,488
Less—Accumulated Depreciation Equivalents	(3,650)	(1,281)	(4,931)
Book Value Equivalents	**$2,491**	**$1,066**	**$3,557**

Future lease payments subsequent to the end of the fiscal years for finance leases (including the interest portion thereon) are summarized below:

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Due in One Year or Less	¥215	¥227	$1,825
Due after One Year	210	339	1,786
	¥426	**¥566**	**$3,611**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2007 amount to ¥246 million ($2,084 thousand), ¥237 million ($2,014 thousand) and ¥8 million ($70 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2006 are ¥305 million, ¥296 million and ¥10 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and the residual value at the end of the lease term is zero.
2. Interest expense equivalents are defined as the difference between total lease payments and acquisition equivalents, which are allocated over the lease term using the effective interest method.

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2007 and 2006.

24. Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Deferred Tax Assets:			
Net Losses Carryforwards	¥ —	¥ 180	$ —
Enterprise Tax Payable	57	0	484
Allowance for Investment Losses	259	142	2,195
Losses on Available-for-sale Securities	406	—	3,443
Other	51	62	438
Sub Total	774	386	6,560
Less—Valuation Allowance	(767)	(386)	(6,500)
Total Deferred Tax Assets	¥ 7	¥ 0	$ 60
Deferred Tax Liabilities:			
Net Unrealized Gain on Available-for-sale Securities	(66)	(29)	(565)
Other	0	(20)	0
Total Deferred Tax Liabilities	(66)	(50)	(565)
Net Deferred Tax Assets (Liabilities)	**¥ (59)**	**¥ (50)**	**$ (505)**

25. Segment Information

(a) Segment Information by Type of Business

DBJ and its consolidated subsidiaries are engaged in business such as private equity investment and fund management and other activities as well as banking business. Such segment information, however, is not presented, as the percentages of those activities are insignificant.

(b) Segment Information by Geographic Area

Segment information classified by geographic area is not presented, as there are no consolidated subsidiaries and offices located in countries or areas other than Japan.

(c) Ordinary Income from Overseas Entities

Ordinary income from overseas entities is omitted because the amount is below 10 percent of the consolidated ordinary income.

26. Derivative Transactions

1. Details Related to Transactions

(a) Details of Transactions

DBJ utilizes derivative financial instruments, which comprise interest rate swaps, currency swaps, forward foreign exchange contracts and credit default swaps.

(b) Policy for Derivative Transactions

DBJ utilizes interest rate swaps, currency swaps and forward foreign exchange contracts to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates, and does not hold or issue derivative financial instruments for trading purposes. DBJ also utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business within the limit of a certain definite amount of risk.

(c) Purposes of Transaction

DBJ utilizes interest rate swaps to reduce its exposure to the risk of interest rate fluctuations associated with funding transactions, and foreign currency swaps to reduce its exposure to the risks of foreign currency exchange rate fluctuations associated with its loans and bonds denominated in foreign currencies. DBJ also utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business.

DBJ adopted the Japanese accounting standards for hedge accounting to interest rate swaps and foreign currency swaps as described below:

(i) Hedge Accounting

DBJ applies the deferral method of hedge accounting. Foreign currency swaps, which are used to hedge the foreign currency fluctuations as the foreign currency swap contracts meet the hedging criteria under the Accounting Standard for Financial Instruments, are translated not at market but at contractual rates.

(ii) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest Rate Swaps
  Hedged Items: Bonds and Notes, Borrowings, and Loans
- Hedging Instruments: Foreign Currency Swaps
  Hedged Items: Foreign currency denominated Loans and Bonds and Notes

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rate and foreign currency fluctuations of the hedged assets and liabilities.

(iv) Evaluation of Hedge Effectiveness

DBJ evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In regard to both interest rate swap contracts which meet the hedging requirements of accrual method*1 and foreign currency swap contracts which meet the hedging requirements of assignment method*2 under the Accounting Standards for Financial Instruments at the inception date, DBJ is not required to evaluate their hedge effectiveness periodically.

*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 swap are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner;

1) If a foreign currency swap is executed to hedge an 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 operations 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.

2) 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 forward foreign exchange contract are recognized.

(d) Risks Involved in Derivatives Transactions

Derivatives involve the following risks:

(i) Market Risk

Potential loss from changes in the market value of financial products due to fluctuations in interest rates or exchange rates.

(ii) Credit Risk

Potential loss from the failure of a counterparty to perform its obligations in accordance with the terms and conditions of contract governing the transactions due to the counterparty's bankruptcy or deteriorating business conditions.

With regards to derivative transactions for hedging purpose, the market risk on derivatives is offset against the hedged transactions. As for credit risk, DBJ limits the counterparty to financial institutions highly rated by the credit rating agencies, and constantly monitors the cost of restructuring its transactions and creditworthiness of each counterparty. In addition, DBJ transacts with multiple counterparties to reduce credit risk. With regards to credit derivative transactions, DBJ holds credit risk of target debt itself in the transaction.

(e) Risk Management Policies for Derivatives

The treasury department enters into and monitors derivative transactions in accordance with the internal management policy, which defines the authorization procedures, including pre-approval by authorized personnel, and limits on derivative transactions. Also, total contract amount, total amount of risk, market value, and total amount of counterparties' credit risk in the derivative transactions are reported to the directors in charge periodically.

(f) Supplementary explanation on Market Value of Derivatives

It should be noted that 'Contract Value' represents nominal contract value or notional principal amount used in determining the value of receipts or payments of interest, but this does not necessarily reflect the risks of derivative transactions themselves.

2. Information on Market Value of Derivatives

The market values of derivatives at March 31, 2007 and 2006 are as follows:

(a) Interest Rate-related Transactions

	Millions of yen			
	2007			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	¥1,863,361	¥1,813,361	¥(13,458)	¥(13,458)
Receive Float/ Pay Fixed	1,863,361	1,813,361	4,219	4,219
	¥ —	**¥ —**	**¥ (9,239)**	**¥ (9,239)**

At March 31	Millions of yen			
	2006			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps				
Receive Fixed/Pay Float	¥1,604,155	¥1,504,155	¥(44,226)	¥(44,226)
Receive Float/Pay Fixed	1,604,155	1,504,155	37,654	37,654
	¥ —	**¥ —**	**¥ (6,572)**	**¥ (6,572)**

At March 31	Thousands of U.S. dollars			
	2007			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps				
Receive Fixed/Pay Float	$15,784,507	$15,360,957	$(114,011)	$(114,011)
Receive Float/Pay Fixed	15,784,507	15,360,957	35,741	35,741
	$ —	**$ —**	**$ (78,270)**	**$ (78,270)**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations. Derivative transactions qualifying for hedge accounting are excluded from the tables above.
2. Market values for the over-the-counter transactions are based primarily on discounted present values.

(b) Currency-related Transactions

At March 31	Millions of yen			
	2007			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps	¥ —	¥—	¥—	¥—
Forwards				
Sold	¥ —	¥—	¥—	¥—
Bought	2,410	—	53	53
	¥ —	**¥—**	**¥53**	**¥53**

At March 31	Millions of yen			
	2006			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps	¥—	¥—	¥—	¥—
Forwards				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
	¥—	**¥—**	**¥—**	**¥—**

At March 31	Thousands of U.S. dollars			
	2007			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Over one year		
Over-the-Counter				
Swaps	$ —	$—	$ —	$ —
Forwards				
Sold	$ —	$—	$ —	$ —
Bought	20,418	—	450	450
	$ —	**$—**	**$450**	**$450**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations. Derivative transactions qualifying for hedge accounting are excluded from the tables above.
2. Market values for the over-the-counter transactions are based primarily on discounted present values.

(f) Credit Derivatives Transactions

At March 31	Millions of yen			
	2007			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Over one year		
Over-the-Counter				
Credit Default Swap				
Sold	¥697,877	¥697,877	¥130	¥130
Bought	579,827	579,827	130	130
	¥ —	**¥ —**	**¥261**	**¥261**

At March 31	Millions of yen			
	2006			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Over one year		
Over-the-Counter				
Credit Default Swap				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
	¥—	**¥—**	**¥—**	**¥—**

At March 31	Thousands of U.S. dollars			
	2007			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Over one year		
Over-the-Counter				
Credit Default Swap				
Sold	$5,911,714	$5,911,714	$1,109	$1,109
Bought	4,911,714	4,911,714	1,102	1,102
	$ —	**$ —**	**$2,211**	**$2,211**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Operations.
2. Market values are based on the counterparties' tendered price.
3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

27. Market Value of Securities and Money Held in Trust

Market value of Securities and Money held in Trust as of March 31, 2007 and 2006 are summarized below. The information about investments in subsidiaries and affiliates with market value is reported in the notes to non-consolidated financial statements.

1. Securities

(a) Trading Securities

Not applicable

(b) Held-to-maturity Debt Securities with market values

	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	44,280	44,458	178	282	(103)
Other	—	—	—	—	—
	¥44,280	**¥44,458**	**¥178**	**¥282**	**¥(103)**

	Millions of yen				
	2006				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	43,230	43,089	(140)	185	(326)
Other	—	—	—	—	—
	¥ 43,230	**¥43,089**	**¥(140)**	**¥185**	**¥(326)**

	Thousands of U.S. dollars				
	2007				
			Unrealized Gain (Loss)		
At March 31	Book Value	Market Value	Net	Gain	(Loss)
Japanese Government Bonds	$ —	$ —	$ —	$ —	$ —
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	375,095	376,609	1,514	2,390	(876)
Other	—	—	—	—	—
	$375,095	**$376,609**	**$1,514**	**$2,390**	**$(876)**

Note: Market value is based on the closing price at the respective fiscal year ends.

(c) Available-for-sale Securities with market values

At March 31	Millions of yen 2007 Acquisition Cost	Market/Book Value	Unrealized Gain (Loss) Net	Gain	(Loss)
Equities	¥ 18,375	¥ 31,936	¥13,561	¥13,617	¥ (55)
Bonds	128,902	128,682	(219)	282	(502)
Japanese Government Bonds	120,902	120,705	(196)	282	(479)
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	8,000	7,977	(22)	—	(22)
Other	—	—	—	—	—
	¥147,277	**¥160,619**	**¥13,341**	**¥13,899**	**¥(558)**

At March 31	Millions of yen 2006 Acquisition Cost	Market/Book Value	Unrealized Gain (Loss) Net	Gain	(Loss)
Equities	¥ 110	¥ 95	¥ (15)	¥—	¥ (15)
Bonds	194,226	192,543	(1,683)	32	(1,715)
Japanese Government Bonds	191,226	189,645	(1,580)	32	(1,613)
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	3,000	2,897	(102)	—	(102)
Other	—	—	—	—	—
	¥194,337	**¥192,638**	**¥(1,698)**	**¥32**	**¥(1,730)**

At March 31	Thousands of U.S. dollars 2007 Acquisition Cost	Market/Book Value	Unrealized Gain (Loss) Net	Gain	(Loss)
Equities	$ 155,657	$ 270,535	$114,878	$115,351	$ (473)
Bonds	1,091,929	1,090,069	(1,860)	2,396	(4,256)
Japanese Government Bonds	1,024,161	1,022,494	(1,667)	2,396	(4,063)
Japanese Local Government Bonds	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	67,768	67,575	(193)	—	(193)
Other	—	—	—	—	—
	$1,247,586	**$1,360,604**	**$113,018**	**$117,747**	**$(4,729)**

Note: Book value above represent the market values determined based on the closing price at the respective fiscal year ends.

(d) Held-to-maturity Debt Securities sold

	Millions of yen		
	2007		
For the Fiscal Year ended March 31	Cost of securities sold	Proceeds from sales	Net Gain (Loss) on sales
Corporate Bonds	¥—	¥—	¥—
	¥—	**¥—**	**¥—**

	Millions of yen		
	2006		
For the Fiscal Year ended March 31	Cost of securities sold	Proceeds from sales	Net Gain (Loss) on sales
Corporate Bonds	¥349	¥349	¥—
	¥349	**¥349**	**¥—**

	Thousands of U.S. dollars		
	2007		
For the Fiscal Year ended March 31	Cost of securities sold	Proceeds from sales	Net Gain (Loss) on sales
Corporate Bonds	$—	$—	$—
	$—	**$—**	**$—**

(e) Available-for-sale Securities sold

	Millions of yen		
	2007		
For the Fiscal Year ended March 31	Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	¥4,372	¥1,543	¥34
	¥4,372	**¥1,543**	**¥34**

	Millions of yen		
	2006		
For the Fiscal Year ended March 31	Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	¥13,096	¥2,982	¥3
	¥13,096	**¥2,982**	**¥3**

	Thousands of U.S. dollars		
	2007		
For the Fiscal Year ended March 31	Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	$37,042	$13,072	$295
	$37,042	**$13,072**	**$295**

(f) Held-to-maturity Debt Securities and Available-for-sale Securities whose market values are not readily determinable

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Held-to-maturity Debt Securities			
Unlisted Corporate Bonds	¥ 15,620	¥ 783	$ 132,324
Available-for-sale Securities			
Unlisted Equities	91,430	139,495	774,511
Unlisted Corporate Bonds	21,496	—	182,095
Other	98,344	56,873	833,078
	¥226,890	**¥197,152**	**$1,922,008**

(g) Change in Classification of Securities

Not applicable

(h) Redemption Schedule of Available-for-sale Securities with maturities and Held-to-maturity Debt Securities

	Millions of yen			
	2007			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	¥43,181	¥93,062	¥69,859	¥4,000
Japanese Government Bonds	19,995	50,575	50,134	—
Japanese Local Government Bonds	—	—	—	—
Short-term Corporate Bonds	2,996	—	—	—
Corporate Bonds	20,189	42,486	19,724	4,000
Other	—	—	—	—
	¥43,181	**¥93,062**	**¥69,859**	**¥4,000**

	Millions of yen			
	2006			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	¥ 99,154	¥80,340	¥54,165	¥2,897
Japanese Government Bonds	90,120	50,360	49,165	—
Japanese Local Government Bonds	—	—	—	—
Short-term Corporate Bonds	—	—	—	—
Corporate Bonds	9,033	29,980	5,000	2,897
Other	2,049	—	—	—
	¥101,203	**¥80,340**	**¥54,165**	**¥2,897**

	Thousands of U.S. dollars			
	2007			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	$365,789	$788,327	$591,778	$33,884
Japanese Government Bonds	169,382	428,424	424,689	—
Japanese Local Government Bonds	—	—	—	—
Short-term Corporate Bonds	25,382	—	—	—
Corporate Bonds	171,025	359,903	167,089	33,884
Other	—	—	—	—
	$365,789	**$788,327**	**$591,778**	**$33,884**

2. Money Held in Trust

There is no Money Held in Trust held for the purpose of investment or held to maturity. Market value of Other Money Held in Trust (Money Held in Trust other than that stated above) is summarized below:

	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	¥90,836	¥90,805	¥(31)	¥58	¥(90)

	Millions of yen				
	2006				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	¥28,422	¥28,422	¥—	¥—	¥—

	Thousands of U.S. dollars				
	2007				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	$769,478	$769,212	$(266)	$498	$(764)

3. Net Unrealized Gain on Available-for-sale Securities

The breakdown of net unrealized gain on Available-for-sale Securities is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Net Unrealized Gain			
Available-for-sale Securities	¥21,696	¥3,453	$183,788
Other Money Held in Trust	(62)	—	(524)
Add: Deferred Tax Assets			
(Less: Deferred Tax Liabilities)	(66)	(29)	(565)
	¥21,566	¥3,423	$182,689
Amount corresponding to Minority Interests	(26)	(8)	(226)
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes	¥21,539	¥3,415	$182,463

Note: Net unrealized gain included foreign currency translation adjustments on non-marketable securities denominated in foreign currencies.

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Report of Independent Auditors

To the Governor of
Development Bank of Japan

We have audited the accompanying non-consolidated balance sheets of Development Bank of Japan as of March 31, 2007 and 2006, and the related non-consolidated statements of operations, changes in net assets for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Development Bank of Japan and its subsidiaries as of March 31, 2007 and 2006, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

Misuzu Audit Corporation
Tokyo, Japan
June 26, 2007

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Assets			
Cash and Due from banks	¥ 34,110	¥ 27,804	$ 288,953
Reverse Repurchase Agreements (Note 3(3))	223,829	150,003	1,896,059
Money Held in Trust	27,836	28,422	235,805
Securities (Notes 3 and 10)	366,469	429,587	3,104,358
Loans (Note 4)	12,146,462	12,873,226	102,892,524
Other Assets (Note 5)	53,740	203,545	455,234
Tangible Fixed Assets (Note 6)	35,763	36,161	302,955
Intangible Fixed Assets (Note 6)	0	1	6
Deferred Charges on Bonds and Notes	—	2,610	—
Customers' Liabilities for Acceptances and Guarantees	334,965	161,567	2,837,486
Allowance for Loan Losses (Note 7)	(146,742)	(199,702)	(1,243,050)
Allowance for Investment Losses	(2,456)	(31,111)	(20,811)
Total Assets	**¥13,073,980**	**¥13,682,117**	**$110,749,518**

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Liabilities and Net Assets			
Liabilities			
Bonds and Notes	¥ 2,671,644	¥ 2,261,799	$ 22,631,468
Borrowings	7,862,935	9,004,474	66,606,826
Other Liabilities (Note 8)	191,683	211,045	1,623,746
Allowance for Bonus Payments	1,617	1,658	13,703
Allowance for Employee Retirement Benefits	29,558	30,887	250,386
Acceptances and Guarantees (Note 9)	334,965	161,567	2,837,486
Total Liabilities	**¥11,092,404**	**¥11,671,432**	**$ 93,963,615**
Net Assets			
Capital	¥ 1,272,286	¥ 1,272,286	$ 10,777,518
Retained Earnings (Note 11)	810,163	734,997	6,862,883
Other Retained Earnings	810,163	734,997	6,862,883
Statutory Reserve	1,076,594	1,068,918	9,119,816
Accumulated Deficit	(266,430)	(333,921)	(2,256,933)
Total Equity	**¥ 2,082,449**	**¥ 2,007,283**	**$ 17,640,401**
Net Unrealized Gain on Available-for-sale Securities	¥ 21,493	¥ 3,401	$ 182,072
Net Deferred Hedge Losses on hedges (Note 5)	(122,367)	—	(1,036,570)
Total Revaluation and Translation Adjustments	**(100,873)**	**3,401**	**(854,498)**
Total Net Assets	**¥ 1,981,575**	**¥ 2,010,684**	**$ 16,785,903**
Total Liabilities and Net Assets	**¥13,073,980**	**¥13,682,117**	**$110,749,518**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Operations

	Millions of yen		Thousands of U.S. dollars
For the Fiscal Years ended March 31	2007	2006	2007
Revenue			
Interest Income	¥329,710	¥367,824	$2,792,976
Interest on Loans	326,472	365,949	2,765,547
Interest and Dividends on Securities	2,449	1,864	20,751
Interest on Reverse Repurchase Agreements	707	6	5,992
Interest on Due from banks	80	4	679
Other Interest Income	0	0	7
Fees and Commissions (Note 12)	3,405	2,430	28,849
Other Operating Income (Note 13)	—	4	—
Other Ordinary Income (Note 14)	59,989	33,277	508,175
Collection of Written-off Claims	5,875	7,414	49,769
Gains on Sales of Fixed Assets	0	653	2
Total Revenue	**¥398,982**	**¥411,604**	**$3,379,771**
Expenses			
Interest Expense	¥236,720	¥271,421	$2,005,256
Interest on Bonds and Notes	33,973	30,920	287,792
Interest on Borrowings	179,674	221,070	1,522,017
Interest on Swaps (net)	23,067	19,383	195,407
Other Interest Expense	4	47	40
Fees and Commissions (Note 15)	65	54	554
Other Operating Expenses (Note 16)	2,025	1,737	17,155
General and Administrative Expenses	25,015	25,602	211,902
Other Ordinary Expenses (Note 17)	59,933	19,758	507,695
Losses on Impairment of Fixed Assets (Note 18)	—	337	—
Losses on Sales of Fixed Assets	56	12	478
Total Expenses	**¥323,815**	**¥318,924**	**$2,743,041**
Net Earnings	**¥ 75,166**	**¥ 92,679**	**$ 636,730**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Changes in Net Assets

	Millions of yen							
	Equity				Revaluation and translation adjustments			
		Retained Earnings						
For the Fiscal Year ended March 31, 2006	Capital	Statutory Reserve	Accumulated Deficit	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities	Net Deferred Hedge Losses on hedges	Total Revaluation and Translation Adjustments	Total Net Assets
Balance at March 31, 2005	**¥1,215,461**	**¥1,027,021**	**¥(374,067)**	**¥1,868,415**	**¥ 6,662**	**¥—**	**¥ 6,662**	**¥1,875,077**
Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11)	—	41,896	(41,896)	—	—	—	—	—
Net Earnings	—	—	92,679	92,679	—	—	—	92,679
Net Changes in Items other than Equity	56,825	—	(10,636)	46,189	(3,261)	—	(3,261)	42,928
Balance at March 31, 2006	**¥1,272,286**	**¥1,068,918**	**¥(333,921)**	**¥2,007,283**	**¥ 3,401**	**¥—**	**¥ 3,401**	**¥2,010,684**

	Millions of yen							
	Equity				Revaluation and translation adjustments			
		Retained Earnings						
For the Fiscal Year ended March 31, 2007	Capital	Statutory Reserve	Accumulated Deficit	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities	Net Deferred Hedge Losses on hedges	Total Revaluation and Translation Adjustments	Total Net Assets
Balance at March 31, 2006	**¥1,272,286**	**¥1,068,918**	**¥(333,921)**	**¥2,007,283**	**¥ 3,401**	**¥ —**	**¥ 3,401**	**¥2,010,684**
Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11)	—	7,675	(7,675)	—	—	—	—	—
Net Earnings	—	—	75,166	75,166	—	—	—	75,166
Net Changes in Items other than Equity	—	—	—	—	18,092	(122,367)	(104,275)	(104,274)
Balance at March 31, 2007	**¥1,272,286**	**¥1,076,594**	**¥(266,430)**	**¥2,082,449**	**¥21,493**	**¥(122,367)**	**¥(100,873)**	**¥1,981,575**

	Thousands of U.S. dollars							
	Equity				Revaluation and translation adjustments			
		Retained Earnings						
For the Fiscal Year ended March 31, 2007	Capital	Statutory Reserve	Accumulated Deficit	Total Equity	Net Unrealized Gain (Loss) on Available-for-sale Securities	Net Deferred Hedge Losses on hedges	Total Revaluation and Translation Adjustments	Total Net Assets
Balance at March 31, 2006	**$10,777,518**	**$9,054,794**	**$(2,828,642)**	**$17,003,670**	**$ 28,811**	**$ —**	**$ 28,811**	**$17,032,481**
Transfer from net earnings accounted under the DBJ Law to Statutory Reserve (Note 11)	—	65,022	(65,022)	—	—	—	—	—
Net Earnings	—	—	636,730	636,730	—	—	—	636,730
Net Changes in Items other than Equity	—	—	—	—	153,262	(1,036,570)	(883,308)	(883,308)
Balance at March 31, 2007	**$10,777,518**	**$9,119,816**	**$(2,256,933)**	**$17,640,401**	**$182,072**	**$(1,036,570)**	**$(854,498)**	**$16,785,903**

Accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

The accompanying financial statements have been prepared from the accounts maintained by Development Bank of Japan ("DBJ") in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥118.05=$1.00, the effective exchange rate prevailing as of March 31, 2007, 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) Securities

Held-to-maturity debt securities are stated at amortized cost, on a straight-line basis, computed using the weighted average method. Investments in subsidiaries are stated at cost computed 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), and other securities without market quotations are stated at cost or amortized cost computed using the weighted average method. Investments in limited partnerships and other similar partnerships are accounted for at the net amounts of DBJ's underlying interests in their net earnings based on their most recent financial statements.

Unrealized gains and losses on available-for-sale securities are included in net assets.

Securities which are held as trust assets in Money Held in Trust accounts are valued in the same way as securities above.

Effective in the fiscal year ended March 31, 2006, DBJ applied the accounting treatment for other compound instruments which do not have the ability to increase paid-in capital (Guidelines on Implementation of Business Accounting Standard No. 12 issued by the Accounting Standards Board of Japan on March 30, 2006).

(b) 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.

(c) Hedge Accounting

(i) Hedge Accounting

DBJ applies the deferral method of hedge accounting. Foreign currency swaps, which are used to hedge the foreign currency fluctuations are translated not at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(ii) Hedging Instruments and Hedged Items

- Hedging Instruments: Interest Rate Swaps
  Hedged Items: Bonds and Notes, Borrowings, and Loans
- Hedging Instruments: Foreign Currency Swaps
  Hedged Items: Foreign currency denominated Loans and Bonds and Notes

(iii) Hedging Policy

DBJ utilizes hedging instruments to hedge interest rate and foreign currency fluctuations on its assets and liabilities within the outstanding asset and liability amounts.

(iv) Evaluation of Hedge Effectiveness

DBJ evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

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

*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 swap are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1) If a foreign currency swaps is executed to hedge an existing foreign currency asset or liability, 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 operations 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.
2) 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 forward foreign exchange contract are recognized.

(d) Fixed Assets

(i) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis.

The estimated useful lives are principally as follows:

Buildings:	22 years to 50 years
Equipment:	3 years to 20 years

(ii) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method.

(iii) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued “the Accounting Standard for Impairment of Fixed Assets”. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses shall be recognized in the statement of operations by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

DBJ has applied this standard from the fiscal year beginning April 1, 2005. In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law for long term credit banks and the accumulated impairment losses are also deducted from the book value of each asset.

(e) Amortization of deferred charges

“Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” and “Premium on Bonds and Notes”, included in “Other Assets” on non-consolidated balance sheets respectively are amortized under the straight-line method over the term of bonds and notes, and “Bonds and Notes Issuance Costs” are charged to income as incurred.

Although, the new standard, “Tentative Solution on Accounting for Deferred Assets” (ASBJ Report No. 19, August 11, 2006), is effective from the year ended March 31, 2007, discounts and premium on bonds and notes as of March 31, 2007 are amortized under the straight-line method over the term of the bonds and notes continuously by applying the tentative measure stipulated in this standard.

In accordance with the partial revision of “Accounting Standards for Financial Instruments” (the Business Accounting Deliberation Council, January 22, 1999) as of August 11, 2006(ASBJ Statement No. 10) and the application effective from the fiscal year and interim period ending upon or after the public announcement of such, DBJ adopted the revised accounting standard commencing in this fiscal year, and “Bonds and Notes” were stated at amortized cost (straight line method). As a result, “Discounts on Bonds and Notes”, accounted as “Deferred Charges on Bonds and Notes” decreased ¥3,951 million ($33,475 thousand), and “Premium on Bonds and Notes”, included in “Other Assets” decreased ¥1,632 million ($13,828 thousand), and “Bonds and Notes” increased and decreased such amounts.

(f) Foreign currency translation and revaluation method

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rates prevailing at the fiscal year end.

(g) Allowance for Loan Losses

DBJ 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 collected through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but likely to become bankrupt for which future cash flows cannot reasonably be estimated, 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 collected 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 for based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Risk Management Department, which is independent from the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided 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, have been written-off, and totaled ¥56,267 million ($476,643 thousand) and ¥95,546 million for the years ended March 31, 2007 and 2006, respectively.

The allowance for claims on debtors other than those described above was previously provided for using the estimated probability of default. From the March 31, 2007 fiscal year, the default rate is used to provide for the allowance, which is calculated based on the actual value of default experiences of the company. The calculation method has been changed because the historical data of actual default loans value have been accumulated.

As a result of this change, net earnings increased by ¥18,900 million ($160,103 thousand).

(h) Allowance for Investment Losses

“Allowance for Investment Losses” is provided for based on the estimated losses on investments.

(i) Allowance for Bonus Payments

“Allowance for Bonus Payments” is calculated and provided for based on the estimated amounts of future payment attributable to the services that have been rendered by employees and executive directors to the date of the balance sheets.

(j) Allowance for Employee Retirement Benefits

“Allowance for Employee Retirement Benefits” represents future payments for pension and retirement benefits to employees and executive directors, and is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. The actuarial gain or loss is recognized during the year it arises.

(k) Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those in which the ownership of leased equipment is substantially transferred to the lessee, in which case the equipment is capitalized.

(l) Consumption tax

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

(m) Income taxes

DBJ is exempt from taxes based on income, however, DBJ is subject to parity taxes among local taxes.

(n) Change of Accounting Policy

Effective from the year ended March 31, 2007, DBJ has applied “Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5)”, and “Implementaion guidance for Accounting standards for presentation of net assets in the balance sheet (Accounting Standards of Japan Guidance No.8)” both issued by the Accounting Standard Board of Japan on December 9, 2005.

The amounts corresponding to the conventional “Equity” in the non-consolidated balance sheet is ¥2,103,942 million ($17,822,473 thousand). DBJ presented its net assets in the non-consolidated balance sheet using the new standard as of March 31, 2006, retrospectively.

Furthermore, “Minority Interests” previously presented on the non-consolidated balance sheet between the liabilities section and the equity section is presented in “Net Assets”.

Additionally, the non-consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 are presented under the new standard, retrospectively.

3. Securities

Securities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Japanese Government Bonds	¥120,705	¥189,645	$1,022,495
Corporate Bonds	61,753	46,911	523,111
Equities	97,804	142,553	828,498
Other securities	86,206	50,477	730,254
	¥366,469	**¥429,587**	**$3,104,358**

Notes: 1. Investments in subsidiaries and affiliates included in “Equities” as of March 31, 2007 and 2006 are ¥23,809 million ($201,693 thousand) and ¥7,612 million, respectively.

2. Contingent liabilities for guarantees on corporate bonds, included in securities, which were issued by private placement (Article 2 Paragraph 3 of the Securities and Exchange Law) amounted to ¥130 million ($1,101 thousand) as of March 31, 2007.

3. There are no securities repledged as of March 31, 2007 and 2006 respectively, although securities accepted under repurchase agreements can be sold or repledged, securities neither sold nor repledged are ¥223, 829 million ($1,896,058 thousand) and ¥150,003 million, respectively.

4. Non-performing Loans

The amounts of Non-Performing Loans included in “Loans” on the non-consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Loans to Bankrupt Debtors	¥ 7,562	¥ 4,313	$ 64,064
Delinquent Loans	64,065	111,720	542,696
Loans Past Due Three Months or More	28	—	237
Restructured Loans	73,624	89,301	623,672
	¥145,280	**¥205,335**	**$1,230,669**

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of 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 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”.

DBJ provides commitment lines under which it lends, upon the borrowers' request, necessary funds up to the pre-determined amount that is within the borrowers' financing needs for the projects and up to the agreed maximum amount, provided that their requests meet terms and conditions for disbursement prescribed in the loan agreements. The total balance of unused commitment lines as of March 31, 2007 and 2006 are ¥331,113 million ($2,804,862 thousand), including ¥97,695 million ($827,578 thousand) being financed within one year and ¥214,022 million, including ¥53,636 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2007 and 2006 are as follows:

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Prepaid Expenses	¥ 92	¥ 99	$ 781
Accrued Income	48,610	52,155	411,777
Derivatives	3,316	3,083	28,095
Deferred Hedge Losses	—	146,698	—
Guarantee Deposits	382	380	3,242
Other	1,338	1,127	11,339
	¥53,740	**¥203,545**	**$455,234**

Notes: 1. Deferred Hedge Losses are net unrealized losses from hedging instruments. The gross amounts of deferred hedge gains and losses before netting are ¥10,138 million and ¥156,837 million as of March 31, 2006, respectively.
2. From the year ended March 31, 2007, Deferred Hedge Losses are reclassified to "Net Assets".
3. From the year ended March 31, 2007, Guarantee Deposits are reclassified from "Premises and Equipment" to "Other Assets". Guarantee Deposits as of March 31, 2006 is presented using the new presentation standard, retrospectively.

6. Fixed Assets

Tangible Fixed Assets and Intangible Fixed Assets as of March 31, 2007 and 2006 are as follows:

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Tangible Fixed Assets			
Land	¥20,386	¥20,386	$172,695
Buildings	33,809	33,802	286,400
Equipment	1,915	1,970	16,223
Construction in Progress	—	—	—
	¥56,111	**¥56,159**	**$475,318**
Less—Accumulated Depreciation	(20,347)	(19,997)	(172,363)
Net Book Value	**¥35,763**	**¥36,161**	**$302,955**
Intangible Fixed Assets			
Other	11	11	96
	¥ 11	¥ 11	$ 96
Less—Accumulated Amortization	(10)	(10)	(90)
Net Book Value	**¥ 0**	**¥ 1**	**$ 6**

Notes: From the year ended March 31, 2007, Premises and Equipment are reclassified to Tangible and Intangible Fixed Assets. Tangible Assets and Intangible Fixed Assets as of March 31, 2006 are presented using the new presentation standard, retrospectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
General Allowance for Loan Losses	¥ 97,049	¥120,170	$ 822,107
Specific Allowance for Loan Losses	49,692	79,532	420,943
	¥146,742	**¥199,702**	**$1,243,050**

8. Other Liabilities

Other Liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Accrued Expenses	¥ 33,346	¥ 33,042	$ 282,482
Unearned Income	17,913	19,008	151,747
Deposits from Employees	153	150	1,300
Derivatives	133,847	156,590	1,133,820
Other	6,421	2,253	54,397
	¥191,683	**¥211,045**	**$1,623,746**

9. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Guarantees	¥334,965	¥161,567	$2,837,486
	¥334,965	**¥161,567**	**$2,837,486**

10. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥120,705 million ($1,022,494 thousand) as of March 31, 2007 and ¥119,652 million as of March 31, 2006, respectively.

11. Retained Earnings

A portion of net earnings calculated pursuant to Article 4 of the Development Bank of Japan Law ("DBJ Law") was appropriated to provision of Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law. Unappropriated Accumulated deficit, losses carryforwards to the following fiscal years, are the amounts which are not appropriated under the DBJ Law for each fiscal year.

12. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Commissions	¥3,405	¥2,430	$28,849
	¥3,405	**¥2,430**	**$28,849**

13. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2007 and 2006 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Foreign Exchange Gains	¥—	¥4	$—
	¥—	**¥4**	**$—**

14. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2007 and 2006 is as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Reversal of Allowance for Loan Losses	¥47,017	¥17,699	$398,283
Reversal of Allowance for Investment Losses	330	—	2,801
Gains on Sales of Equities and Other Securities	776	2,718	6,576
Gains on Money Held in Trust	1,350	966	11,437
Other	10,515	11,892	89,078
	¥59,989	**¥33,277**	**$508,175**

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2007 and 2006 is as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Wire Transfer Service Charges	¥ 5	¥ 5	$ 49
Commissions	59	49	505
	¥65	**¥54**	**$554**

16. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2007 and 2006 is as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Foreign Exchange Losses	¥ 116	¥ 3	$ 983
Bonds and Notes Issuance Costs	1,521	777	12,887
Losses on derivative instruments	30	687	261
Other	356	268	3,024
	¥2,025	**¥1,737**	**$17,155**

17. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Provision for Investment Losses	¥ —	¥10,710	$ —
Write-off of Loans	2,982	5,350	25,263
Losses on Sales of Equities and Other Securities	1	—	9
Write-off of Equities	47,713	1,568	404,179
Losses on Money Held in Trust	0	0	8
Other	9,235	2,127	78,236
	¥59,933	**¥19,758**	**$507,695**

18. Losses on Impairment of Fixed Assets

Losses on Impairment of Fixed Assets for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2007	2006	2007
Losses on Impairment of Fixed Assets	¥—	¥337	$—
	¥—	**¥337**	**$—**

The differences between the recoverable amount and the book value of the following assets were recognized as Losses on Impairment of Fixed Assets in the fiscal year ended March 31, 2006

Principal purpose of use	Type	Area	Losses (Millions of yen)
Idle assets	Land and premises, etc.	Nagano prefecture	¥ 4
		Kanagawa prefecture	332

DBJ recognize Losses on Impairment of Fixed Assets for idle assets. For the purpose of identifying impaired assets in such cases, the individual asset is assessed as a unit. The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the appraisal value less estimated cost of disposal.

19. Lease Transactions

(a) Finance Lease Transactions

(Excluding leases where the ownership of the property is substantially transferred to the lessee)

	Millions of yen					
	2007			2006		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥ 716	¥ 273	¥ 990	¥ 765	¥ 273	¥1,039
Less—Accumulated Depreciation Equivalents	(427)	(149)	(576)	(361)	(126)	(487)
Book Value Equivalents	**¥ 289**	**¥ 124**	**¥ 413**	**¥ 404**	**¥ 147**	**¥ 551**

	Thousands of U.S. dollars		
	2007		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$ 6,071	$ 2,316	$ 8,387
Less—Accumulated Depreciation Equivalents	(3,622)	(1,264)	(4,886)
Book Value Equivalents	**$ 2,449**	**$ 1,052**	**$ 3,501**

Future lease payments subsequent to the end of the fiscal year for finance leases (including the interest portion thereon) are summarized below:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Due in One Year or Less	¥212	¥224	$1,803
Due after One Year	206	332	1,751
	¥419	**¥557**	**$3,554**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2007 amount to ¥243 million ($2,061 thousand), ¥235 million ($1,992 thousand) and ¥8 million ($69 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2006 are ¥303 million, ¥293 million and ¥10 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and the residual value at the end of the lease term is zero.
2. Interest expenses are defined as the difference between total lease payments and acquisition equivalents, which are allocated over the lease term using the effective interest method.

(b) Operating Lease Transactions

DBJ has no future lease payments subsequent to the end of fiscal year for operating lease transactions as of March 31, 2007 and 2006.

20. Market Value of Securities

Market value of Securities, excluding investments in subsidiaries and affiliates, is reported in the notes to consolidated financial statements. DBJ holds no investments in subsidiaries with market value as of March 31, 2007 and 2006.

V. Capital Adequacy Status

Capital adequacy ratios were calculated in accordance with the guidelines stipulated by Article 14-2 of the Banking Law of Japan (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 both to uniform international standards.

As of this disclosure (July 2007), DBJ has not yet applied Article 14-2 of the Banking Law 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 the Bank 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)

Settlement of the consolidated accounts for the 8th business term.

Qualitative Disclosure

1. Scope of Consolidation	The DBJ’s consolidated capital adequacy ratio is calculated for the corporate group, as stipulated in Article 3 and Article 26 of the Capital Adequacy Ratio Notification (hereinafter, the “Consolidated Group”). For companies that belong to the Consolidated Group, no differences exist in the wording of the consolidated financial statements or regulations pertaining to shares and preparation methods (Ministry of Finance Directive No. 28 of 1976 (hereinafter, the “Consolidated Financial Statement Regulations”) of companies included in the scope of consolidation. The Consolidated Group has nine consolidated subsidiaries, including New Business Investment Co., Ltd., (invests in unlisted venture companies) and DBJ Credit Line Ltd. (acquires beneficial interests in trust, operates and directs trusts on a commissioned basis, etc.). No affiliated companies conduct financial business to which Article 9 or Article 32 of the Capital Adequacy Ratio Notification applies; no companies are subject to exclusion items under Item 2 (a) to (c), Paragraph 1, Article 8, of this Notification; and no companies conduct business in accordance with Item 11, Paragraph 1, Article 16-2 of the Banking Law of Japan (Law No. 59 of 1981, hereinafter, the “Law”) or in accordance with Item 12 of this Paragraph that do not belong to the Consolidated Group. No companies in the Consolidated Group are undercapitalized, and at the present no particular restrictions are in place to limit the movement of assets or capital.
2. Overview of Fund-Raising Methods	All capital is funded by the government of Japan
3. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Consolidated Group	Regarding the degree of capital adequacy, the Consolidate Group 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 the Consolidated Group to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions.
4. Credit Risk	(a) Overview of Risk Management Policies and Procedures Credit risk refers to the risk of loss to the Bank 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 (UL), 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. The Bank periodically compares UL and capital to measure the amount of capital in surplus. (b) Rating Agencies Eligible to Weight Risks The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the 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).
5. Overview of Risk Management Policies and Procedures for Reducing Credit Risk	In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation. 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 the Bank is aware of the current status of its collateral property.

6. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties in Derivative Product Transactions and Transactions with Long Settlement Periods	The Bank 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.
7. Securitization Exposure	(a) Overview of Risk Management Policies and Procedures Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized 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 specialized lending. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically. The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. (b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations. (c) Method of Accounting for Securitization Transactions Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds. (d) Rating Agencies Eligible to Weight Risks by Type of Securitization 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 investment type. 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).
8. Market Risk	In accordance with Article 4 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable.
9. Operational risk	(a) Overview of Risk Management Policies and Procedures DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing. The Bank 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 and tangible asset risk. The Bank 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, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks. (b) Method Used to Calculate Operational Risk Equivalent Amount The Bank uses the basic indicator approach to calculate these risks.
10. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book	The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or 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, the Bank regularly conducts performance evaluations on its exposure.

11. Interest Rate Risk on the Banking Book

(a) Overview of Risk Management Policies and Procedures

Long-term, fixed-rate funding makes up the majority of the DBJ's borrowings, and the Bank seeks to minimize its interest rate risk by raising funds featuring similarly long-term, fixed rates. We measure interest rate risk by simulating future profit-and-loss distributions due to potential interest rate fluctuations on earnings at risk (EaR). We also employ 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).

We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital.

(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book

The Bank calculates interest rate risk based on the following viewpoints.

<Economic Value Viewpoints>

(i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.0% 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

((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.)

<Profit and Loss Viewpoint>

EaR: After setting such parameters as the future asset and liability composition, measure profits and losses over a specific period assuming future interest rate fluctuations

Quantitative Disclosure

1. Of companies covered under the deductions from capital provided by Article 8, Paragraph 1, Item 2 (a) to (c) or by Article 31, Paragraph 1, Item 2 (a) to (c) of the Capital Adequacy Ratio Notification, names of companies that fall below legislatively required capital adequacy and the total amount by which they fail to meet the required capital adequacy.

Not applicable

2. Items Constituting Capital Adequacy

(Millions of yen)

	March 31, 2007	March 31, 2006
Minority interests	4,208	4,103
Capital	1,272,286	1,272,286
Retained earnings	809,898	734,637
Other	(2,563)	—
Total Tier I capital	2,083,829	2,011,027
Total of Tier II stipulated in Article 6 and Article 30 of the Capital Adequacy Ratio Notification, and Tier III stipulated in Article 7 and Article 30 of this same Notification	106,668	
Total of deductions from capital stipulated in Article 8 and Article 30 of the Capital Adequacy Ratio Notification	18,897 (The amount for deductions from capital includes all "capital deductions for securitization exposure" stipulated in Item 1, Article 247, of this Notification)	

3. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2007	March 31, 2006
(a) Capital requirement to total credit risk	923,356	
(1) Exposure by portfolio to which standardized approach applied	859,455	
(i) Japanese government and regional municipal entities	0	
(ii) Exposure to financial institutions	11,872	
(iii) Exposure to corporations	712,046	
(iv) Equity exposure	130,619	
(v) Other exposure	4,917	
(2) Securitization risk exposure	63,901	
(b) Capital requirement to market risk	—	
(c) Capital requirement to operational risk	14,975	
(d) Consolidated total capital requirement ((a) + (b) + (c))	938,331	
(e) Consolidated capital ratio and consolidated Tier I ratio	Capital ratio 18.90%	
	Tier I ratio 18.13%	

4. 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, 2007	March 31, 2006
Loans	11,884,802	
Equities	238,364	
Commitments and customers' liabilities for acceptances and guarantees	560,065	
Bonds (JGBs and publicly offered bonds)	225,676	
Other	417,196	
Total	13,326,104	

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

(1) By region

(Millions of yen)

	March 31, 2007	March 31, 2006
Domestic total	13,294,157	
Overseas total	31,947	

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2007	March 31, 2006
Manufacturing	2,430,120	
Forestry and fisheries	1,570	
Mining	29,079	
Construction	18,672	
Wholesale and retail	614,060	
Finance and insurance	753,473	
Real estate	1,084,019	
Transportation and communications	4,544,855	
Electrical, gas and water	2,515,177	
Services	1,009,150	
Other	325,924	

(3) Breakdown by period to maturity (Millions of yen)

	March 31, 2007	March 31, 2006
Five years or less	2,913,063	
More than five years, up to 10	4,962,861	
More than 10 years, up to 15	3,431,991	
More than 15 years	1,395,425	
No maturity date	622,763	

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

	March 31, 2007	March 31, 2006
Risk weight 0%	122,473	
Risk weight 20%	3,062,781	
Risk weight 50%	1,966,766	
Risk weight 100%	7,255,393	
Risk weight 150%	503,809	
Risk weight, other	418,879	
Capital deductions	18,897	

5. 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, 2007	March 31, 2006
Eligible financial collaterals	218,389	
Guarantees or credit derivatives	1,908,266	

6. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods (Millions of yen)

	March 31, 2007	March 31, 2006
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	85,697	
Equivalent credit amount before accounting for effect of credit risk mitigations using collateral	Interest rate transactions 47,611 Foreign exchange transactions 25,673 Reducing credit equivalent amounts through netting 33,010	
Hypothetical holdings of credit derivatives for calculated credit equivalent amount	Credit default swaps 697,777	
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	732,777	

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

7. 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, 2007	March 31, 2006
Project finance	114,568	
Loans for commercial real estate	164,092	
Other (loans, etc.)	727,604	

Note: Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

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

	March 31, 2007		March 31, 2006
Risk weight 20% or less	Balance	706,777	
	Capital requirement	11,308	
Risk weight 20% up to 100%	Balance	268,510	
	Capital requirement	20,531	
Risk weight of more than 100%	Balance	30,975	
	Capital requirement	13,164	

Note: When applying to securitization exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification, risk weight was calculated for each exposure item as stipulated by the transitional measures.

(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, 2007	March 31, 2006
Project finance	4,770	
Loans for commercial real estate	14,127	

(4) 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, 2007	March 31, 2006
Credit risks and assets	88,083	

8. Items Related to Market Risk

The Bank falls into the category indicated in Article 4 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount indicated in Article 2 was not performed, and this item does not apply.

9. Items Related to Shares and Other Equity Investments and Capital Injections into the Banking Book

(Millions of yen)

	March 31, 2007	March 31, 2006
(a) Market value of below-listed items as included within categories in the consolidated balance sheets.		
(1) Exposure to listed shares	28,670	
Exposure to other equity investments and capital injections	317,486	
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	89,383	
(b) Gains or losses on the sale of equity investments or shares	1,509	
Gain or loss on amortization of exposure on equity investments or shares	47,713	
(c) Gains or losses from valuation recognized on the consolidated balance sheets but not recognized on the consolidated statements of income statements	21,539	

Notes: 1. The Group has no overseas sales locations.
2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification applies.

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

As the Bank employs the standardised approach for calculating credit risk, this item does not apply.

11. Interest Rate Risk in the Banking Book

	March 31, 2007	March 31, 2006
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 ¥89.4 billion	

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

Settlement of the non-consolidated accounts for the 8th business term.

Qualitative Disclosure

1. Overview of Fund-Raising Methods	All capital is funded by the government of Japan
2. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Bank	Regarding the degree of capital adequacy, the Bank 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 the Bank to respond to unquantifiable risks and unforeseen events, decide whether to take new financing risks and establish the operating directions.
3. Credit Risk	(a) Overview of Risk Management Policies and Procedures Credit risk refers to the risk of loss to the Bank 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 (UL), 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. The Bank periodically compares UL and capital to measure the amount of capital in surplus. (b) Rating Agencies Eligible to Weight Risks The rating agencies that the Bank uses for weighting risk are among the four that the FSA has named eligible to perform such weighting. Rating agency eligibility is not selected depending on the 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).
4. Overview of Risk Management Policies and Procedures for Reducing Credit Risk	In principal, credit extended by the Bank requires collateral. If collateral is required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation. 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 the Bank is aware of the current status of its collateral property.
5. Overview of Risk Management Policies and Procedures Related to Risk Involving Counter-parties in Derivative Product Transactions and Transactions with Long Settlement Periods	The Bank 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	(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. The Bank conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, the Bank reviews these ratings periodically. The Bank's involvement in securitized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. (b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure DBJ employs the standardized approach for these calculations. (c) Method of Accounting for Securitization Transactions Securitized transactions are recognized from an accounting standpoint at the time of inflows or outflows of cash, such as when selling assets or raising funds. (d) Rating Agencies Eligible to Weight Risks by Type of Securitization 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 investment type. 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).

7. Market Risk	In accordance with Article 16 of the Capital Adequacy Ratio Notification, the Bank includes in its calculation method no market risk equivalent amount. Consequently, this topic is not applicable.
8. Operational risk	(a) Overview of Risk Management Policies and Procedures DBJ defines operational risk as the risk of loss arising from internal processes, people or systems that are inappropriate or non-functioning, or from extrinsic events. DBJ works to ensure its risk management preparedness to prevent potential risks from materializing. The Bank 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 and tangible asset risk. The Bank 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, the Bank addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks. (b) Method Used to Calculate Operational Risk Equivalent Amount The Bank uses the basic indicator approach to calculate these risks.
9. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections into the Banking Book	The Bank defines investment risk as its risk of sustaining a partial or total loss on the value of an investment, owing to such factors as the worsening of an investee's profitability or 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, the Bank regularly conducts performance evaluations on its exposure.
10. Interest Rate Risk on the Banking Book	(a) Overview of Risk Management Policies and Procedures Long-term, fixed-rate funding makes up the majority of the DBJ's borrowings, and the Bank seeks to minimize its interest rate risk by raising funds featuring similarly long-term, fixed rates. We measure interest rate risk by simulating future profit-and-loss distributions due to potential interest rate fluctuations on earnings at risk (EaR). We also employ 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). We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital. (b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book The Bank calculates interest rate risk based on the following viewpoints. <Economic Value Viewpoints> (i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.0% 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 ((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.) <Profit and Loss Viewpoint> EaR: After setting such parameters as the future asset and liability composition, measure profits and losses over a specific period assuming future interest rate fluctuations

Quantitative Disclosure

1. Items Constituting Capital Adequacy

(Millions of yen)

	March 31, 2007	March 31, 2006
Capital	1,272,286	1,272,286
Other retained earnings	810,163	—
Other	(2,563)	734,997
Total Tier I capital	2,079,886	2,007,283
Total of Tier I stipulated in Article 18 and Article 41 of the Capital Adequacy Ratio Notification, and Tier II stipulated in Article 19 and Article 42 of this same Notification	106,721	
Total of deduction from capital stipulated in Article 20 and Article 43 of the Capital Adequacy Ratio Notification	18,897 (The amount for deductions includes all "capital deductions for securitization exposure" stipulated in Item 1, Article 247, of this Notification)	

2. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2007	March 31, 2006
(a) Capital requirement to total credit risk	907,744	
(1) Exposure by portfolio to which standardized method applied	851,004	
(i) Japanese government and regional municipal bodies	0	
(ii) Exposure to financial institutions	10,866	
(iii) Exposure to corporations	724,898	
(iv) Equity exposure	110,728	
(v) Other exposure	4,510	
(2) Securitization risk exposure	56,740	
(b) Capital requirement to market risk	—	
(c) Capital requirement to operational risk	14,970	
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	922,714	
(e) Non-consolidated capital ratio and non-consolidated Tier I ratio	Capital ratio 19.19% Tier I ratio 18.41%	

3. 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, 2007	March 31, 2006
Loans	11,927,864	
Equities	215,591	
Commitments and customers' liabilities for acceptances and guarantees	573,002	
Bonds (JGBs and publicly offered bonds)	176,676	
Other	392,896	
Total	13,286,031	

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

(1) By region (Millions of yen)

	March 31, 2007	March 31, 2006
Domestic total	13,255,087	
Overseas total	30,943	

(2) Breakdown by industry and transaction counterparty (Millions of yen)

	March 31, 2007	March 31, 2006
Manufacturing	2,430,120	
Forestry and fisheries	1,570	
Mining	29,079	
Construction	18,672	
Wholesale and retail	614,060	
Finance and insurance	791,993	
Real estate	1,084,019	
Transportation and communications	4,544,855	
Electrical, gas and water	2,515,177	
Services	1,009,150	
Other	247,330	

(3) Breakdown by period to maturity (Millions of yen)

	March 31, 2007	March 31, 2006
Five years or less	2,928,063	
More than five years, up to 10	4,969,460	
More than 10 years, up to 15	3,443,391	
More than 15 years	1,395,425	
No maturity date	549,690	

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

	March 31, 2007	March 31, 2006
Risk weight 0%	122,473	
Risk weight 20%	3,062,781	
Risk weight 50%	1,966,766	
Risk weight 100%	7,281,455	
Risk weight 150%	503,809	
Risk weight, other	348,743	
Capital deductions	18,897	

4. 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, 2007	March 31, 2006
Eligible financial collaterals	218,389	
Guarantees or credit derivatives	1,908,266	

5. Transaction Counterparties' Risk on Derivative Product Transactions and Transactions with Long Settlement Periods (Millions of yen)

	March 31, 2007	March 31, 2006
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	85,697	
Equivalent credit amount before accounting for effect of credit risk mitigations using collateral	Interest rate transactions 47,611 Foreign exchange transactions 25,673 Reducing credit equivalent amounts through netting 33,010	
Hypothetical holdings of credit derivatives for calculated credit equivalent amount	Credit default swaps 697,777	
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	732,777	

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

6. Securitization Exposure

(a) Securitization exposure in which the Bank is the originator

Not applicable.

(b) Securitization exposure in which the Bank is an investor

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

	March 31, 2007	March 31, 2006
Project finance	114,568	
Loans for commercial real estate	164,092	
Other (loans, etc.)	697,777	

Note: Excluding credit derivatives, the majority of DBJ's securitization exposure falls into the category of specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Therefore, the separation of specialized lending in accordance with the Capital Adequacy Notification is applied for underlying asset categories from (1) above to (3), mentioned later.

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

	March 31, 2007		March 31, 2006
Risk weight 20% or less	Balance	706,777	
	Capital requirement	11,308	
Risk weight 20% up to 100%	Balance	244,900	
	Capital requirement	19,587	
Risk weight of more than 100%	Balance	24,759	
	Capital requirement	6,947	

Note: When applying to securitization exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification, risk weight was calculated for each exposure item as stipulated by the transitional measures.

(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, 2007	March 31, 2006
Project finance	4,770	
Loans for commercial real estate	14,127	

(4) 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, 2007	March 31, 2006
Credit risks and assets	88,083	

7. Items Related to Market Risk

The Bank falls into the category indicated in Article 4 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount indicated in Article 2 was not performed, and this item does not apply.

8. Items Related to Shares and Other Equity Investments and Capital Injections into the Banking Book

(Millions of yen)

	March 31, 2007	March 31, 2006
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets.		
(1) Exposure to listed shares		
Exposure to other equity investments and capital injections	28,670	
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	293,654	
(b) Gains or losses on the sale of equity investments or shares	777	
Gain or loss on amortization of exposure on equity investments or shares	47,713	
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statements of income statements	21,493	

Notes: 1. The Group has no overseas sales locations.
2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification Applies

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

As the Bank employs the standardised approach for calculating credit risk, this item does not apply.

10. Interest Rate Risk in the Banking Book

	March 31, 2007	March 31, 2006
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 ¥89.4 billion	

Accounts Based on
Accounting Standards for Special Agencies, etc.

Report of Auditors

Mr. Takeshi Komura, Governor
Development Bank of Japan
9-1, Otemachi 1-chome
Chiyoda-ku, Tokyo

We have audited the balance sheets of Development Bank of Japan (“DBJ”) as of March 31, 2006 and 2007 and the related statements of earnings for the two fiscal years ended March 31, 2007. Our audit was made in accordance with the Development Bank of Japan Law and the regulations thereunder.

The accounting principles and procedures followed by DBJ are those generally followed by special public corporations in Japan, and the aforesaid balance sheets and statements of earnings have been prepared in conformity with such accounting principles and procedures applied on a consistent basis in all material respects.

The accompanying balance sheets of DBJ as of March 31, 2006 and 2007 and statements of earnings for the two fiscal years ended March 1, 2007 have been prepared by reclassifying the aforesaid financial statements. We have reviewed the reclassifications made in preparing such financial statements and, in our opinion, such statements, as reclassified, fairly present on a consistent basis the financial position of DBJ as of March 31, 2006 and 2007 and the results of its operations for the two fiscal years ended March 31, 2007.

Tsuyoshi Inoue
Auditor
Development Bank of Japan

Ryo Ishimori
Auditor
Development Bank of Japan

Tokyo, June 21, 2007

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Assets			
Cash and Due from banks (Note 3)	¥ 33,979	¥ 27,572	$ 287,836
Securities (Note 4)	406,533	388,254	3,443,741
Loans (Note 5)	12,197,441	12,968,029	103,324,367
Less—Allowance for Loan Losses	(36,592)	(38,904)	(309,973)
	12,160,849	12,929,124	103,014,394
Equity Investments	291,470	235,250	2,469,047
Premises and Equipment (Note 6)	56,357	56,380	477,402
Less—Accumulated depreciation	(20,436)	(20,074)	(173,117)
	35,920	36,306	304,285
Accrued Income Receivable (Note 7)	49,162	52,745	416,456
Other Assets (Note 8)	1,679	454	14,230
Discounts on Bonds and Notes	3,951	2,618	33,475
Customers' Liabilities for Acceptances and Guarantees	334,993	161,605	2,837,728
Total Assets	**¥13,318,541**	**¥13,833,932**	**$112,821,192**

At March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Liabilities, Capital and Statutory Reserve			
Liabilities			
Bonds and Notes	¥ 2,673,964	¥ 2,261,799	$ 22,651,115
Long-term Borrowings (Note 9)	7,862,935	9,004,474	66,606,826
Accrued Expenses Payable (Note 10)	37,456	35,967	317,293
Other Liabilities (Note 11)	21,219	21,205	179,746
Acceptances and Guarantees	334,993	161,605	2,837,728
Total Liabilities	**10,930,569**	**11,485,051**	**92,592,708**
Capital and Statutory Reserve			
Capital (Note 12)	1,272,286	1,272,286	10,777,518
Statutory Reserve (Note 2 (j))	1,115,686	1,076,594	9,450,966
Total Capital and Statutory Reserve	**2,387,972**	**2,348,880**	**20,228,484**
Total Liabilities, Capital and Statutory Reserve	**¥13,318,541**	**¥13,833,932**	**$112,821,192**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Earnings

For the Fiscal Years ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Interest Income			
Interest on Loans	¥327,345	¥368,336	$2,772,943
Interest on Securities	2,752	1,451	23,316
Other Interest Income	335	469	2,844
	330,434	370,257	2,799,103
Interest Expenses			
Interest on Bonds and Notes	43,441	39,325	367,996
Interest on Borrowings	192,697	231,639	1,632,334
	236,138	270,964	2,000,330
Net Interest Income	**94,295**	**99,293**	**798,773**
Other Income			
Fees and Commissions (Note 13)	3,526	2,494	29,871
Other (Note 14)	15,692	8,527	132,930
	19,218	11,021	162,801
Administrative and Other Expenses			
Salaries and related expenses	16,351	16,523	138,512
Other administrative expenses	9,789	9,825	82,926
Depreciation	789	864	6,690
Fees and Commissions (Note 15)	14	40	121
Write-off of Claims (Note 16)	45,543	72,061	385,797
Other (Note 17)	4,245	6,315	35,961
	76,733	105,631	650,007
Earnings before Allowance for Loan Losses	**36,780**	**4,683**	**311,567**
Reversal of Allowance for Loan Losses	2,311	2,992	19,583
Net Earnings (Note 2(i))	**¥ 39,092**	**¥ 7,675**	**$ 331,150**
Appropriation of Net Earnings (Note 2(j))			
Statutory reserve	36,592	7,675	309,973
Payment to National Treasury	2,499	—	21,177
Total Appropriation of Net Earnings	**¥ 39,092**	**¥ 7,675**	**$ 331,150**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated List of Assets

March 31, 2007	Millions of yen	Thousands of U.S. dollars	Remarks (Millions of yen/ Thousands of U.S. dollars)		
Cash and Due from banks	**¥ 33,979**	**$ 287,836**			
Cash	3	33			
Due from banks	33,975	287,803	Current deposits: 24 banks, including Bank of Japan	¥16,210	$137,315
			Ordinary deposits: 2 banks, including Sumitomo Mitsui Banking Corporation	¥17,765	$150,488
Securities	**406,533**	**3,443,741**			
Japanese Government Bonds	344,731	2,920,220	Issues	Face value	Book value
			Financing bills: 1 holding	¥12,020 $101,821	¥12,004 $101,692
			Coupon-bearing government bonds (2,5,10 years): 33 holdings	¥329,820 $2,793,901	¥332,727 $2,818,528
Corporate Bonds	53,776	455,536	35 holdings		
Other securities	8,025	67,985		Book value	
			Secured debt obligations: 2 holdings	¥8,000	$67,768
			Equity acquired by excising of warrants, etc.: 3 holdings	¥25	$217
Loans	**12,197,441**	**103,324,367**	13,727 holdings		
Yen loans	12,130,302	102,755,635	13,690 holdings		
Direct loans	12,129,386	102,747,876	13,684 holdings		
Agency loans	915	7,759	6 holdings		
Foreign currency loans	67,138	568,732	37 holdings		
Allowance for Loan Losses	**(36,592)**	**(309,973)**			
Equity Investments	**291,470**	**2,469,047**	802 holdings		
Premises and Equipment	**35,920**	**304,285**		Book value	
Premises and Equipment for Business	35,920	304,285	(1) Land: 88 properties/ 65% of 43,966m², and 131,600m²	¥20,414	$172,932
			(2) Buildings: 204 buildings/ 95% of 2,242m², 65% of 846m², and 106,183m² (Gross floor area)	15,206	128,817
			(3) Equipment: 1,945 items	296	2,509
			(4) Petty sum depreciable assets: 135 items (depreciated over three years as prescribed by tax code)	2	21
			(5) Key money and other: 2 holding	0	6
			* Accumulated depreciation amounted to ¥20,436 million ($173,117 thousand).		
Accrued Income Receivable	**49,162**	**416,456**			
Accrued Interest on Loans	48,569	411,434	Interest accrued on loans but not yet received at the end of the fiscal year		
Accrued Interest on Securities	517	4,386	Interest accrued on securities but not yet received at the end of the fiscal year		
Accrued Guarantee Fees	75	636	Fees accrued on guarantees but not yet received at the end of the fiscal year		
Other Assets	**1,679**	**14,230**			
Suspense payments	100	848	25 holdings		
Guarantee deposits	382	3,240	73 holdings Deposits and guarantees relating to land and buildings leased for business use		
Estimated prepayments	1,179	9,990	Estimated payment to the National Treasury		
Other	17	152	98 holdings		
Discounts on Bonds and Notes	**3,951**	**33,475**	Difference between face value and proceeds from bonds		
Customers' Liabilities for Acceptances	**334,993**	**2,837,728**	75 cases		
Total Assets	**¥13,318,541**	**$112,821,192**			

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥118.05=$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in 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.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

Development Bank of Japan ("DBJ") maintains its records and prepares its statutory financial statements in accordance with Development Bank of Japan Law ("DBJ Law") and the regulations thereunder and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from the International Financial Reporting Standards. The financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and procedures generally accepted in countries and jurisdictions other than Japan.

Consolidated financial statements are not prepared because DBJ has no subsidiaries under the DBJ Law.

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 ¥118.05=$1.00, the effective exchange rate prevailing as of March 31, 2007, has been used in 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) Securities

Securities are stated at cost, which is determined by the moving average method.

Under the DBJ Law, DBJ cannot invest surplus funds except in Japanese Government Bonds or other bonds permitted by the DBJ Law, or in deposits at the Fiscal Loan Fund, Bank of Japan or the financial institutions specified by the Ministry of Finance.

(b) Derivatives

Derivative transactions are not recorded on the non-consolidated balance sheets. Income and expenses from derivative transactions are recognized in the non-consolidated statements of earnings on a cash basis.

(c) Translation of accounts denominated in foreign currencies

DBJ holds foreign currency swaps to hedge exchange rate risks on its loans, bonds and notes that are denominated in foreign currencies. These foreign currency swaps are not recognized in the non-consolidated balance sheets. The foreign currency denominated loans, bonds and notes that are being hedged are measured at the contract rates of the respective foreign currency swaps designated as hedging instruments.

(d) Depreciation method for Premises and Equipment

In accordance with certain provisions set forth in the Corporation Tax Law, depreciation is provided based on the declining balance method for all Premises and Equipment except for buildings and key money, which are depreciated based on the straight-line method.

(e) Discounts on Bonds and Notes

Discounts on bonds and notes are amortized using the straight-line method over the average period of redemption in accordance with an ordinance defined by the Ministry of Finance.

(f) Bonds and Notes issuance costs

Bonds and Notes issuance costs are recorded as expenses in the period they are incurred in accordance with a provision defined by the Ministry of Finance.

(g) Allowance for Loan Losses

A provision for loan losses is established in accordance with the requirements set forth by the Ministry of Finance pursuant to the DBJ Law. Under the provision, the allowance for loan losses is limited to 0.3% of loans outstanding at the end of each fiscal year.

(h) Employee retirement benefits

In accordance with the DBJ Law and regulations thereunder, employee retirement benefits to employees (including payment to employees reaching retirement age) are included in DBJ's budget of revenues and expenditures on the basis of anticipated payments to be made during the relevant year and are included in "Salaries and related expenses" in the non-consolidated statements of earnings when paid.

(i) Income taxes

DBJ is exempt from taxes based on income, however DBJ is subject to parity taxes of the inhabitants' taxes among local taxes.

(j) Appropriation of net earnings

In accordance with provisions of the DBJ Law and a related law, DBJ is required to set aside out of net earnings as a statutory reserve, the larger of (i) an amount equivalent to 20% of net earnings or (ii) an amount equivalent to 0.3% of loans outstanding at the end of each fiscal year (if this amount is in excess of the amount of net earnings for the year, then the amount of such net earnings). The reserve provided may only be used to cover net losses. The balance of net earnings remaining each year, after providing for this reserve, is to be paid to the National Treasury by May 31 of the following fiscal year. Interim payments are provided for under the Cabinet Order.

As for the fiscal year ended March 31, 2007, the payment to the National Treasury was made, because the amount of net earnings was in excess of such required amounts.

(k) Consumption tax

Income and expense subject to consumption tax include related consumption taxes paid or received.

3. Cash and Due from banks

Cash and Due from banks as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Cash	¥ 3	¥ 3	$ 33
Due from banks	33,975	27,569	287,803
	¥33,979	**¥27,572**	**$287,836**

4. Securities

Securities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Japanese Government Bonds	¥344,731	¥341,230	$2,920,220
Corporate Bonds	53,776	44,013	455,536
Other securities	8,025	3,010	67,985
	¥406,533	**¥388,254**	**$3,443,741**

5. Loans

Loans as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Yen loans	¥12,130,302	¥12,887,481	$102,755,635
Direct loans	12,129,386	12,886,406	102,747,876
Agency loans	915	1,074	7,759
Foreign currency loans	67,138	80,547	568,732
	¥12,197,441	**¥12,968,029**	**$103,324,367**

Pursuant to the DBJ Law and regulations thereunder, loans in arrears are defined as the loans for which the principal payments are overdue by six months or more. This categorization is different from the categorization of non-performing loans as defined under the Banking Law and the Financial Revitalization Law. The amounts of the loans in arrears included in "Loans" on the non-consolidated balance sheets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Loan past-due for six months or more as to principal payments	¥17,841	¥43,845	$151,134
	¥17,841	**¥43,845**	**$151,134**

6. Premises and Equipment

Premises and Equipment as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Premises and Equipment for Business	¥ 56,357	¥ 56,380	$ 477,402
	¥ 56,357	¥ 56,380	$ 477,402
Less—Accumulated Depreciation	(20,436)	(20,074)	(173,117)
Net Book Value	**¥ 35,920**	**¥ 36,306**	**$ 304,285**

7. Accrued Income Receivable

Accrued Income Receivable as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Accrued Interest on Loans	¥48,569	¥52,276	$411,434
Accrued Interest on Securities	517	451	4,386
Accrued Guarantee Fees	75	17	636
	¥49,162	**¥52,745**	**$416,456**

8. Other Assets

Other Assets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Suspense payments	¥ 100	¥ 51	$ 848
Guarantee deposits	382	380	3,240
Estimated Payments	1,179	—	9,990
Other	17	22	152
	¥1,679	**¥454**	**$14,230**

9. Long-term Borrowings

DBJ borrows funds from the Japanese Government in order to meet funding requirements for the conduct of operations specified in the DBJ Law. DBJ also accepts other funds received from government sources in order to apply them to the sources of funds necessary to financially contribute to a particular government policy with respect to the operations provided in the DBJ Law, as provided in the Cabinet Order.

Long-term Borrowings as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Fiscal Loan Fund	¥7,519,403	¥8,566,149	$63,696,766
Reserve Funds of the Postal Life Insurance Special Account	58,900	98,464	498,941
Industrial Investment Special Account	269,342	321,384	2,281,601
Funds entrusted	15,289	18,476	129,518
	¥7,862,935	**¥9,004,474**	**$66,606,826**

10. Accrued Expenses Payable

Accrued Expenses Payable as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Accrued interest on Bonds and Notes	¥ 6,456	¥ 6,299	$ 54,696
Accrued interest on Long-term Borrowings	30,997	29,665	262,582
Other accrued expenses	1	2	15
	¥37,456	**¥35,967**	**$317,293**

11. Other Liabilities

Other Liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Loan Redemption	¥ 517	¥ 1,687	$ 4,380
Suspense receipts	1,118	442	9,476
Unearned income	19,546	19,008	165,575
Other	37	66	315
	¥21,219	**¥21,205**	**$179,746**

12. Capital

The Japanese Government is the sole owner of the equity interest, which is not evidenced by documents such as stock certificates, but is evidenced at the Registration Office of the Legal Affairs Bureau of Japan.

13. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2007	2006	2007
Commissions received	¥2,713	¥2,218	$22,984
Guarantee Fees	812	275	6,887
	¥3,526	**¥2,494**	**$29,871**

14. Other (Income)

Other (Income) for the fiscal years ended March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2007	2006	2007
Miscellaneous Interest received	¥ 484	¥ 736	$ 4,107
Collection of written-off claims	62	144	529
Income from Equity Investments	—	1,733	—
Other	15,145	5,912	128,294
	¥15,692	**¥8,527**	**$132,930**

* "Other" in above table includes "income from investment fund" which amounts to ¥14,662 million ($124,205thousand) and ¥5,154 million for the fiscal years ended March 31, 2007 and 2006, respectively.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2007	2006	2007
Commissions paid	¥14	¥40	$121
	¥14	**¥40**	**$121**

16. Write-off of Claims

DBJ writes off loans past-due, equity investments and securities which have declined in value drastically, only after exhausting all available remedies including realization on any collateral and disposal by sale of claims. Write-offs are recorded at fiscal year end only with the approval of the Ministry of Finance. The amounts of Loans, Equity Investments and Securities written off for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2007	2006	2007
Securities written off	¥ —	¥ 18	$ —
Loans written off	43,331	68,612	367,057
Equity Investments written off	2,212	3,429	18,740
	¥45,543	**¥72,061**	**$385,797**

17. Other (Expenses)

Other (Expenses) for the fiscal years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal year ended March 31	2007	2006	2007
Miscellaneous Interest paid	¥ 279	¥ 652	$ 2,370
Amortization of Discount on Bonds and Notes	456	415	3,864
Bonds and Notes issuance cost	1,521	777	12,887
Other	1,987	4,470	16,840
	¥4,245	**¥6,315**	**$35,961**

* "Miscellaneous Interest paid" is mainly composed of payments for credit derivative transactions.

18. Credit Derivative Transactions

DBJ utilizes credit default swaps as part of its "acceptances and guarantees on customers' debt" business within the limit of a certain definite amount of risk. Contract values as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2007	2006	2007
Sold	¥697,877	¥ —	$5,911,714
Bought	614,827	20,000	5,208,199

Appendices

Outline of Fiscal 2007 Operations Evaluation Report

Excerpt from the Development Bank of Japan Law (Law No. 73 of 1999)

Excerpt from the New DBJ Law (Law No. 35 of 2007)

Outline of Fiscal 2007 Operations Evaluation Report

Operations evaluations reports are performed to evaluate the individual loan and investment projects of the preceding term and the investment and loan system during the year under review. This report, which summarizes the status of evaluations performed during the most recent year, is prepared and publicized each year. The characteristics of DBJ's evaluation systems and an outline of the fiscal 2007 report are described below.

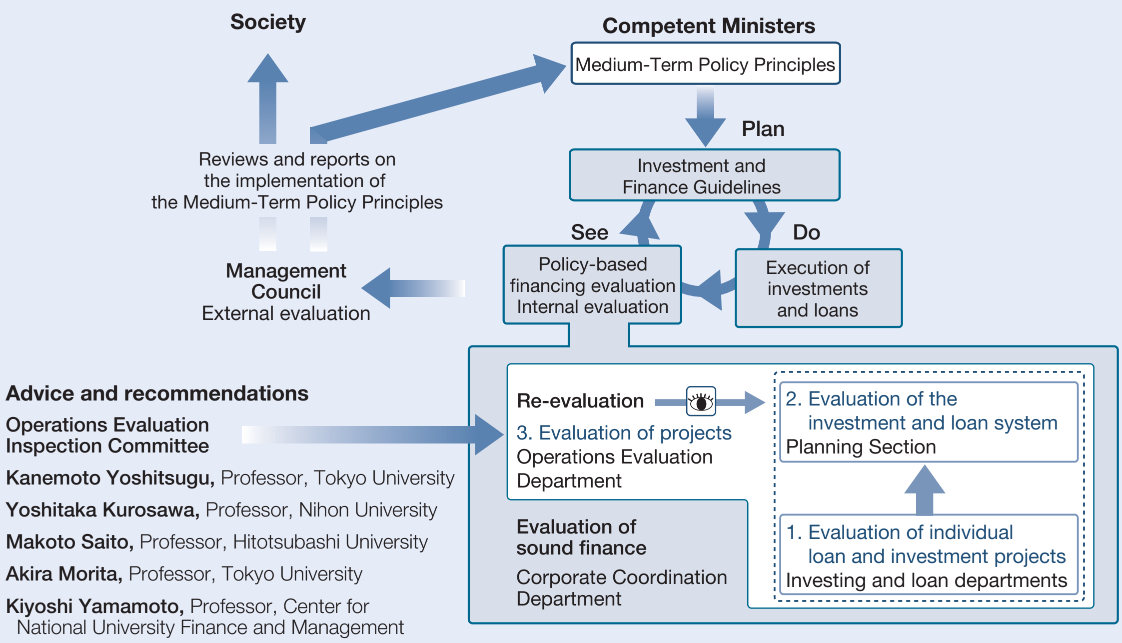
1. Overview of DBJ's Evaluation Systems and Management Cycle

DBJ's evaluation of operations consists of three elements. Together, these three evaluations form an overall evaluation of financial soundness and invigorate the management cycle. At the same time, the Bank receives external evaluations from the outside experts that make up the Management Council, thereby ensuring accountability. External evaluation results are reported to the competent ministers (the Minister of Finance and the Minister of Land, Infrastructure and Transport) and publicized for the citizens of Japan.

1. **Evaluation of individual loan and investment projects**
   Investing and loan departments perform two evaluations of individual loan and investment projects: a preliminary evaluation and follow-up evaluation. The Operations Evaluation Department conducts re-evaluations.

2. **Evaluation of the investment and loan system**
   In line with the evaluation results of individual loan and investment projects, the Planning Section evaluates the overall investment and loan system and incorporates selected results in its evaluations. The Operations Evaluation Department performs re-evaluations.

3. **Evaluation of projects**
   The Operations Evaluation Department conducts detailed evaluations of specific projects, operating areas or themes. These evaluations help in evaluating individual loan and investment projects and the investment and loan system.



2. Outline of Fiscal 2007 Report

(1) Evaluation of Individual Loan and Investment Projects

1. Preliminary evaluation

- The Bank reported an aggregate evaluation from the evaluations performed on all fiscal 2006 loan and investment projects at the time each loan or investment was made.
  Projects: 939; Loan and investment amount: ¥1,300.0 billion; Overall project spending: ¥7,500.0 billion
- Projects included in the fiscal 2006 preliminary evaluation suggested a broad range of potential results.

Increase in revenues

¥1,700.0 billion
The projects in which the Bank is involved were expected to result in revenue increases amounting to approximately ¥1,700.0 billion.

Employment created

109,000 jobs
The projects in which the Bank invested provided employment opportunities for 109,000 people.

Barrier-free construction

207,000 m²
Projects promoting barrier-free construction of "people-friendly buildings" reached a total area of 207,000 m².

Railway crossing removal

206 locations
DBJ supported the removal of railway crossings at 206 additional locations. These efforts are expected to ease traffic congestion and improve safety.

Promotion of waste processing

627,000 tons
As part of environmental measures to reduce, reuse and recycle materials, the Bank participated in projects involving the construction of waste-processing facilities capable of handling 627,000 tons of waste per year.

Introduction of natural energy

2,307 MW
The Bank's involvement in projects promoting wind and water-powered generation resulted in the introduction of 2,307 MW of natural energy generation capacity.

- The table below breaks down DBJ's loan and investment role into eight types of assistance to foster a better understanding of loan and investment projects.

(Percentage figures indicate projects of each type within the total number of projects for which fiscal 2006 preliminary evaluations were performed. Some projects are included in more than one assistance category.)

Complementary function		Percentage: Fiscal 2003	→ Fiscal 2006	Role in Project Guidance or Promotion
Financial market complementary functions Direct assumption of risk	Providing loans with longer durations	74%	51%	Support projects that require a long period of time to recover initial investment or entail refinancing or interest rate risk
	Taking on business risks	28%	38%	Support projects that entail risks that private-sector institutions are unable to carry, such as operational risk that cannot be easily quantified
	Providing a stable source of funds	33%	34%	Support projects that involve long construction periods and require a stable supply of funds
	Responding in times of emergency	4%	1%	Provide funds during downturns in the financial environment and for emergency evaluation in times of large-scale disaster
Information application functions Easing difficulties in assessing risk	Assessing credit risk	21%	12%	Smooth business operators' ability to raise funds by using DBJ's assessment functions to assess credit risk
	Use of advanced financial methods	12%	12%	Use DBJ's accumulated expertise in new and advanced financing methods to promote efficient project operation while appropriately controlling risk
	Supporting business formation	4%	5%	Promote smooth operation of projects from planning through implementation by arranging and advising from a neutral position
	Disseminating information	2%	6%	Promote smooth operation of projects through the use of information for such purposes as creating screening-based countermeasures

2. Follow-up evaluations

- These evaluations are performed to determine whether projects had the policy effectiveness and DBJ fulfilled its loan and investment role as initially expected. Projects evaluated in fiscal 2006 were loan and investment projects that had been evaluated in the past and were in their second year after completion. Three levels of project effectiveness were determined, ranging from A to C
  Projects: 624; Loan and investment amount: ¥1,100.0 billion; Overall project spending: ¥3,800.0 billion
- In more than 90% of the projects evaluated, the initially expected level of policy effectiveness was met or exceeded, and DBJ's expected loan and investment role was fulfilled.

	Policy Effect based on Application System			DBJ's Loan and Investment Role		
	A	B	C	A	B	C
Total (624 projects)	6%	85%	9%	8%	87%	5%
Of which, community development	2%	91%	7%	5%	92%	3%
Of which, environmental conservation and sustainable societies	2%	92%	6%	3%	94%	3%
Of which, creation of new technologies and industries	24%	53%	23%	25%	60%	15%

Meaning of the Three Levels
A: Projects meeting the B standard that also demonstrated a particularly favorable policy effect or in which DBJ's loan and investment role was particularly important
B: Met the level of policy effectiveness and DBJ fulfilled its loan and investment role as anticipated by preliminary evaluations
C: Fell below the level of policy effectiveness or DBJ's fulfillment of its loan and investment role was lower than anticipated by preliminary evaluations

(2) Evaluation of the Investment and Loan System

- In the fiscal 2006 evaluation of the investment and loan system, "some questions about improvements" were raised for 20 systems, and nine systems were indicated as requiring some degree of reconsideration. As a result, budget requests for 12 operations were discontinued or consolidated.
- In the fiscal 2007 evaluation of the investment and loan system, two operations were specified as requiring "consideration of improvements and enhancement," and nine systems were indicated as requiring some degree of reconsideration.

Discontinued or consolidated: 12 operations

Results of Fiscal 2006 Evaluation of Investment and Loan System

Consideration of improvements and enhancement required	21 operations
Should be continued	60
Some questions about improvements	20
Major reconsideration required	6
Thorough reconsideration required	3
Total	110

9

Results of Fiscal 2007 Evaluation of Investment and Loan System

Consideration of improvements and enhancement required	2 operations
Should be continued	68
Some questions about improvements	23
Major reconsideration required	6
Thorough reconsideration required	3
Total	102

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Reflection

Fiscal 2008 budget requests

New additions: 4 operations

3. Evaluation of Projects (Detailed Evaluations of Specific Projects, Operating Areas and Themes)

In fiscal 2007, an empirical verification was performed of DBJ's overall evaluation systems, based on evaluation performance according to the three levels indicated by follow-up evaluations. In particular, the reasons for evaluations at the A and C levels were analyzed both qualitatively and quantitatively.

Principal reasons for A-level evaluations included significant knock-on effects into surrounding regions and strong operating performance or technical development results. Principal reasons for C-level ratings included lackluster business conditions. In the majority of cases, revenue result and financial indicators reflected these factors.

Of the common indicators used for all projects, a particularly high correlation in preliminary and follow-up levels was evident for revenues and increase in revenues of projects with C-level evaluations.

Excerpt from the Development Bank of Japan Law (Law No. 73 of 1999)

(Unofficial translation)

Article 1

Purpose

The purpose of the Development Bank of Japan (the "Bank") is, in principle, to supplement or encourage functions such as the credit operations of commercial financial institutions in order to contribute to the promotion of energy and the sustainable development of the economy and society, the realization of affluent national life and the independent development of local economies and financial contributions to Japan's economic and social policy through the supply of long-term funds or other operations.

Article 4

Capital

1. The capital of the Bank shall be the aggregate of the amounts deemed invested by the Government in accordance with the provisions of Paragraph 4, Article 6 and Paragraph 4, Article 7 of the Supplementary Provisions.
2. The Government may, when it deems necessary, make additional investments in the Bank in amounts set forth in a budget.
3. In the case of the Government's investment in accordance with the provisions of the preceding paragraph, the Bank shall increase its capital by the amount of such investment.

Article 8

Officers

The Bank shall have as its officers one Governor, two Deputy Governors, not more than 12 Senior Executive Directors and not more than two Auditors.

Article 20

Scope of Operations

1. To attain the purpose prescribed in Article 1, the Bank shall conduct the following operations:
   (1) To make loans of the funds listed below, which funds shall be necessary for operations that contribute to the promotion of energy and the sustainable development of the economy and society, the realization of affluent national life and the independent development of local economies, to provide guaranties (including any action to incur obligations that is analogous to guaranties of obligations, hereinafter being the same) of obligations related to such funds; to acquire corporate bonds (including bonds issued by corporations established under special statutes that are not private corporations, hereinafter being the same) issued to procure such funds, by subscription or otherwise; to acquire by assignment, in entirety or in part, claims of loans related to such funds; provided, however, that the term of repayment of such loans, the term of performance of the obligations so guaranteed (measured from the date of guaranty of such obligations), the term of redemption of the corporate bonds so acquired (measured from the date of such acquisition), and the term of repayment of the loans so acquired (measured from the date of such acquisition) shall not be less than one year.
      (i) Funds necessary for acquisition (including the acquisition of leasehold rights or other rights of use), improvement or repair (hereinafter referred to as "acquisition, etc." in this Item) of facilities, funds related to acquisition, etc. of such facilities, funds necessary for creation of land (including acquisition of land necessary for such creation), or funds necessary for construction or maintenance of facilities related to businesses that will significantly contribute to maintenance and improvement of built-up urban areas (excluding those related to housing construction and specified in a Cabinet Order) or facilities that will significantly contribute to reinforcing infrastructures of local economies and societies.
      (ii) In addition to those listed in (i) above, funds necessary for the acquisition of intellectual property rights or other similar rights, procurement of personnel, receipt of service or purchase of goods, etc. necessary for the smooth execution of business (such funds being limited to those to be specified by the Minister of Finance as specifically contributing to the promotion of energy and the sustainable development of the economy and society, the realization of affluent national life and the independent development of local economies) and funds necessary for research and development of advanced and new technology.
      (iii) Funds necessary for the repayment of the funds listed in (i) or (ii) above (including the funds necessary for redemption of corporate bonds issued to procure such funds listed in (i) or (ii) above).
   (2) To make investments of funds necessary for businesses that will contribute to the promotion of energy and the sustainable development of the economy and society, the realization of affluent national life and the independent development of local economies.
   (3) In addition to those listed in the preceding two items, to engage in any operations necessary to smoothly and efficiently conduct the operations provided in the preceding two items (such operations being limited to those specified by a Cabinet Order as being closely related to operations provided in the preceding two items).
   (4) To engage in operations incidental to the operations specified in the preceding three items.
2. Making loans of funds, guaranties of obligations, acquisitions of corporate bonds, acquisitions of claims by assignment or investments (hereinafter referred to as "making loans, etc.") provided in the preceding paragraph may be conducted only when the repayment of funds so loaned, the performance of obligations so guaranteed, the redemption of corporate bonds so acquired, the collection of claims so acquired, or the realization of profits that will enable payment of dividends resulting from businesses so invested are, in each case, deemed certain.
3. Interest rates on loans and charge rates for guaranties of obligations undertaken in accordance with the provisions of paragraph 1 above, and interest rates on corporate bonds acquired or claims of loans acquired by assignment in accordance with the provisions of the same paragraph shall be determined in consideration of customary terms of loans or guaranties of obligations of commercial financial institutions or conditions of monetary markets so that revenues of the Bank will be sufficient to cover its expenses.

Article 21

Conditions of Operations

1. In conducting its operations the Bank shall supplement or encourage financing, etc., activities by commercial financial institutions and shall not compete with them.
2. The Bank may make loans, etc. (excluding acquisition of claims of loans by assignment), only when the execution of such business is difficult but only through the acceptance of loans or guaranties of obligations under customary terms from commercial financial institutions, the procurement of funds by issue of corporate bonds to be acquired by subscription or otherwise by any person other

than the Bank, or the acceptance of investment by any person other than the Bank.

Article 22

Mid-Term Government Policy Principles

1. The Bank shall make loans, etc. in accordance with the three-year mid-term government policy principles (hereinafter referred to as the "mid-term government policy principles") to be prepared by the competent minister.
2. The Bank may state an opinion to the competent minister in preparation of the mid-term government policy principles by such minister.
3. The mid-term government policy principles shall state the matters concerning Japan's economic and social policy to be contributed by the Bank and other important matters concerning its operations.
4. The competent minister shall consult with a chief of the relevant administrative organization when preparing the mid-term government policy principles.

Article 23

Investment and Finance Guidelines

1. The Bank shall prepare investment and finance guidelines (these are, the guidelines for each fiscal year with respect to making loans, etc., which state the Government policy underlying such loans, etc., the targeted businesses and other matters, hereinafter being the same) as prescribed in a Cabinet Order in order to execute the matters stated in the mid-term government policy principles.
2. The Bank shall report the investment and finance guidelines for the relevant fiscal year to the competent minister by the day to be set by such minister for each fiscal year and shall publish them.

Article 24

Management Council

1. The Bank shall have a Management Council.
2. The Management Council shall review the status of execution of operations with respect to the matters stated in the mid-term government policy principles and report the results of such review to the Governor.
3. When the Governor receives a report on the results of the review in accordance with the provisions of the preceding paragraph, he or she shall report such results to the competent minister and publish it.
4. The Management Council shall consist of not more than eight counselors.
5. Such counselors shall be appointed by the Governor with authorization of the Minister of Finance from among persons qualified by learning or experience.
6. The term of office of counselors shall be four years.

Article 28

Budget

1. The Bank shall, for each fiscal year, prepare a budget of revenues and expenditures and submit it to the Minister of Finance.
2. The revenues referred to in the preceding paragraph shall consist of interest on loans, charges for guaranties of obligations, interest on corporate bonds, dividends from investments, other income accruing from the operation of assets, and miscellaneous incidental income; and the expenditures referred to in the same paragraph shall consist of expenses for operations, expenses for delegation of operations, interest on borrowings prescribed in Paragraph 1 or Paragraph 2 of Article 42, interest on other funds received from Government sources prescribed in Paragraph 5 of the same Article, interest on Bank Bonds issued in accordance with the provisions of Paragraph 1 or Paragraph 4 of Article 43, and miscellaneous incidental expenses.
3. Upon receipt of the budget submitted in accordance with the provisions of Paragraph 1, the Minister of Finance shall examine it, make necessary adjustments thereto, and obtain the Cabinet's decision thereon.
4. After a decision has been made under the provisions of the preceding paragraph, the Cabinet shall submit the budget to the Diet together with the national budget.

Article 41

Disposition of Profits and Payment into The National Treasury

1. If upon the settlement of income and expenses for each fiscal year a profit is found to exist, the Bank shall set aside as a reserve an amount to be calculated in accordance with the standard prescribed in a Cabinet Order.
2. The reserve provided for in the preceding paragraph shall not be disposed of except for the purpose of covering losses.
3. The Bank shall pay the remaining balance after deducting a reserve from any profit found to exist upon the settlement of income and expenses for each fiscal year in accordance with the provisions of Paragraph 1, into the National Treasury by May 31 of the following fiscal year.
4. The Government may, as prescribed by a Cabinet Order, make the Bank pay a part of the payment specified in the preceding paragraph into the National Treasury on an estimated basis during the fiscal year in which the profit is earned.

Article 42

Borrowing of Funds, etc.

1. The Bank may borrow funds from the Government in order to meet funding requirements for the conduct of operations specified in Paragraph 1, Article 20.
2. In addition to those provided in the preceding paragraph, the Bank may borrow short-term funds from banks and other financial institutions to meet cash flow requirements or in other cases prescribed by a ministerial ordinance of the Ministry of Finance.

5. The Bank may accept other funds received from Government sources to apply them to the sources of funds necessary to financially contribute to a particular Government policy with respect to the operations provided in Paragraph 1, Article 20 as provided in a Cabinet Order.

Article 43

Issue of Development Bank of Japan Bonds

1. The Bank may issue Development Bank of Japan Bonds (hereinafter referred to as "Bank Bonds," except for Paragraph 4, Article 45) in order to provide funds necessary for operations provided in Paragraph 1, Article 20.

4. In addition to those provided in Paragraph 1, the Bank may, as provided in a Cabinet Order, issue Bank Bonds when necessary to deliver substitute bonds to anyone who has lost Bank Bonds.

Excerpt from the New DBJ Law (Law No. 85 of 2007)

(Unofficial translation)

Article 1

Purpose

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

Article 3

Scope of Business Operations

1. The Corporation shall engage in the following business operations to attain its objectives:
   (1) To accept deposits (limited to certificates of deposit (CDs) and other deposits stipulated in the Cabinet Order);
   (2) To lend money;
   (3) To make capital contributions;
   (4) To guarantee the due performance of debts and obligations;
   (5) To sell and purchase Securities (other than those that fall within monetary claims represented by certificates set forth in Item (7), Short-term Notes, Etc.; the same in Item (8)) (other than those that fall within securities-related derivatives transactions (which mean the securities-related derivatives transactions set forth in Article 28, Paragraph 8, Item (6) of the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended); hereinafter in this Item and Item 11 the same), or enter into securities-related derivatives transactions (limited to those made for investment purposes), except in cases where these business operations fall within those operations referred to in Item (3);
   (6) To lend Securities;
   (7) To acquire or transfer monetary claims (including claims represented by certificates stipulated in the Ministry of Finance Ordinance such as negotiable bank deposit certificates);
   (8) To subscribe for Specified Debentures or Preferred Investment Securities issued by a Specified Purpose Company (limited to the cases where the Specified Purpose Company acquires only designated monetary claims or beneficial interests in trusts with which designated monetary claims are entrusted with cash proceeds derived from issue of those Specified Debentures or Preferred Investment Securities as set forth in the Asset Liquidation Plans, and except for, in case of Specified Debentures, Specified Short-term Notes), and other similar securities stipulated in the Ministry of Finance (hereinafter in this Item referred to as the "Specified Debentures") (except in cases where it is intended for secondary distribution *(uridashi)*), or to handle primary offering *(boshu)* of the Specified Debentures so subscribed;
   (9) To acquire or transfer Short-term Notes, Etc.;
   (10) To act as an agent or intermediary for execution of agreements which provides for lending money on behalf of banks (the banks set forth in Article 2, Paragraph 1 of the Banking Act (Law No. 59 of 1981, as amended); hereinafter the same) and other entities engaged in the financial business stipulated in the Cabinet Order;
   (11) To enter into derivatives transactions set forth in Article 2, Paragraph 20 of the Financial Instruments and Exchange Law (other than those that fall within the securities-related derivatives transactions), except in cases where these business operations fall within those operations referred to in Item (7);
   (12) To do the activities referred to in Article 2, Paragraph 8, Item (7) of the Financial Instruments and Exchange Law;
   (13) To do the activities referred to in Article 2, Paragraph 8, Item (9) of the Financial Instruments and Exchange Law (limited, in the case of the handling of primary offering or secondary distribution, to those to be conducted upon entrustment by financial instruments dealers engaged in the type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Law (the financial instruments dealers set forth in Article 2, Paragraph 9 of the Financial Instruments and Exchange Law; hereinafter the same), and for such financial instruments dealers);
   (14) To do the activities referred to in Article 2, Paragraph 8, Item (11) of the Financial Instruments and Exchange Law;
   (15) To do the activities referred to in Article 2, Paragraph 8, Item (13) of the Financial Instruments and Exchange Law;
   (16) To do the activities referred to in Article 2, Paragraph 8, Item (15) of the Financial Instruments and Exchange Law;
   (17) With respect to securities (including, if such securities are not issued, rights to be represented by such securities) or transactions referred to in each Item of Paragraph 2 of Article 33 of the Financial Instruments and Exchange Law, to do the activities set forth in each Item of said Paragraph (other than those referred to in Items 3, 5, 7 through 9, 11 and 13);
   (18) To provide other entities with consulting services regarding business transfer, merger, corporate split, share-for-share exchange *(kabushiki kokan)* or share transfer *(kabushiki iten)*, or to act as a broker for these transactions;
   (19) To provide other entities with consulting services regarding management, and to conduct investigations or provide information as required for the business operations of other entities;
   (20) To conduct investigations, research or training regarding financial and other economic issues; and
   (21) To do activities incidental to each of the foregoing Items.

Article 5

Issue of the Development Bank of Japan Bonds

1. The Corporation may issue the Development Bank of Japan Bonds.

Article 9

Special Rules When Starting Acceptance of Deposits, Etc.

1. If the Corporation intends to start acceptance of deposits set forth in Article 3, Paragraph 1, Item (1) or issue of the Development Bank of Japan Bonds, the Corporation shall obtain the prior approval of the Minister of Finance.
2. If the Minister of Finance intends to give the approval referred to in the preceding Paragraph, the Minister of Finance shall, in advance, have a discussion with the Prime Minister and obtain his/her consent.

Article 12

Shares

1. If the Corporation intends to solicit those who will subscribe for shares offered for sale set forth in Article 199, Paragraph 1 of the Companies Act (Law No.86 of 2005, as amended) (hereinafter in Article 34, Item (4) referred to as the "Shares Offered for Sale") or stock acquisition rights offered set forth in Article 238, Paragraph 1 of the Companies Act (hereinafter in Article 34, Item (4) referred to the "Stock Acquisition Rights Offered"), or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, the Corporation shall obtain authorization of the Minister of Finance.

Article 13

Corporate Debentures, Development Bank of Japan Bonds and Borrowings

1. Prior to the beginning of each fiscal year, the Corporation shall prepare its basic policy regarding the issue of corporate debentures

(shasai) (other than the Development Bank of Japan Bonds, "Corporate Debentures"; hereinafter the same) and the Development Bank of Japan Bonds (excluding the short-term notes set forth in Article 66, Item (1) of the Law Concerning the Central Depositary System of Corporate Debentures (Law No. 75 of 2001, as amended) from both the Corporate Debentures and the Development Bank of Japan Bonds, respectively; hereinafter in this Article and Article 18 the same), as well as regarding the borrowings (limited to those with more than one year to maturity; hereinafter in this Article and Article 18 the same), which provides for matters relating to the issue of the Corporate Debentures and the Development Bank of Japan Bonds, and the borrowing of money, such as the amounts of issue and borrowings, denominated currency of the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings, as stipulated in the Ministry of Finance Ordinance, and obtain authorization of the Minister of Finance. If the Corporation intends to revise it, the same shall apply.

Article 15

Resolution for Election of Representative Directors and Other Officers

Resolutions for appointment and dismissal of the representative directors or representative executive officers of the Corporation, appointment and dismissal of statutory auditors, or appointment and dismissal of audit committee members *(kansaiin)* shall not become effective without authorization of the Minister of Finance.

Article 16

Authorization of Concurrent Positions of Directors

1. Except in cases where the provision of Article 4, Paragraph 2 applies, any director (or, if the Corporation is a company maintaining committees *(iinkai secchi kaisha)*, any executive officer) who performs the day-to-day business of the Corporation shall not perform the day-to-day business of any other corporation without authorization of the Minister of Finance.
2. The Minister of Finance shall, upon receipt of an application for the authorization referred to in the preceding Paragraph, grant his/her authorization, except in cases where it is determined that any matter so applied may interfere with sound and proper management of the Corporation.

Article 17

Business Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out a business plan for the new fiscal year and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

Article 18

Redemption Plan

Prior to the beginning of each fiscal year, the Corporation shall draw out redemption plans for the Corporate Debentures, the Development Bank of Japan Bonds and the borrowings and obtain authorization of the Minister of Finance, as stipulated in the Ministry of Finance Ordinance. If the Corporation intends to revise it, the same shall apply.

Article 19

Subsidiaries Subject to Authorization

1. If the Corporation intends to make any of the following entities (other than individuals in the cases of those referred to in Items (3), (4) and (7); hereinafter referred to as the "Subsidiaries Subject to Authorization") its subsidiary (the subsidiary set forth in Article 2, Item (3) of the Companies Act), the Corporation shall obtain authorization of the Minister of Finance in advance:
   (1) Banks;
   (2) Long-term credit banks (the long-term credit banks set forth in Article 2 of the Long-Term Credit Bank Law (Law No.187 of 1952, as amended));
   (3) Financial Instruments Dealers (limited to those who engage in type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Law);
   (4) Money lenders (the money lenders set forth in Article 2, Paragraph 2 of the Money Lending Business Law (Law No. 32 of 1983, as amended), and exclude those who concurrently conduct the business referred to in the preceding Items or fall within other requirements stipulated in the Ministry of Finance Ordinance);
   (5) Trust companies (the trust companies set forth in Article 2, Paragraph 2 of the Trust Business Law (Law No. 154 of 2004, as amended));
   (6) Insurance companies (the insurance companies set forth in Article 2, Paragraph 2 of the Insurance Business Law (Law No. 105 of 1995, as amended)); and
   (7) Those stipulated by the Ministry of Finance Ordinance as those who are similar to each of the foregoing.

Article 20

Amendment to the Articles of Incorporation, Etc.

1. Resolutions for amendment to the Articles of Incorporation of the Corporation, disposition of surplus funds (other than disposition of losses) such as distribution, merger, corporate split, and dissolution shall not become effective without authorization of the Minister of Finance.

Article 22

Special Exemptions from Management of Fiscal Loan Funds

Notwithstanding the provisions of Article 10, Paragraph 1 of the Fiscal Loan Funds Law (Law 100 of 1951, as amended), the fiscal loan funds (which means the fiscal loan funds set forth in Article 2 of the Fiscal Loan Funds Law; hereinafter the same) may be appropriated for loans (hereinafter in Article 24 referred to simply as the "Loans") to the Corporation when the Corporation borrows money for appropriation for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.

Article 23

1. Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Law, the fiscal loan funds may be appropriated for the Corporate Debentures and the Development Bank of Japan Bonds (hereinafter in the following Paragraph, immediately following Article and Article 25, Paragraph 1 referred to as the "Debentures, Etc.") to be issued by the Corporation to appropriate the resulting proceeds for expenses required for its operations set forth in Article 3, Paragraphs 1 and 2.

Article 25

Guarantee of Obligations

1. Notwithstanding the provision of Article 3 of the Law Concerning Restrictions on Fiscal Assistance by the Government to Corporations (Law No. 24 of 1946, as amended), the Government may enter into a guarantee agreement for the obligations relating to the Debentures, Etc., to the extent of the amount approved by the resolutions of the Diet.

Article 29

Competent Ministers

1. The competent minister under this Law shall be the Minister of Finance provided, however, that in the case that the Corporation obtains the approval referred to in Article 9, Paragraph 1, the competent ministers for the following matters shall be the Minister of Finance and the Prime Minister.

Supplementary Provisions

Article 2

Disposition of Government-Owned Shares

1. Pursuant to Article 6, Paragraph 2 of the Law Concerning Promotion of Administrative Reform for Realizing the Simple and Effective Government (Law No. 47 of 2006, as amended), the Government shall make efforts to reduce the number of shares held by it in the Corporation (hereinafter in the following Paragraph and the immediately following Article referred to as "Government-Owned Shares"), taking into account the market situation, and shall dispose all of them in approximately five to seven years from the date set forth in Item (3) of the preceding Article.
2. For a period from the effectuation of this law until the Government disposes of all of the Government-Owned Shares, the Government shall from time to time review matters, such as matters regarding the method in which the Government-Owned Shares should be disposed of and take the required measures based on the result of such review, so that the foundation of the Corporation's investment and financing functions for long-term business funds will be maintained.

Article 3

Abolition of This Law and Other Measures

If the Government disposes of all of the Government-Owned Shares, the Government shall immediately take measures to abolish this law, as well as measures necessary to smoothly assign the business operations, functions, and rights and obligations of the Corporation to any organization to be formed as a bearer of the functions commensurate with the investment and financing functions held by the Corporation.

Article 4

Special Rules for Business Operations during the Preparatory Period

1. In order for the Corporation to smoothly start the business operations as soon as it is duly organized, The Development Bank of Japan (hereinafter referred to as "DBJ") may borrow Long-term Loans, in addition to those set forth in Article 42, Paragraphs 1 and 2 of the Development Bank of Japan Law (Law No. 73 of 1999, as amended; hereinafter, except for Article 26 of the Supplementary Provisions, referred to as the "DBJ Law"), during the Preparatory Period (the period from the date on which this law comes into force up to September 30, 2008; the same in Paragraph 5).

Article 9

Capital Contribution

Upon the incorporation of the Corporation, DBJ shall contribute all of its properties, except assets to be assumed by Japan pursuant to Article 15, Paragraph 2 of the Supplementary Provisions, to the Corporation.

Article 15

Dissolution of DBJ, Etc.

1. DBJ shall be dissolved at the time of establishment of the Corporation, whereupon any and all rights and obligations of DBJ shall be taken over by the Corporation, except for those assets to be assumed by the Government as set forth in the following Paragraph.
2. Of the rights actually held by DBJ at the time of establishment of the Corporation, the assets which will be considered no longer necessary for the Corporation to smoothly perform its future business operation shall be assumed by Japan at the time of establishment of the Corporation.

Article 16

Values of Properties Assumed

1. The values of assets and liabilities assumed by the Corporation from DBJ (in the immediately following Paragraph referred to as the "Assumed Properties") shall be as evaluated by evaluation officers *(hyoka iin)*.

Article 18

Competent Ministers

The competent ministers under Article 26, Paragraph 2 and Article 27, Paragraph 1 for management of assets to be assumed by the Corporation pursuant to Article 15, Paragraph 1 of the Supplementary Provisions (hereinafter in this Article referred to as the "Assumed Assets") shall, notwithstanding the provisions of Article 29, Paragraph 1, be as follows:

(1) For management of the Assumed Assets set forth in the Cabinet Order in the Hokkaido or the Tohoku Region (which means the areas of Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima and Niigata prefectures): Minister of Finance and Minister of Land, Infrastructure and Transport; and

(2) For management of the Assumed Assets other than the Assumed Assets set forth in the preceding Item: Minister of Finance.

Article 66

Examinations

On or prior to the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall examine measures to secure the equal competitive conditions with other business entities, with respect to the systems for which the investment and financing functions of DBJ are utilized pursuant to the provisions of relevant laws (including ordinances under those laws), such as the Law Concerning Collaterals for Borrowings of Electricity Companies from The Development Bank of Japan (Law No. 145 of 1950, as amended), the Law Concerning the Securement of Oil Reserves, Etc. (Law No. 96 of 1975, as amended), the Law Concerning Promotion of Development and Promotion of Introduction of Alternative Energy to Oil (Law No. 71 of 1980, as amended), the Special Measures Law Concerning Promotion of Private Urban Development (Law No. 62 of 1987, as amended), the Extraordinary Measures Law Concerning Promotion of Business Activities for Rationalization of Usage of Energy and Effective Use of Resources (Law No. 18 of 1993, as amended) and the Law Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund, Etc. (Law No. 117 of 1999, as amended), while considering the convenience of users of those systems, and take the required measures based on the results of such examination.

Article 67

Utilization of the Corporation's Investment and Financing Functions for Long-term Business Funds

If the Government utilizes the Corporation's investment and financing functions for long-term business funds on or after the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall take measures necessary to secure the equal competition conditions, as well as other measures necessary for utilization of such investment and financing functions, paying attention to the Corporation's appropriate competitive relationships with other business entities.

This is an unofficial English translation. Only the original Japanese texts of the law have legal effect and prevail over this translation. This translation has been prepared solely for reference purposes. The reader of this translation should consult the original Japanese text for the purposes of interpreting and applying the law to any legal issues or disputes.

Board of Directors and Auditors (As of July 1, 2007)

Governor
Takeshi Komura

Deputy Governor
Kimio Yamaguchi

Deputy Governor
Mikio Araki

Senior Executive Director
Keiji Taga

Senior Executive Director
Kenichi Fukaya

Senior Executive Director
Hisato Nagaoka

Senior Executive Director
Atsushi Oi

Senior Executive Director
Hiroyuki Hoshi

Senior Executive Director
Takeshi Abe

Senior Executive Director
Yo Takeuchi

Senior Executive Director
Masanori Yanagi

Senior Executive Director
Tetsuhiko Shindo

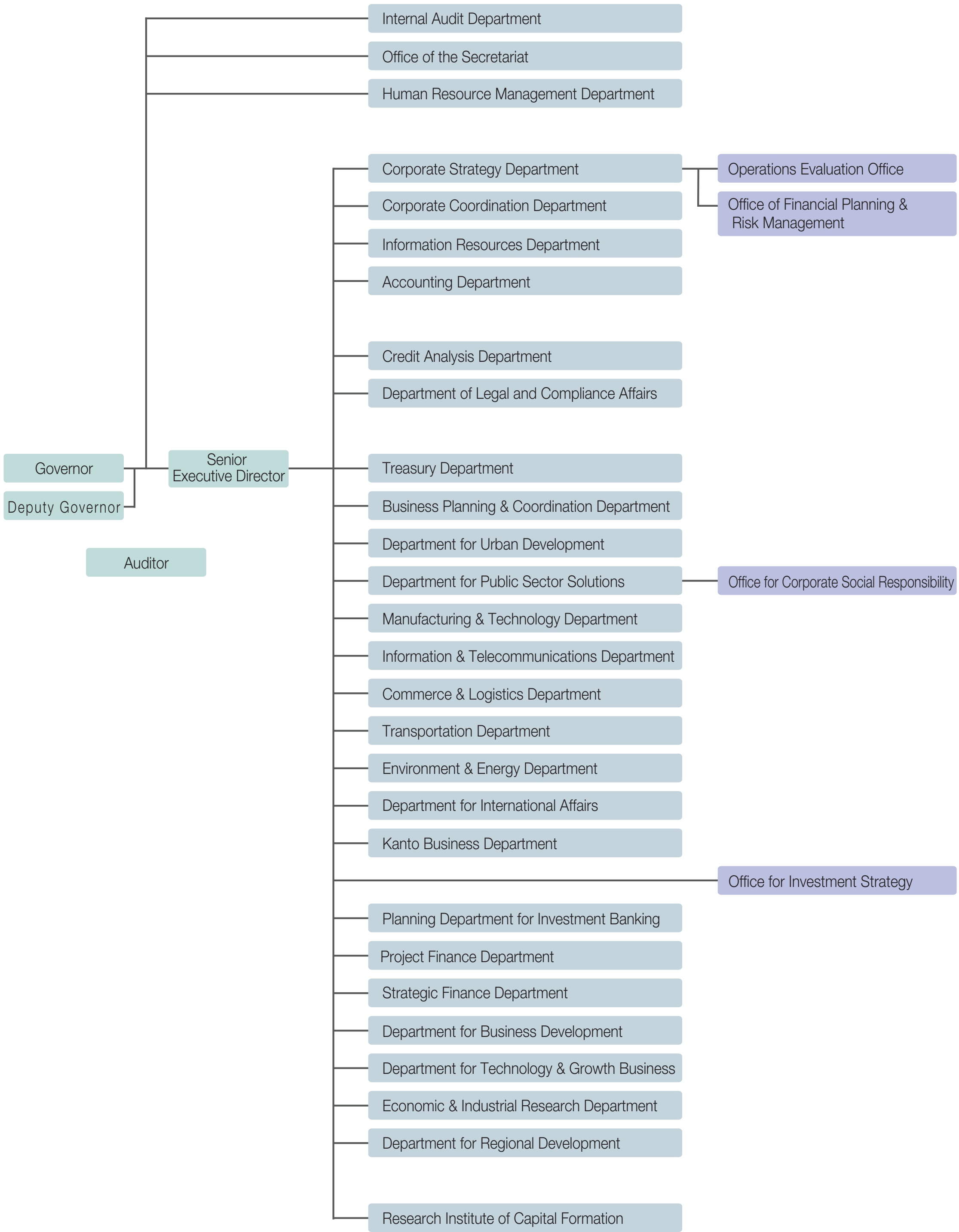
Senior Executive Director
Hiroshi Takahashi

Senior Executive Director
Akiyoshi Horiuchi

Auditor
Tsuyoshi Inoue

Auditor
Ryo Ishimori

Organization Chart (As of April 1, 2007)



Branch offices, representative offices

Branch offices: Hokkaido, Tohoku, Niigata, Hokuriku, Tokai, Kansai, Chugoku, Shikoku, Kyushu, Minami-kyushu

Representative offices: Hakodate, Kushiro, Aomori, Toyama, Matsue, Okayama, Matsuyama, Oita

Overseas representative offices

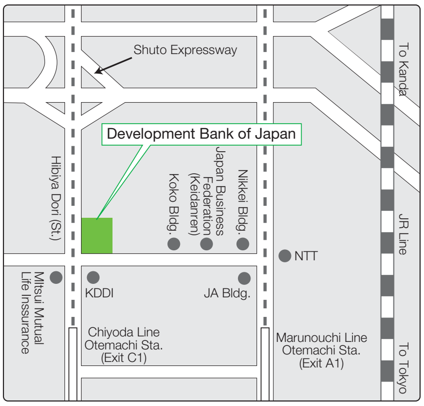
Washington, New York, Los Angeles, London, Frankfurt, Singapore

■Timeline

1951 April	Japan Development Bank established
1956 June	Hokkaido Development Finance Public Corporation established
1957 April	Hokkaido Development Finance Public Corporation reorganized as the Hokkaido-Tohoku Development Finance Public Corporation; branches opened in Sapporo and Sendai (currently, the Tohoku Branch)
1964 March	Partial revision of Hokkaido-Tohoku Development Finance Public Corporation Law (including creation of capital provision)
1972 June	Japan Development Bank Law revised 1) Objective revised to "promote both industrial and socio-economic progress" 2) Addition of investment and subdivided facility financing function involving large-scale industrial park construction business
1985 June	Japan Development Bank Law revised 1) Addition of investment function pertaining to business in such areas as research and development, urban development and energy use stipulated by government ordinance 2) Addition of R&D fund investment function
1986 September	Partial revision of Hokkaido-Tohoku Development Finance Public Corporation Law (including stipulation of zero-interest loans)
1991 April	Japan Development Bank Law revised 1) Expansion of scope of operations to include business using the transfer method 2) Issuance of Euroyen bonds 3) Creation of low interest rate loan system funded partially by sale of NTT shares
1991 April	Partial revision of Hokkaido-Tohoku Development Finance Public Corporation Law (including creation of low interest rate financing for the improvement of social capital)
1992 December	Japan Development Bank Law revised (creation of facility for additional government investment)
1997 September	Cabinet approval of bill entitled "Pertaining to Consolidation and Rationalization of Special-Purpose Companies, etc." (decision to dissolve Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation and consolidate into new bank)
1998 December	Japan Development Bank Law revised (establishment of end-of-fiscal-2003 sunset clause on measures for responding to financial market dysfunctions) 1) Addition to scope of funding of long-term working capital unrelated to facility acquisition 2) Addition to scope of operations of funds from redemption of corporate bonds 3) Addition of such functions as acquisition of publicly offered bonds
1998 December	Partial revision of Hokkaido-Tohoku Development Finance Public Corporation Law (establishment of end-of-fiscal-2003 sunset clause on measures for responding to financial market dysfunctions) 1) Addition to scope of funding of long-term working capital unrelated to facility acquisition 2) Addition of funds, including those from redemption of corporate bonds, to scope of operations
1999 June	Development Bank of Japan Law established
1999 October	Transfer of approval of all rights and responsibilities of Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation to the Development Bank of Japan Transfer of financing operations from Japan Regional Development Corporation and Japan Environment Corporation
2002 May	Partial revision of Development Bank of Japan Law (introduction of spot inspections by the Financial Services Agency)
2005 December	Cabinet approval of The Important Policy of Administrative Reform (decisions on such items as our privatization as an single entity)
2006 May	Establishment of the Law for Advancing Administrative Reform to Realize a Streamlined and Efficient Government
2006 June	Policy-Based Financing Reform Plan decided upon by the Headquarters for the Implementation of Policy Finance Reform
2007 June	Establishment of Development Bank of Japan, Inc. Law (New DBJ Law)

Locations and Directory (As of April 1, 2007)

Head Office
9-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-0004, Japan
Tel: +81-3-3270-3211
http://www.dbj.go.jp/english/index.html



Domestic Branch Offices, Representative Offices

Branch Offices:
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Hokuriku
Tokai
Kansai
Chugoku
Shikoku
Kyushu
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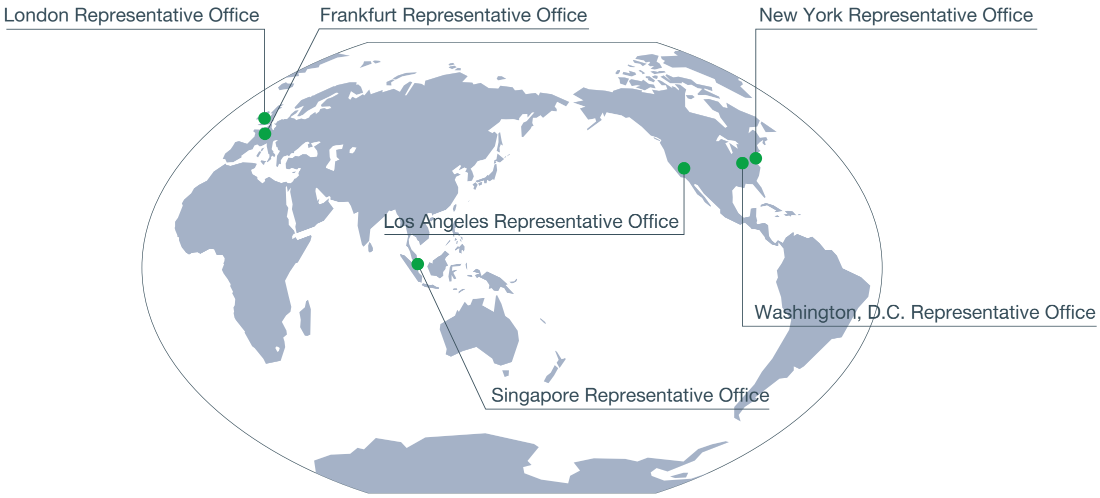

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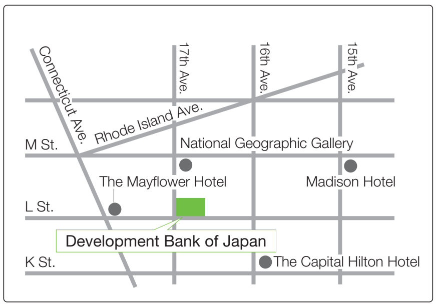

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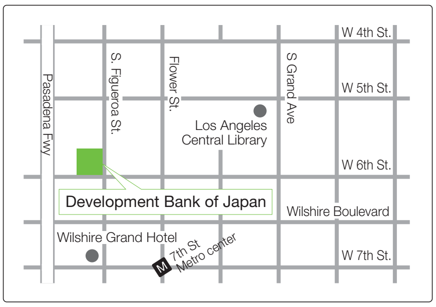

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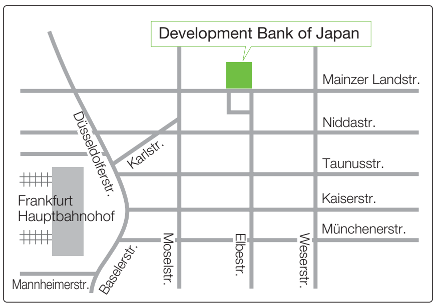

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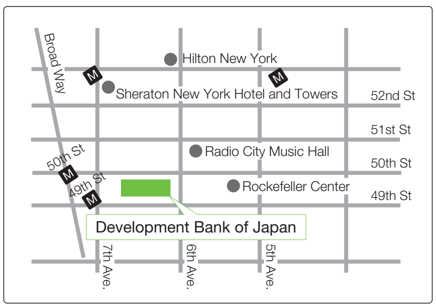

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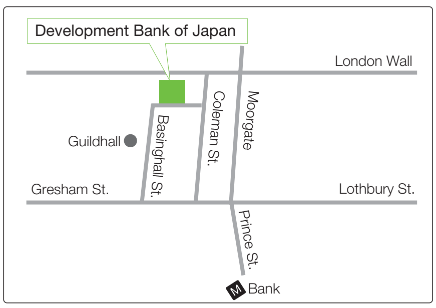

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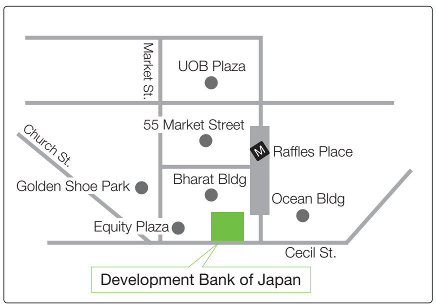

DBJ

The shape and coloring of DBJ's logo seeks to convey the sense of creativity, energy and youthful vigor with which the Bank strives to meet continuously changing socio-economic needs. The emerging egg shape illustrates our efforts to shape a continuously unfolding future.

http://www.dbj.go.jp/english/

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